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Madam Speaker, Vice President Cheney, Members of Congress, distinguished guests, and fellow citizens:

This rite of custom brings us together at a defining hour - when decisions are hard and courage is tested. We enter the year 2007 with large endeavors underway, and others that are ours to begin. In all of this, much is asked of us. We must have the will to face difficult challenges and determined enemies - and the wisdom to face them together.

Some in this Chamber are new to the House and Senate - and I congratulate the Democratic majority. Congress has changed, but our responsibilities have not. Each of us is guided by our own convictions - and to these we must stay faithful. Yet we are all held to the same standards, and called to serve the same good purposes: To extend this Nation's prosperity ... to spend the people's money wisely ... to solve problems, not leave them to future generations ... to guard America against all evil, and to keep faith with those we have sent forth to defend us.

We are not the first to come here with government divided and uncertainty in the air. Like many before us, we can work through our differences, and achieve big things for the American people. Our citizens don't much care which side of the aisle we sit on - as long as we are willing to cross that aisle when there is work to be done. Our job is to make life better for our fellow Americans, and help them to build a future of hope and opportunity - and this is the business before us tonight.

A future of hope and opportunity begins with a growing economy - and that is what we have. We are now in the 41st

month of uninterrupted job growth - in a recovery that has created 7.2 million new jobs ... so far. Unemployment is low, inflation is low, and wages are rising. This economy is on the move - and our job is to keep it that way, not with more government but with more enterprise.

Next week, I will deliver a full report on the state of our economy. Tonight, I want to discuss three economic reforms that deserve to be priorities for this Congress.

First, we must balance the federal budget. We can do so without raising taxes. What we need to do is impose spending discipline in Washington, D.C. We set a goal of cutting the deficit in half by 2009 - and met that goal three years ahead of schedule. Now let us take the next step. In the coming weeks, I will submit a budget that eliminates the federal deficit within the next five years. I ask you to make the same commitment. Together, we can restrain the spending appetite of the federal government, and balance the federal budget.

Next, there is the matter of earmarks. These special interest items are often slipped into bills at the last hour - when not even C-SPAN is watching. In 2005 alone, the number of earmarks grew to over 13,000 and totaled nearly \$18 billion. Even worse, over 90 percent of earmarks never make it to the floor of the House and Senate - they are dropped into Committee reports that are not even part of the bill that arrives on my desk. You did not vote them into law. I did not sign them into law. Yet they are treated as if they have the force of law. The time has come to end this practice. So let us work together to reform the budget process ... expose every earmark to the light of day and to a vote in Congress ... and cut the number and cost of earmarks at least in half by the end of this session.

Finally, to keep this economy strong we must take on the challenge of entitlements. Social Security and Medicare and Medicaid are commitments of conscience - and so it is our duty to keep them permanently sound. Yet we are failing in that duty - and this failure will one day leave our children with three bad options: huge tax increases, huge deficits, or huge and immediate cuts in benefits. Everyone in this Chamber knows this to be true - yet somehow we have not found it in ourselves to act. So let us work together and do it now. With enough good sense

and good will, you and I can fix Medicare and Medicaid - and save Social Security.

Spreading opportunity and hope in America also requires public schools that give children the knowledge and character they need in life. Five years ago, we rose above partisan differences to pass the No Child Left Behind Act - preserving local control, raising standards in public schools, and holding those schools accountable for results. And because we acted, students are performing better in reading and math, and minority students are closing the achievement gap.

Now the task is to build on this success, without watering down standards ... without taking control from local communities ... and without backsliding and calling it reform. We can lift student achievement even higher by giving local leaders flexibility to turn around failing schools ... and by giving families with children stuck in failing schools the right to choose something better. We must increase funds for students who struggle - and make sure these children get the special help they need. And we can make sure our children are prepared for the jobs of the future, and our country is more competitive, by strengthening math and science skills. The No Child Left Behind Act has worked for America's children - and I ask Congress to reauthorize this good law.

A future of hope and opportunity requires that all our citizens have affordable and available healthcare. When it comes to healthcare, government has an obligation to care for the elderly, the disabled, and poor children. We will meet those responsibilities. For all other Americans, private health insurance is the best way to meet their needs. But many Americans cannot afford a health insurance policy.

Tonight, I propose two new initiatives to help more Americans afford their own insurance. First, I propose a standard tax deduction for health insurance that will be like the standard tax deduction for dependents. Families with health insurance will pay no income or payroll taxes on \$15,000 of their income. Single Americans with health insurance will pay no income or payroll taxes on \$7,500 of their income. With this reform, more than 100 million men, women, and children who are now covered by employer-provided insurance will benefit from lower tax bills.

At the same time, this reform will level the playing field for those who do not get health insurance through their job. For Americans who now purchase health insurance on their own, my proposal would mean a substantial tax savings - \$4,500 for a family of four making \$60,000 a year. And for the millions of other Americans who have no health insurance at all, this deduction would help put a basic private health insurance plan within their reach. Changing the tax code is a vital and necessary step to making healthcare affordable for more Americans.

My second proposal is to help the states that are coming up with innovative ways to cover the uninsured. States that make basic private health insurance available to all their citizens should receive federal funds to help them provide this coverage to the poor and the sick. I have asked the Secretary of Health and Human Services to work with Congress to take existing federal funds and use them to create "Affordable Choices" grants. These grants would give our Nation's governors more money and more flexibility to get private health insurance to those most in need.

There are many other ways that Congress can help. We need to expand Health Savings Accounts ... help small businesses through Association Health Plans ... reduce costs and medical errors with better information technology ... encourage price transparency ... and protect good doctors from junk lawsuits by passing medical liability reform. And in all we do, we must remember that the best healthcare decisions are made not by government and insurance companies, but by patients and their doctors.

Extending hope and opportunity in our country requires an immigration system worthy of America - with laws that are fair and borders that are secure. When laws and borders are routinely violated, this harms the interests of our country. To secure our border, we are doubling the size of the Border Patrol - and funding new infrastructure and technology.

Yet even with all these steps, we cannot fully secure the border unless we take pressure off the border - and that requires a temporary worker program. We should establish a legal and orderly path for foreign workers to enter our country to work on a temporary basis. As a

result, they won't have to try to sneak in - and that will leave border agents free to chase down drug smugglers, and criminals, and terrorists. We will enforce our immigration laws at the worksite, and give employers the tools to verify the legal status of their workers - so there is no excuse left for violating the law. We need to uphold the great tradition of the melting pot that welcomes and assimilates new arrivals. And we need to resolve the status of the illegal immigrants who are already in our country - without animosity and without amnesty.

Convictions run deep in this Capitol when it comes to immigration. Let us have a serious, civil, and conclusive debate - so that you can pass, and I can sign, comprehensive immigration reform into law.

Extending hope and opportunity depends on a stable supply of energy that keeps America's economy running and America's environment clean. For too long our Nation has been dependent on foreign oil. And this dependence leaves us more vulnerable to hostile regimes, and to terrorists - who could cause huge disruptions of oil shipments ... raise the price of oil ... and do great harm to our economy.

It is in our vital interest to diversify America's energy supply - and the way forward is through technology. We must continue changing the way America generates electric power - by even greater use of clean coal technology ... solar and wind energy ... and clean, safe nuclear power. We need to press on with battery research for plug-in and hybrid vehicles, and expand the use of clean diesel vehicles and biodiesel fuel. We must continue investing in new methods of producing ethanol - using everything from wood chips, to grasses, to agricultural wastes.

We have made a lot of progress, thanks to good policies in Washington and the strong response of the market. Now even more dramatic advances are within reach. Tonight, I ask Congress to join me in pursuing a great goal. Let us build on the work we have done and reduce gasoline usage in the United States by 20 percent in the next ten years - thereby cutting our total imports by the equivalent of three-quarters of all the oil we now import from the Middle East.

To reach this goal, we must increase the supply of alternative fuels, by setting a mandatory Fuels Standard to require 35 billion gallons of renewable and alternative fuels in 2017 - this is nearly five times the current target. At the same time, we need to reform and modernize fuel economy standards for cars the way we did for light trucks - and conserve up to eight and a half billion more gallons of gasoline by 2017.

Achieving these ambitious goals will dramatically reduce our dependence on foreign oil, but will not eliminate it. So as we continue to diversify our fuel supply, we must also step up domestic oil production in environmentally sensitive ways. And to further protect America against severe disruptions to our oil supply, I ask Congress to double the current capacity of the Strategic Petroleum Reserve.

America is on the verge of technological breakthroughs that will enable us to live our lives less dependent on oil. These technologies will help us become better stewards of the environment - and they will help us to confront the serious challenge of global climate change.

A future of hope and opportunity requires a fair, impartial system of justice. The lives of citizens across our Nation are affected by the outcome of cases pending in our federal courts. And we have a shared obligation to ensure that the federal courts have enough judges to hear those cases and deliver timely rulings. As President, I have a duty to nominate qualified men and women to vacancies on the federal bench. And the United States Senate has a duty as well - to give those nominees a fair hearing, and a prompt up-or-down vote on the Senate floor.

For all of us in this room, there is no higher responsibility than to protect the people of this country from danger. Five years have come and gone since we saw the scenes and felt the sorrow that terrorists can cause. We have had time to take stock of our situation. We have added many critical protections to guard the homeland. We know with certainty that the horrors of that September morning were just a glimpse of what the terrorists intend for us - unless we stop them.

With the distance of time, we find ourselves debating the causes of conflict and the course we have followed.

Such debates are essential when a great democracy faces great questions. Yet one question has surely been settled - that to win the war on terror we must take the fight to the enemy.

From the start, America and our allies have protected our people by staying on the offense. The enemy knows that the days of comfortable sanctuary, easy movement, steady financing, and free flowing communications are long over. For the terrorists, life since Nine-Eleven has never been the same.

Our success in this war is often measured by the things that did not happen. We cannot know the full extent of the attacks that we and our allies have prevented - but here is some of what we do know: We stopped an al Qaeda plot to fly a hijacked airplane into the tallest building on the West Coast. We broke up a Southeast Asian terrorist cell grooming operatives for attacks inside the United States. We uncovered an al Qaeda cell developing anthrax to be used in attacks against America. And just last August, British authorities uncovered a plot to blow up passenger planes bound for America over the Atlantic Ocean. For each life saved, we owe a debt of gratitude to the brave public servants who devote their lives to finding the terrorists and stopping them.

Every success against the terrorists is a reminder of the shoreless ambitions of this enemy. The evil that inspired and rejoiced in Nine-Eleven is still at work in the world. And so long as that is the case, America is still a Nation at war.

In the minds of the terrorists, this war began well before September 11th, and will not end until their radical vision is fulfilled. And these past five years have given us a much clearer view of the nature of this enemy. Al Qaeda and its followers are Sunni extremists, possessed by hatred and commanded by a harsh and narrow ideology. Take almost any principle of civilization, and their goal is the opposite. They preach with threats ... instruct with bullets and bombs ... and promise paradise for the murder of the innocent.

Our enemies are quite explicit about their intentions. They want to overthrow moderate governments, and establish safe havens from which to plan and carry out

new attacks on our country. By killing and terrorizing Americans, they want to force our country to retreat from the world and abandon the cause of liberty. They would then be free to impose their will and spread their totalitarian ideology. Listen to this warning from the late terrorist Zargawi: "We will sacrifice our blood and bodies to put an end to your dreams, and what is coming is even worse." And Osama bin Laden declared: "Death is better than living on this Earth with the unbelievers among us."

These men are not given to idle words, and they are just one camp in the Islamist radical movement. In recent times, it has also become clear that we face an escalating danger from Shia extremists who are just as hostile to America, and are also determined to dominate the Middle East. Many are known to take direction from the regime in Iran, which is funding and arming terrorists like Hezbollah - a group second only to al Qaeda in the American lives it has taken.

The Shia and Sunni extremists are different faces of the same totalitarian threat. But whatever slogans they chant, when they slaughter the innocent, they have the same wicked purposes. They want to kill Americans ... kill democracy in the Middle East ... and gain the weapons to kill on an even more horrific scale.

In the sixth year since our Nation was attacked, I wish I could report to you that the dangers have ended. They have not. And so it remains the policy of this government to use every lawful and proper tool of intelligence, diplomacy, law enforcement, and military action to do our duty, to find these enemies, and to protect the American people.

This war is more than a clash of arms - it is a decisive ideological struggle, and the security of our Nation is in the balance. To prevail, we must remove the conditions that inspire blind hatred, and drove 19 men to get onto airplanes and come to kill us. What every terrorist fears most is human freedom - societies where men and women make their own choices, answer to their own conscience, and live by their hopes instead of their resentments. Free people are not drawn to violent and malignant ideologies - and most will choose a better way when they are given a chance. So we advance our own

security interests by helping moderates, reformers, and brave voices for democracy. The great question of our day is whether America will help men and women in the Middle East to build free societies and share in the rights of all humanity. And I say, for the sake of our own security . . . we must.

In the last two years, we have seen the desire for liberty in the broader Middle East - and we have been sobered by the enemy's fierce reaction. In 2005, the world watched as the citizens of Lebanon raised the banner of the Cedar Revolution ... drove out the Syrian occupiers ... and chose new leaders in free elections. In 2005, the people of Afghanistan defied the terrorists and elected a democratic legislature. And in 2005, the Iraqi people held three national elections - choosing a transitional government ... adopting the most progressive, democratic constitution in the Arab world ... and then electing a government under that constitution. Despite endless threats from the killers in their midst, nearly 12 million Iraqi citizens came out to vote in a show of hope and solidarity we should never forget.

A thinking enemy watched all of these scenes, adjusted their tactics, and in 2006 they struck back. In Lebanon, assassins took the life of Pierre Gemayel, a prominent participant in the Cedar Revolution. And Hezbollah terrorists, with support from Syria and Iran, sowed conflict in the region and are seeking to undermine Lebanon's legitimately elected government. In Afghanistan, Taliban and al Qaeda fighters tried to regain power by regrouping and engaging Afghan and NATO forces. In Iraq, al Qaeda and other Sunni extremists blew up one of the most sacred places in Shia Islam - the Golden Mosque of Samarra. This atrocity, directed at a Muslim house of prayer, was designed to provoke retaliation from Iraqi Shia - and it succeeded. Radical Shia elements, some of whom receive support from Iran, formed death squads. The result was a tragic escalation of sectarian rage and reprisal that continues to this day.

This is not the fight we entered in Iraq, but it is the fight we are in. Every one of us wishes that this war were over and won. Yet it would not be like us to leave our promises unkept, our friends abandoned, and our own security at risk. Ladies and gentlemen: On this day, at this hour, it is still within our power to shape the

outcome of this battle. So let us find our resolve, and turn events toward victory.

We are carrying out a new strategy in Iraq - a plan that demands more from Iraq's elected government, and gives our forces in Iraq the reinforcements they need to complete their mission. Our goal is a democratic Iraq that upholds the rule of law, respects the rights of its people, provides them security, and is an ally in the war on terror.

In order to make progress toward this goal, the Iraqi government must stop the sectarian violence in its capital. But the Iraqis are not yet ready to do this on their own. So we are deploying reinforcements of more than 20,000 additional soldiers and Marines to Iraq. The vast majority will go to Baghdad, where they will help Iraqi forces to clear and secure neighborhoods, and serve as advisers embedded in Iraqi Army units. With Iraqis in the lead, our forces will help secure the city by chasing down terrorists, insurgents, and roaming death squads. And in Anbar province - where al Qaeda terrorists have gathered and local forces have begun showing a willingness to fight them - we are sending an additional 4,000 United States Marines, with orders to find the terrorists and clear them out. We did not drive al Qaeda out of their safe haven in Afghanistan only to let them set up a new safe haven in a free Iraq.

The people of Iraq want to live in peace, and now is the time for their government to act. Iraq's leaders know that our commitment is not open ended. They have promised to deploy more of their own troops to secure Baghdad - and they must do so. They have pledged that they will confront violent radicals of any faction or political party. They need to follow through, and lift needless restrictions on Iraqi and Coalition forces, so these troops can achieve their mission of bringing security to all of the people of Baghdad. Iraq's leaders have committed themselves to a series of benchmarks to achieve reconciliation - to share oil revenues among all of Iraq's citizens ... to put the wealth of Iraq into the rebuilding of Iraq ... to allow more Iraqis to re-enter their nation's civic life ... to hold local elections ... and to take responsibility for security in every Iraqi province. But for all of this to happen, Baghdad must be secured. And our plan will help

the Iraqi government take back its capital and make good on its commitments.

My fellow citizens, our military commanders and I have carefully weighed the options. We discussed every possible approach. In the end, I chose this course of action because it provides the best chance of success. Many in this chamber understand that America must not fail in Iraq - because you understand that the consequences of failure would be grievous and far reaching.

If American forces step back before Baghdad is secure, the Iraqi government would be overrun by extremists on all sides. We could expect an epic battle between Shia extremists backed by Iran, and Sunni extremists aided by al Qaeda and supporters of the old regime. A contagion of violence could spill out across the country - and in time the entire region could be drawn into the conflict.

For America, this is a nightmare scenario. For the enemy, this is the objective. Chaos is their greatest ally in this struggle. And out of chaos in Iraq, would emerge an emboldened enemy with new safe havens... new recruits ... new resources ... and an even greater determination to harm America. To allow this to happen would be to ignore the lessons of September 11th and invite tragedy. And ladies and gentlemen, nothing is more important at this moment in our history than for America to succeed in the Middle East ... to succeed in Iraq ... and to spare the American people from this danger.

This is where matters stand tonight, in the here and now. I have spoken with many of you in person. I respect you and the arguments you have made. We went into this largely united - in our assumptions, and in our convictions. And whatever you voted for, you did not vote for failure. Our country is pursuing a new strategy in Iraq - and I ask you to give it a chance to work. And I ask you to support our troops in the field - and those on their way.

The war on terror we fight today is a generational struggle that will continue long after you and I have turned our duties over to others. That is why it is important to work together so our Nation can see this great effort through. Both parties and both branches should work in close consultation. And this is why I propose to

establish a special advisory council on the war on terror, made up of leaders in Congress from both political parties. We will share ideas for how to position America to meet every challenge that confronts us. And we will show our enemies abroad that we are united in the goal of victory.

One of the first steps we can take together is to add to the ranks of our military - so that the American Armed Forces are ready for all the challenges ahead. Tonight I ask the Congress to authorize an increase in the size of our active Army and Marine Corps by 92,000 in the next five years. A second task we can take on together is to design and establish a volunteer Civilian Reserve Corps. Such a corps would function much like our military reserve. It would ease the burden on the Armed Forces by allowing us to hire civilians with critical skills to serve on missions abroad when America needs them. And it would give people across America who do not wear the uniform a chance to serve in the defining struggle of our time.

Americans can have confidence in the outcome of this struggle - because we are not in this struggle alone. We have a diplomatic strategy that is rallying the world to join in the fight against extremism. In Iraq, multinational forces are operating under a mandate from the United Nations - and we are working with Jordan, Saudi Arabia, Egypt, and the Gulf States to increase support for Iraq's government. The United Nations has imposed sanctions on Iran, and made it clear that the world will not allow the regime in Tehran to acquire nuclear weapons. With the other members of the Quartet - the UN, the European Union, and Russia - we are pursuing diplomacy to help bring peace to the Holy Land, and pursuing the establishment of a democratic Palestinian state living side-by-side with Israel in peace and security. In Afghanistan, NATO has taken the lead in turning back the Taliban and al Qaeda offensive - the first time the Alliance has deployed forces outside the North Atlantic area. Together with our partners in China, Japan, Russia, and South Korea, we are pursuing intensive diplomacy to achieve a Korean Peninsula free of nuclear weapons. And we will continue to speak out for the cause of freedom in places like Cuba, Belarus, and Burma - and continue to awaken the conscience of the world to save the people of Darfur.

American foreign policy is more than a matter of war and diplomacy. Our work in the world is also based on a timeless truth: To whom much is given, much is required. We hear the call to take on the challenges of hunger, poverty, and disease - and that is precisely what America is doing. We must continue to fight HIV/AIDS, especially on the continent of Africa - and because you funded our Emergency Plan for AIDS Relief, the number of people receiving life-saving drugs has grown from 50,000 to more than 800,000 in three short years. I ask you to continue funding our efforts to fight HIV/AIDS. I ask you to provide \$1.2 billion over five years so we can combat malaria in 15 African countries. I ask that you fund the Millennium Challenge Account, so that American aid reaches the people who need it, in nations where democracy is on the rise and corruption is in retreat. And let us continue to support the expanded trade and debt relief that are the best hope for lifting lives and eliminating poverty.

When America serves others in this way, we show the strength and generosity of our country. These deeds reflect the character of our people. The greatest strength we have is the heroic kindness, courage, and self sacrifice of the American people. You see this spirit often if you know where to look - and tonight we need only look above to the gallery.

Dikembe Mutombo grew up in Africa, amid great poverty and disease. He came to Georgetown University on a scholarship to study medicine - but Coach John Thompson got a look at Dikembe and had a different idea. Dikembe became a star in the NBA, and a citizen of the United States. But he never forgot the land of his birth - or the duty to share his blessings with others. He has built a brand new hospital in his hometown. A friend has said of this good hearted man: "Mutombo believes that God has given him this opportunity to do great things." And we are proud to call this son of the Congo our fellow American.

After her daughter was born, Julie Aigner-Clark searched for ways to share her love of music and art with her child. So she borrowed some equipment, and began filming children's videos in her basement. The Baby Einstein Company was born - and in just five years her business grew to more than \$20 million in sales. In November 2001, Julie sold Baby Einstein to the Walt Disney Company, and with her help Baby Einstein has grown into a

\$200 million business. Julie represents the great enterprising spirit of America. And she is using her success to help others - producing child safety videos with John Walsh of the National Center for Missing and Exploited Children. Julie says of her new project: "I believe it's the most important thing that I've ever done. I believe that children have the right to live in a world that is safe." We are pleased to welcome this talented business entrepreneur and generous social entrepreneur - Julie Aigner-Clark.

Three weeks ago, Wesley Autrey was waiting at a Harlem subway station with his two little girls, when he saw a man fall into the path of a train. With seconds to act, Wesley jumped onto the tracks ... pulled the man into a space between the rails ... and held him as the train passed right above their heads. He insists he's not a hero. Wesley says: "We got guys and girls overseas dying for us to have our freedoms. We got to show each other some love." There is something wonderful about a country that produces a brave and humble man like Wesley Autrey.

Tommy Rieman was a teenager pumping gas in Independence, Kentucky, when he enlisted in the United States Army. In December 2003, he was on a reconnaissance mission in Iraq when his team came under heavy enemy fire. From his Humvee, Sergeant Rieman returned fire - and used his body as a shield to protect his gunner. He was shot in the chest and arm, and received shrapnel wounds to his legs - yet he refused medical attention, and stayed in the fight. He helped to repel a second attack, firing grenades at the enemy's position. For his exceptional courage, Sergeant Rieman was awarded the Silver Star. And like so many other Americans who have volunteered to defend us, he has earned the respect and gratitude of our whole country.

In such courage and compassion, ladies and gentlemen, we see the spirit and character of America - and these qualities are not in short supply. This is a decent and honorable country - and resilient, too. We have been through a lot together. We have met challenges and faced dangers, and we know that more lie ahead. Yet we can go forward with confidence - because the State of our Union is strong ... our cause in the world is right ... and tonight that cause goes on.

