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George W. Bush

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Mr. Speaker, Mr. Vice President, members of Congress: It's a great privilege to be here to outline a new budget and a new approach for governing our great country. I thank you for your invitation to speak here tonight. I know Congress had to formally invite me, and it could have been a close vote. So, Mr. Vice President, I appreciate you being here to break the tie.

I want to thank so many of you who have accepted my invitation to come to the White House to discuss important issues. We're off to a good start. I will continue to meet with you and ask for your input. You have been kind and candid, and I thank you for making a new President feel welcome.

The last time I visited the Capitol, I came to take an oath on the steps of this building. I pledged to honor our Constitution and laws. And I asked you to join me in setting a tone of civility and respect in Washington.



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I hope America is noticing the difference, because we're making progress. Together, we are changing the tone in the Nation's Capital. And this spirit of respect and cooperation is vital, because, in the end, we will be judged not only by what we say or how we say it, we will be judged by what we're able to accomplish.

America today is a nation with great challenges, but greater resources. An artist using statistics as a brush could paint two very different pictures of our country. One would have warning signs: increasing layoffs, rising energy prices, too many failing schools, persistent poverty, the stubborn vestiges of racism. Another picture would be full of blessings: a balanced budget, big surpluses, a military that is second to none, a country at peace with its neighbors, technology that is revolutionizing the world, and our greatest strength -- concerned citizens who care for our country and care for each other.

Neither picture is complete in and of itself. And tonight I challenge and invite Congress to work with me to use the resources of one picture to repaint the other; to direct the advantages of our time to solve the problems of our people. Some of these resources will come from government. Some, but not all.

Year after year in Washington, budget debates seem to come down to an old, tired argument: on one side, those who want more government, regardless of the cost; on the other, those who want less government, regardless of the need. We should leave those arguments to the last century, and chart a different course.

Government has a role, and an important role. Yet, too much government crowds out initiative and hard work, private charity and the private economy. Our new governing vision says government should be active, but limited; engaged, but not overbearing. And my budget is based on that philosophy.

It is reasonable, and it is responsible. It meets our obligations, and funds our growing needs. We increase spending next year for Social Security and Medicare, and other entitlement programs, by \$81 billion. We've increased spending for discretionary programs by a very responsible 4 percent, above the rate of inflation. My plan pays down an unprecedented amount of our national debt. And then, when money is still left over, my plan returns it to the people who earned it in the first place.



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A budget's impact is counted in dollars, but measured in lives. Excellent schools, quality health care, a secure retirement, a cleaner environment, a stronger defense -- these are all important needs, and we fund them. The highest percentage increase in our budget should go to our children's education. Education is not my top priority -- education is my top priority and, by supporting this budget, you'll make it yours, as well.

Reading is the foundation of all learning. So during the next five years, we triple spending, adding \$5 billion to help every child in America learn to read. Values are important, so we've tripled funding for character education to teach our children not only reading and writing, but right from wrong.

We've increased funding to train and recruit teachers, because we know a good education starts with a good teacher. And I have a wonderful partner in this effort. I like teachers so much, I married one. Laura has begun a new effort to recruit Americans to the profession that will shape our future -- teaching. She will travel across America to promote sound teaching practices and early reading skills in our schools and in programs such as Head Start.

When it comes to our schools, dollars alone do not always make the difference. Funding is important, and so is reform. So we must tie funding to higher standards and accountability for results.

I believe in local control of schools. We should not, and we will not, run public schools from Washington, D.C. Yet when the federal government spends tax dollars, we must insist on results. Children should be tested on basic reading and math skills every year between grades three and eight. Measuring is the only way to know whether all our children are learning. And I want to know, because I refuse to leave any child behind in America.

Critics of testing contend it distracts from learning. They talk about teaching to the test. But let's put that logic to the test. If you test a child on basic math and reading skills, and you're teaching to the test, you're teaching math and reading. And that's the whole idea. As standards rise, local schools will need more flexibility to meet them. So we must streamline the dozens of federal education programs into five, and let states spend money in those categories as they see fit.



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Schools will be given a reasonable chance to improve and the support to do so. Yet, if they don't, if they continue to fail, we must give parents and students different options -- a better public school, a private school, tutoring or a charter school. In the end, every child in a bad situation must be given a better choice because, when it comes to our children, failure is simply not an option.

Another priority in my budget is to keep the vital promises of Medicare and Social Security, and together we will do so. To meet the health care needs of all America's seniors, we double the Medicare budget over the next 10 years. My budget dedicates \$238 billion to Medicare next year alone, enough to fund all current programs and to begin a new prescription drug benefit for low-income seniors. No senior in America should have to choose between buying food and buying prescriptions.

To make sure the retirement savings of America's seniors are not diverted in any other program, my budget protects all \$2.6 trillion of the Social Security surplus for Social Security, and for Social Security alone.

My budget puts a priority on access to health care, without telling Americans what doctor they have to see or what coverage they must choose. Many working Americans do not have health care coverage, so we will help them buy their own insurance with refundable tax credits. And to provide quality care in low-income neighborhoods, over the next five years we will double the number of people served at community health care centers.

And we will address the concerns of those who have health coverage, yet worry their insurance company doesn't care and won't pay. Together this Congress and this President will find common ground to make sure doctors make medical decisions, and patients get the health care they deserve with a patients' bill of rights.

When it comes to their health, people want to get the medical care they need, not be forced to go to court because they didn't get it. We will ensure access to the courts for those with legitimate claims. But first, let's put in place a strong, independent review so we promote quality health care, not frivolous lawsuits.



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My budget also increases funding for medical research, which gives hope to many who struggle with serious disease. Our prayers tonight are with one of your own who is engaged in his own fight against cancer -- a fine representative, and a good man, Congressman Joe Moakley. I can think of no more appropriate tribute to Joe than to have the Congress finish the job of doubling the budget for the National Institutes of Health.

My new Freedom Initiative for Americans with Disabilities funds new technologies, expands opportunities to work, and makes our society more welcoming. For the more than 50 million Americans with disabilities, we need to break down barriers to equality.

The budget I propose to you also supports the people who keep our country strong and free, the men and women who serve in the United States military. I'm requesting \$5.7 billion in increased military pay and benefits, and health care and housing. Our men and women in uniform give America their best and we owe them our support.

America's veterans honored their commitment to our country through their military service. I will honor our commitment to them with a million-dollar increase to ensure better access to quality care and faster decisions on benefit claims.

My budget will improve our environment by accelerating the cleanup of toxic brownfields. And I propose we make a major investment in conservation by fully funding the Land and Water Conservation Fund. Our national parks have a special place in our country's life. Our parks are places of great natural beauty and history. As good stewards, we must leave them better than we found them. So I propose providing \$4.9 billion over five years for the upkeep of these national treasures.

And my budget adopts a hopeful new approach to help the poor and the disadvantaged. We must encourage and support the work of charities and faith-based and community groups that offer help and love one person at a time. These groups are working in every neighborhood in America to fight homelessness and addiction and domestic violence; to provide a hot meal or a mentor or a safe haven for our children. Government should welcome these groups to apply for funds, not discriminate against them.



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Government cannot be replaced by charities or volunteers. Government should not fund religious activities. But our nation should support the good works of these good people who are helping their neighbors in need. So I propose allowing all taxpayers, whether they itemize or not, to deduct their charitable contributions. Estimates show this could encourage as much as \$14 billion a year in new charitable giving, money that will save and change lives.

Our budget provides more than \$700 million over the next 10 years for a federal compassion capital fund, with a focused and noble mission, to provide a mentor to the more than 100 million children with a parent in prison, and to support other local efforts to fight illiteracy, teen pregnancy, drug addiction and other difficult problems.

With us tonight is the Mayor of Philadelphia. Please help me welcome Mayor John Street. Mayor Street has encouraged faith-based and community organizations to make a significant difference in Philadelphia. He's invited me to his city this summer to see compassionate action. I'm personally aware of just how effective the Mayor is. Mayor Street's a Democrat. Let the record show, I lost his city, big time. But some things are bigger than politics. So I look forward to coming to your city, to see your faith-based programs in action.

As government promotes compassion, it also must promote justice. Too many of our citizens have cause to doubt our nation's justice, when the law points a finger of suspicion at groups, instead of individuals. All our citizens are created equal, and must be treated equally.

Earlier today, I asked John Ashcroft, the Attorney General, to develop specific recommendations to end racial profiling. It's wrong and we will end it in America. In so doing, we will not hinder the work of our nation's brave police officers. They protect us every day -- often at great risk. But by stopping the abuses of a few, we will add to the public confidence our police officers earn and deserve.

My budget has funded a responsible increase in our ongoing operations. It has funded our nation's important priorities. It has protected Social Security and Medicare. And our surpluses are big enough that there is still money left over.

Many of you have talked about the need to pay down our national debt. I listened, and I agree. We owe it to our children and grandchildren to act now, and I hope you will join me to pay down \$2 trillion in debt during the next 10 years.



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At the end of those 10 years, we will have paid down all the debt that is available to retire. That is more debt, repaid more quickly than has ever been repaid by any nation at any time in history.

We should also prepare for the unexpected, for the uncertainties of the future. We should approach our nation's budget as any prudent family would, with a contingency fund for emergencies or additional spending needs. For example, after a strategic review, we may need to increase defense spending. We may need to increase spending for our farmers or additional money to reform Medicare. And so, my budget sets aside almost a trillion dollars over 10 years for additional needs. That is one trillion additional reasons you can feel comfortable supporting this budget.

We have increased our budget at a responsible 4 percent. We have funded our priorities. We paid down all the available debt. We have prepared for contingencies. And we still have money left over.

Yogi Berra once said, "When you come to a fork in the road, take it." Now, we come to a fork in the road; we have two choices. Even though we have already met our needs, we could spend the money on more and bigger government. That's the road our nation has traveled in recent years.

Last year, government spending shot up 8 percent. That's far more than our economy grew, far more than personal income grew, and far more than the rate of inflation. If you continue on that road, you will spend the surplus and have to dip into Social Security to pay other bills. Unrestrained government spending is a dangerous road to deficits, so we must take a different path. The other choice is to let the American people spend their own money to meet their own needs.

I hope you will join me in standing firmly on the side of the people. You see, the growing surplus exists because taxes are too high and government is charging more than it needs. The people of America have been overcharged and, on their behalf, I am here asking for a refund.



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Some say my tax plan is too big. Others say it's too small. I respectfully disagree. This plan is just right. I didn't throw darts at the board to come up with a number for tax relief. I didn't take a poll or develop an arbitrary formula that might sound good. I looked at problems in the Tax Code and calculated the cost to fix them.

A tax rate of 15 percent is too high for those who earn low wages, so we must lower the rate to 10 percent. No one should pay more than a third of the money they earn in federal income taxes, so we lowered the top rate to 33 percent.

This reform will be welcome relief for America's small businesses, which often pay taxes at the highest rate. And help for small business means jobs for Americans. We simplified the Tax Code by reducing the number of tax rates from the current five rates to four lower ones, 10 percent, 15, 25 and 33 percent. In my plan, no one is targeted in or targeted out. Everyone who pays income taxes will get relief.

Our government should not tax, and thereby discourage marriage, so we reduced the marriage penalty. I want to help families rear and support their children, so we doubled the child credit to \$1,000 per child. It's not fair to tax the same earnings twice -- once when you earn them, and again when you die -- so we must repeal the death tax.

These changes add up to significant help. A typical family with two children will save \$1,600 a year on their federal income taxes. Now, \$1,600 may not sound like a lot to some, but it means a lot to many families: \$1,600 buys gas for two cars for an entire year; it pays tuition for a year at a community college; it pays the average family grocery bill for three months. That's real money.

With us tonight representing many American families are Steven and Josefina Ramos. They are from Pennsylvania. But they could be from any one of your districts. Steven is the network administrator for a school district. Josefina is a Spanish teacher at a charter school. And they have a two-year-old daughter.

Steven and Josefina tell me they pay almost \$8,000 a year in federal income taxes. My plan will save them more than \$2,000. Let me tell you what Steven says: "Two thousand dollars a year means a lot to my family."



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If we had this money, it would help us reach our goal of paying off our personal debt in two years' time." After that, Steven and Josefina want to start saving for Lianna's college education.

My attitude is, government should never stand in the way of families achieving their dreams. And as we debate this issue, always remember, the surplus is not the government's money, the surplus is the people's money.

For lower-income families, my tax plan restores basic fairness. Right now, complicated tax rules punish hard work. A waitress supporting two children on \$25,000 a year can lose nearly half of every additional dollar she earns above the \$25,000. Her overtime, her hardest hours, are taxed at nearly 20 percent. This sends a terrible message: you'll never get ahead. But America's message must be different. We must honor hard work, never punish it. With tax relief, overtime will no longer be over-taxed time for the waitress. People with the smallest incomes will get the highest percentage of reductions. And millions of additional American families will be removed from the income tax rolls entirely.

Tax relief is right and tax relief is urgent. The long economic expansion that began almost 10 years ago is faltering. Lower interest rates will eventually help, but we cannot assume they will do the job all by themselves.

Forty years ago, and then 20 years ago, two Presidents, one Democrat, one Republican, John F. Kennedy and Ronald Reagan, advocated tax cuts to, in President Kennedy's words, get this country moving again. They knew then what we must do now. To create economic growth and opportunity, we must put money back into the hands of the people who buy goods and create jobs.

We must act quickly. The Chairman of the Federal Reserve has testified before Congress that tax cuts often come too late to stimulate economic recovery. So I want to work with you to give our economy an important jump-start by making tax relief retroactive.

We must act now because it is the right thing to do. We must also act now because we have other things to do. We must show courage to confront and resolve tough challenges, to restructure our nation's defenses, to meet our growing need for energy, and to reform Medicare and Social Security.



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America has a window of opportunity to extend and secure our present peace by promoting a distinctly American internationalism. We will work with our allies and friends to be a force for good and a champion of freedom. We will work for free markets, free trade and freedom from oppression. Nations making progress toward freedom will find America is their friend. We will promote our values. We will promote the peace. And we need a strong military to keep the peace.

But our military was shaped to confront the challenges of the past. So I've asked the Secretary of Defense to review America's Armed Forces and prepare to transform them to meet emerging threats. My budget makes a down payment on the research and development that will be required. Yet, in our broader transformation effort, we must put strategy first, then spending. Our defense vision will drive our defense budget, not the other way around.

Our nation also needs a clear strategy to confront the threats of the 21st century -- threats that are more widespread and less certain. They range from terrorists who threaten with bombs to tyrants in rogue nations intent upon developing weapons of mass destruction. To protect our own people, our allies and friends, we must develop and we must deploy effective missile defenses.

And as we transform our military, we can discard Cold War relics, and reduce our own nuclear forces to reflect today's needs. A strong America is the world's best hope for peace and freedom.

Yet the cause of freedom rests on more than our ability to defend ourselves and our allies. Freedom is exported every day, as we ship goods and products that improve the lives of millions of people. Free trade brings greater political and personal freedom. Each of the previous five Presidents has had the ability to negotiate far reaching trade agreements. Tonight I ask you to give me the strong hand of presidential trade promotion authority, and to do so quickly.

As we meet tonight, many citizens are struggling with the high cost of energy. We have a serious energy problem that demands a national energy policy. The West is confronting a major energy shortage that has resulted in high prices and uncertainty.



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I've asked federal agencies to work with California officials to help speed construction of new energy sources, and I have direct Vice President Cheney, Commerce Secretary Evans, Energy Secretary Abraham and other senior members in my administration to develop a national energy policy.

Our energy demand outstrips our supply. We can produce more energy at home while protecting our environment, and we must. We can produce more electricity to meet demand, and we must. We can promote alternative energy sources and conservation, and we must. America must become more energy-independent, and we will.

Perhaps the biggest test of our foresight and courage will be reforming Medicare and Social Security. Medicare's finances are strained and its coverage is outdated. Ninety-nine percent of employer-provided health plans offer some form of prescription drug coverage; Medicare does not. The framework for reform has been developed by Senators Frist and Breaux and Congressman Thomas, and now is the time to act.

Medicare must be modernized, and we must make sure that every senior on Medicare can choose a health care plan that offers prescription drugs.

Seven years from now, the baby boom generation will begin to claim Social Security benefits. Every one in this chamber knows that Social Security is not prepared to fully fund their retirement. And we only have a couple of years to get prepared. Without reform, this country will one day awaken to a stark choice: either a drastic rise in payroll taxes or a radical cut in retirement benefits.

There is a better way. This spring I will form a presidential commission to reform Social Security. The commission will make its recommendations by next fall. Reform should be based on these principles: It must preserve the benefits of all current retirees and those nearing retirement. It must return Social Security to sound financial footing. And it must offer personal savings accounts to younger workers who want them.

Social Security now offers workers a return of less than 2 percent on the money they pay into the system. To save the system, we must increase that by allowing younger workers to make safe, sound investments that yield a higher rate of return.



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Ownership, access to wealth and independence should not be the privilege of the few. They are the hope of every American, and we must make them the foundation of Social Security.

By confronting the tough challenge of reform, by being responsible with our budget, we can earn the trust of the American people. And we can add to that trust by enacting fair and balanced election and campaign reforms.

The agenda I have set before you tonight is worthy of a great nation. America is a nation at peace, but not a nation at rest. Much has been given to us, and much is expected. Let us agree to bridge old divides. But let us also agree that our goodwill must be dedicated to great goals. Bipartisan is more than minding our matters. It is doing our duty.

No one can speak in this Capitol and not be awed by its history. As so many turning points, debates in these chambers have reflected the collected or divided conscience of our country. And when we walk through Statuary Hall and see those men and women of marble, we're reminded of their courage and achievement.

Yet America's purpose is never found only in statues or history. America's purpose always stands before us. Our generation must show courage in a time of blessing, as our nation has always shown in times of crisis. And our courage, issue by issue, can gather to greatness and serve our country. This is the privilege and responsibility we share. And if we work together, we can prove that public service is noble.

We all came here for a reason. We all have things we want to accomplish and promises to keep. *Juntos podemos* -- together we can.

We can make Americans proud of their government. Together we can share in the credit of making our country more prosperous and generous and just, and earn from our conscience and from our fellow citizens the highest possible praise: Well done, good and faithful servants.

Thank you all. Good night and God bless.