



State of the Union Fact Check: Obama's Rhetoric vs. Reality

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FACT CHECK: HEALTH CARE

Obama said: *For decades, few things exposed hard-working families to economic hardship more than a broken health care system. And in case you haven't heard, we're in the process of fixing that.*

It's Complicated. A 2013 study from Centers of Disease Control said one in five Americans had difficulty paying medical bills.

"I think that is a fair statement. Health care is a big part of family budgets and employer budgets as well," said Larry Levitt, senior vice president for special initiatives at the Kaiser Family Foundation. "It's a major factor in personal bankruptcy. In some sense luck of the draw if you have a perfect condition or face considerable health care costs. And it could bankrupt families."

Health care costs continue to rise, but for the fourth year in a row they are going up at a slower rate. Data from the Centers of Medicare and Medicaid Services show in 2012 health expenditures increased by only 3.7 percent, whereas health care spending per person grew at an average rate of 5.6 percent a year between 2000 and 2010, according to the AARP.

Is Obamacare the reason? Like any new relationship, it's complicated. As ABC News reported earlier this month, the Affordable Care Act has had a "minimal impact" on overall health spending since 2010, according to CMS, but it has been a net positive one. Agency officials believe changes to Medicare will result in savings, as well as new regulations aimed at lowering hospital admissions. Still, experts say the current trends are consistent with other post-recession periods, with high unemployment, declining incomes, and changing insurance markets all factoring in.

"The Affordable Care Act remains controversial. Public opinion is divided," Levitt noted.

"[Obama] didn't talk about some of the more controversial elements, like the individual mandate or the fact that some people saw their policy canceled or had their premiums increase.

"It will take a while to get people enrolled," he continued.

FACT CHECK: SMALL BUSINESS LOANS

Obama said: *Over the past five years, my administration has made more loans to small business owners than any other. And when ninety-eight percent of our exporters are small businesses, new trade partnerships with Europe and the Asia-Pacific will help them create more jobs.*

Depends. Are we talking dollar amount or purely number of loan? Since 2009, a total of approximately \$74 billion in loans were given out to small businesses through the SBA 7(a) program, the government program that provides loans to small businesses, and the amount per year has grown.

2013 - \$17.8 billion

2012 - \$15.1 billion

2011 - \$19.6 billion

2010 - \$12.5 billion

2009 - \$9.3 billion

And according to Bob Coleman, editor of The Coleman Report, when tracking the numbers back to 1997, Obama is right.

However, if we look purely at number of loans not dollars given, he is wrong. Between 2009 and 2013, President Obama's been in office, a total of 235,700 loans have been approved. And looking at 2004-2008, the Bush years, 443,433 loans were given.

One important point Coleman makes is to remember that the lenders who made these loans "lost their shirt and cut off their small loan program when the recession hit."

Meanwhile, economist David M. Jones, President and CEO of DMJ Advisors, LLC, points out that just because there are more small business loans given by the administration, it is not necessarily a sign of a strengthening economy.

"What it underscores is how strict the lending practices of our private banks and other private institutions have been in this recovery," Jones said. "That is the problem that has held back the pace of recovery...this far in to a recovery should not be up to the Small Business Administration to be making loans to businesses-it's a sign of a weakness in the economy."

When it comes to how many small businesses export, Obama got it right.

According to the Small Business and Entrepreneurship Council: "A total of 286,661 Small and medium-sized enterprises exported from the United States in 2010, accounting for 97.8 percent of all U.S. exporters."

And the International Trade Administration reports that a record of 302,000 U.S. companies exported goods in 2011, with about 98 percent being small or medium-sized companies (those with less than 500 employees)"

FACT CHECK: CARBON EMISSIONS

Obama said: *Taken together, our energy policy is creating jobs and leading to a cleaner, safer planet. Over the past eight years, the United States has reduced our total carbon pollution more than any other nation on Earth.*

Mostly Fact. A 2012 report by the U.S. Energy Information Administration found that U.S. carbon emissions had dropped to a 20-year low. Also that year, the International Energy Agency said America cut carbon dioxide emissions more than any other country in the last six years. More recent reports name the U.S. as a world leader in cutting carbon emissions among developed nation.

Moreover, a report by the EAI released in mid-January predicts that the U.S.'s energy-related CO2 emissions will rise 2 percent in 2013. The EAI attributes the increase from the 2012 rate to small increases in coal consumption in the electric power sector.

FACT CHECK: ENERGY

Obama said: *Now, one of the biggest factors in bringing more jobs back is our commitment to American energy. The all-of-the-above energy strategy I announced a few years ago is working, and today, America is closer to energy independence than we've been in decades.*

Partly Fiction/Too Early to Tell. According to the U.S. Energy Information Administration U.S. petroleum imports have declined as a total share from 60 percent in 2005 to 40 percent in 2012, reflecting an increase in domestic supply. However, Obama tying the "all-of-the-above energy strategy" he announced in 2012 as the reason to being "closer to energy independence," is a bit of a stretch. According to the U.S. Energy Information Administration, U.S. energy production by Natural Gas and Renewables and Nuclear has been on the uptick for the past two decades. While domestic oil production has seen an improvement after reaching low in 2008.

According to the U.S. EIA's November 2013 report, as of October 2013 the country produced an average 7.8 million barrels of oil a day while importing 7.5 million. But increased production is only half the story: Oil demand has fallen, and when demand is down imports are pulled back. Part of this was from more stringent fuel standards in vehicles and more energy-efficient technologies. But the recession itself also contributed, as Americans tightened their belts to make ends meet.

FACT CHECK: IRAN

Obama said: *And it is American diplomacy, backed by pressure, that has halted the progress of Iran's nuclear program - and rolled parts of that program back - for the very first time in a decade. As we gather here tonight, Iran has begun to eliminate its stockpile of higher levels of*

enriched uranium. It is not installing advanced centrifuges. Unprecedented inspections help the world verify, every day, that Iran is not building a bomb. And with our allies and partners, we're engaged in negotiations to see if we can peacefully achieve a goal we all share: preventing Iran from obtaining a nuclear weapon.

Mostly Fact. President Obama did not say that Iran's rollback of its nuclear program is temporary - only for six months as talks progress towards a final deal - and could be reversed if the talks prove unsuccessful .

In his remarks, President Obama is referencing the interim agreement that six world powers reached with Iran in late November, the first step in trying to reach a comprehensive deal to eliminate Iran's nuclear program. The six countries are the United States, the United Kingdom, China, France, Russia and Germany.

The agreement called for a six-month timeframe to reach a final deal during which Iran committed to reductions in its nuclear program in return for an easing of \$7 billion in international sanctions that have had a significant impact on Iran's economy. Iran's President Hassan Rouhani was elected last summer on a platform to ease those sanctions, and which led to Iran agreeing to talks with the six world powers.

Iran's uranium enrichment program has drawn concern for years from the international community that it was part of a secret effort to produce a nuclear weapon despite Iran's denials that it was for peaceful purposes.

The deal was implemented on Jan. 20 and during the next six months Iran has agreed to limit its uranium enrichment to 5 percent , eliminate its stockpile of uranium enriched to 20 percent and open its nuclear facilities to international inspectors.

Since the interim agreement was first reached, Iran's leaders have sent mixed signals about whether a final comprehensive deal can be reached. If not, they have indicated that the program could be re-started very quickly, last week Deputy Foreign Minister Abbas Araghci said that Iran could resume production of 20 percent uranium in "one day".

President Obama said in his State of the Union speech that he would veto any additional sanctions passed by Congress over the next six months. He made the veto threat because the interim agreement is nullified should any of the six powers implement additional sanctions on Iran.

FACT CHECK: EDUCATION

Obama said: *Five years ago, we set out to change the odds for all our kids. We worked with lenders to reform student loans, and today, more young people are earning college degrees than ever before. Race to the Top, with the help of governors from both parties, has helped states raise expectations and performance. Teachers and principals in schools from Tennessee to Washington, D.C., are making big strides in preparing students with skills for the new economy - problem solving, critical thinking, science, technology, engineering, and math. Some of this*

change is hard. It requires everything from more challenging curriculums and more demanding parents to better support for teachers and new ways to measure how well our kids think, not how well they can fill in a bubble on a test. But it's worth it - and it's working.

Mostly Fact. The National Center for Education Statistics reports that in 2012, 30.9 percent of Americans over 25 years of age held at least a bachelor's degree, compared with 23 percent in 1995.

"Federal student loan reform was achieved despite strong opposition from private lenders. But today many private companies service federal student loans as per competitive contract with the US Department of Education," said Michael Dannenberg, Director of Higher Education for The Education Trust. "Overall tens of billions of taxpayer dollars have been saved and redirected from bank subsidies into student financial aid. It was and remains a huge higher education victory for the President."

College dropout rates are still high, which Dannenberg attributes to the "war on affordability and the crisis of completion."

Mary Nguyen Barry, a higher education research and policy analyst for The Education Trust, calls U.S. graduation rates "stagnant."

"Less than four in 10 students graduate within four years, the timeframe at which most students expect to graduate," Barry said. "Even within six years, only 59 percent graduate within six years, with big gaps for students of color: 63 percent for white students and 71 percent for Asian students, but only 40 percent for African American students and American Indian students, and 52 percent for Latino students."

Even though the U.S. ranks fourth in overall degree attainment among adults aged 25-64, our world standing dropped to 11th for those aged 25-34, according to Organization for Economic Co-operation and Development.

Daria Hall, director of K-12 Policy for The Education Trust, tells ABC that Race to the Top has raised expectations through adopting and implementing college and career-ready standards, but the performance record is mixed.

"Some RTTT winners, like TN and DC, saw big gains across groups on the most recent NAEP," Hall said. "Others lost ground. In Ohio, for example, black fourth graders declined in reading."

Jon Fullerton, professor and executive director of Harvard's Center of Education Policy Research, adds that it may be too early to tell.

"Race to the Top has clearly provided large and impressive policy changes," Fullerton said. "It's probably too early to know what the outcome is. Teacher evaluation systems are just going online and teaching in Common Core standards is just beginning this year. Some of the tests haven't been used yet, so we don't know what the longer-term outcomes will be."

FACT CHECK: THE ECONOMY

Obama said: *The lowest unemployment rate in over five years. A rebounding housing market. A manufacturing sector that's adding jobs for the first time since the 1990s. More oil produced at home than we buy from the rest of the world - the first time that's happened in nearly twenty years. Our deficits - cut by more than half.*

The lowest unemployment rate in over five years.

Fact, with a big caveat. As of December 2013 the national unemployment rate was 6.7 percent, continuing a nearly-continuous downward trend after peaking in 2009, the same year the president assumed office. The last time it was lower was October 2008 at 6.5 percent, according to the Bureau of Labor Statistics.

But it should be noted that the that a large contributor to that falling unemployment rate has been people leaving the workforce altogether, a factor the U.S. government does not include in its calculation. That low 6.7 percent rate in December was helped by 525,000 Americans leaving the labor market, while a lower-than-expected 74,000 jobs were added, according to the Labor Department.

A rebounding housing market.

Fact. The National Association of Realtors and U.S. Department of Commerce say new home sales posted a 16.4 percent increase in 2013 over the previous year, while used-home sales are the highest they've been since 2006. They've credited increased consumer confidence as a contributing factor, as well as low mortgage interest rates and a "pent up demand."

A manufacturing sector that's adding jobs for the first time since the 1990s.

Fact, mostly. It is true that the manufacturing sector has added jobs for the first time since the 1990s. There was an upward tick in manufacturing jobs during the Clinton years, which was mostly driven by the stock market tech bubble.

"The overall economy was experiencing a period of strong growth, driven in large part by the tech bubble. It ended abruptly with the onset of the Asian financial crisis and stock market drop towards the end of the decade," notes Scott Paul, President of the Alliance for American Manufacturing.

However since 2000 manufacturing jobs have sharply declined, reaching a low point in 2010.

According to the Bureau of Labor Statistics, only 77,000 manufacturing jobs were created in the economy in 2013, with 12 million manufacturing jobs existing in the United States today. "77,000 manufacturing jobs in a world of 12 million manufacturing jobs is not moving the needle very much and should not be interpreted as any resurgence," says Paul.

More oil produced at home than we buy from the rest of the world - the first time that's happened in nearly twenty years.

Fact, with context. According to the U.S. Energy Information Administration's November 2013 report, as of October 2013 the country produced an average 7.8 million barrels of oil a day while importing 7.5 million. But increased production is only half the story: Oil demand has fallen, and when demand is down imports are pulled back. Part of this was from more stringent fuel standards in vehicles and more energy-efficient technologies. But the recession itself also contributed, as Americans tightened their belts to make ends meet.

Our deficits - cut by more than half.

Fact, with context. The federal deficit for Fiscal Year 2009, the year President Obama assumed office was \$1.41 trillion. Half of that is \$705 billion. The non-partisan Congressional Budget Office projected in May that the deficit would shrink to \$642 billion for FY 2013. So it is true that the deficit is falling rapidly, and that decline is contrasted by the huge imbalance it reached during the Great Recession. But it is important to point out that emergency actions taken by President George W. Bush at the end of his second term contributed to leveling out these numbers, as well as President Obama's own measures. For that reason it is difficult to discern exactly how big an inheritance the incoming Obama White House received and the impact of the new administration's early policies.

FACT CHECK: AFGHANISTAN

Obama said: After 2014, we will support a unified Afghanistan as it takes responsibility for its own future. If the Afghan government signs a security agreement that we have negotiated, a small force of Americans could remain in Afghanistan with NATO allies to carry out two narrow missions: training and assisting Afghan forces, and counterterrorism operations to pursue any remnants of al Qaeda. For while our relationship with Afghanistan will change, one thing will not: our resolve that terrorists do not launch attacks against our country.

Mostly Fact. President Obama did not mention that his national security team is considering a proposal that would not leave any troops behind in Afghanistan should Afghanistan President Hamid Karzai not sign the Bilateral Security Agreement negotiated late last year.

There are currently 36,500 U.S. troops in Afghanistan, and NATO will end its combat mission at the end of this year. The expectation is that with an agreement in place the United States could leave behind a smaller force that would continue to train Afghanistan's military and provide them with support. However, President Obama's decision on the size of that force has been delayed because of Karzai's refusal to sign the agreement.

Defense officials confirm to ABC News that the Pentagon has presented the administration with a single proposal to keep an American military force of 10,000 in Afghanistan. They feel this is the minimum number of troops necessary to carry out that mission, and if it is not agreed to, they would support the "zero troop" option. That option would leave no American presence in Afghanistan to assist with security efforts. Vice President Joe Biden has also proposed keeping a

small American force of 2,000 to 3,000 that would focus not on training, but on a counterterrorism mission to strike at Taliban or al Qaeda targets inside Afghanistan.

The administration has said that it cannot make a decision on how many troops will be left behind in Afghanistan until after Karzai's government signs the agreement. But that time is slipping away. Karzai first said he would sign the deal after a nationwide conference to gauge support for the deal. Despite overwhelming support, Karzai reneged on his promise and said he would not sign it until he gained further promises from the United States and NATO to reduce the number of counterterrorism missions and to see real progress in peace talks with the Taliban. Karzai has said he would leave a final signature on the agreement to his successor. But that process may take much of this year, as Afghanistan's presidential election will take place in early April. If an expected run-off election takes place in June, a new Afghan president may not be sworn in until August.

FACT CHECK: MINIMUM WAGE

Obama said: *Today, the federal minimum wage is worth about 20 percent less than it was when Ronald Reagan first stood here.*

Fact. (but overstated) According to the Bureau of Labor Statistics' inflation calculator, the federal minimum wage in 1981 - \$3.35 - would have a buying power of \$8.59 in today's dollars. Yet, prior to the President's Executive Order, the federal minimum wage is currently \$7.25, a drop of about 16 percent.

FACT CHECK: SOLAR POWER

Obama said: *It's not just oil and natural gas production that's booming; we're becoming a global leader in solar, too. Every four minutes, another American home or business goes solar; every panel pounded into place by a worker whose job can't be outsourced. Let's continue that progress with a smarter tax policy that stops giving \$4 billion a year to fossil fuel industries that don't need it, so that we can invest more in fuels of the future that do.*

Fact. According to GTM Research's U.S. Solar Market Insight Q3 2013 released last December, The U.S. installed 930 megawatts of photovoltaics (PV) in Q3 2013, up 20 percent over the previous quarter. It was the second-largest quarter in the U.S. market's history and the largest quarter ever for residential PV installations. Most importantly: According to GTM Research's report, 2013 will likely be the first time in more than 15 years that the U.S. installs more solar capacity than world leader Germany.

FACT CHECK: JOB SOURCING

Obama: *We know where to start: the best measure of opportunity is access to a good job. With the economy picking up speed, companies say they intend to hire more people this year. And over half of big manufacturers say they're thinking of insourcing jobs from abroad.*

Mostly True. The president is most likely referring to the September 2013 Survey by The Boston Consulting Group, which asked companies with sales greater than \$1 billion if they are "planning to bring production to the U.S. from China or are actively considering it."

The survey found that 54 percent of respondents are "planning to 'reshore' or are considering" it, compared to a similar 2012 survey that found only 37 percent were.

However, as Scott Paul, President Alliance for American Manufacturing, points out, "considering is a lot a different thing than actually doing."

"When you look at trade floors and number of manufacture created there is no appreciable trend. If you look at trade flows, you can judge based on trade flows that there are still more jobs going out than coming in," he said. "It's one thing to consider something-congress can say they are considering Obama's agenda but whether they do it is another question."

FACT CHECK: IMMIGRATION REFORM

Obama: If we are serious about economic growth, it is time to heed the call of business leaders, labor leaders, faith leaders, and law enforcement - and fix our broken immigration system. Republicans and Democrats in the Senate have acted. I know that members of both parties in the House want to do the same. Independent economists say immigration reform will grow our economy and shrink our deficits by almost \$1 trillion in the next two decades.

Fact. (if the Senate bill is signed into law) When the Congressional Budget Office (CBO), a nonpartisan government body, examined the bipartisan Senate immigration bill that passed the Senate in June but was never brought up in the house-and Speaker of the House John Boehner swore would never see the floor - the CBO found that the legislation would reduce the deficit by anywhere from \$897 billion to roughly \$1.2 trillion in the 20 years after its enactment.

Additionally, the libertarian think tank The Cato Institute found said in a 2012 report that immigration reform would add \$1.5 trillion to the GDP (Gross Domestic Product) over the next 10 years.

FACT CHECK: INCOME INEQUALITY

Obama: Today, after four years of economic growth, corporate profits and stock prices have rarely been higher, and those at the top have never done better. But average wages have barely budged. Inequality has deepened. Upward mobility has stalled. The cold, hard fact is that even in the midst of recovery, too many Americans are working more than ever just to get by - let alone get ahead. And too many still aren't working at all.

Fact. (mostly) U.S. corporate profits are at record highs, well beyond levels prior to the 2009 recession, and as a percentage of the national GDP, corporate profits are higher now than they have been in the last 50 years, according to statistics compiled by Thomson Reuters Datastream.

While economists say corporate profits are expected to rise in a period of economic recovery and stimulus, today's unprecedented profit highs are also understood as an indication of cost-cutting and wage stagnation.

"Profits are partly strong because corporations are cutting costs significantly, and stocks are mainly high because the Federal Reserve is pumping a huge amount of money into the economy to try to stimulate the recovery," said economist David M. Jones, President and CEO, DMJ Advisors, LLC.

"We've seen the income inequality developing over a long period of time, but it's become even greater under Obama's watch," Jones continued.

According to the Bureau of Labor Statistics real average hourly earnings fell 0.3 percent from November to December last year, seasonally adjusted. While both real average hourly earnings and annual incomes rose last year, and the year prior, the rate at which they rose was nominal and near a half century low. So, yes, wages have barely risen and as such inequality has deepened.

That said, upward mobility - or a person's ability to climb the economic ladder - has not really stalled. While it is still a lot harder to climb the ladder in the US as compared to other developed countries, a recent Harvard study showed it is not any harder to move from the bottom to the top than it was a generation ago.