

**TESTIMONY OF
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BEFORE THE SENATE COMMITTEE ON THE BUDGET**

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Chairman Enzi, Ranking Member Sanders, Members of the Committee:

Thank you for this opportunity to testify on President Trump's Fiscal Year (FY) 2019 Budget.

Last year, I sat with you in this same room and laid out the goals of the President's first budget, which focused on something Washington has not done in quite some time: put the American Taxpayer first.

Our first budget put a premium on policies that would help us reach sustained, 3% economic growth, a goal designed to help millions of Americans climb out of the economic malaise that defined the previous Administration. Those policies included pro-growth tax reform and deregulation.

One year later, I am happy to report that we are making progress toward our goal of higher wages, more take-home pay, and growing our nation's economy.

Unemployment is the lowest it has been in 17 years, consumer confidence is back to highs unseen since the year 2000, and 2 million jobs were added in calendar year 2017. Economic optimism in America is high. In short, we have made significant progress in realizing the President's vision to restore prosperity in America through sustained economic growth. The vision, which we coined MAGAnomics, is working.

President Trump's FY 2019 Budget focuses on four main priorities:

1. The safety and security of the American people.
2. Continuing to build an even stronger and more robust American economy.
3. An enhanced quality of life for hardworking Americans; and
4. A commitment to a better future.

A simple reality undergirds this budget: our nation's fiscal path is unsustainable. Moreover, as government has grown more expensive, it has also grown more intrusive.

The Budget recognizes that we must restrain unnecessary spending and rightsize the Federal Government, or the better future we hope to leave to our children will instead be a massive debt burden. Every dollar allocated within this budget was done so efficiently, effectively, and with accountability.

The FY 2019 Budget includes \$3 trillion in deficit reduction, including \$1.7 trillion in reductions to mandatory spending and receipts. This represents a larger amount of deficit reduction than proposed by any previous President. It proposes nearly \$46 billion in major reductions to discretionary programs for FY 2019, including \$26 billion in program eliminations. It also includes a “two-penny plan” that reduces non-defense discretionary spending by two percent a year after 2019. The proposals in this budget, along with historic tax reform the President signed last year, will help grow the economy while substantially reducing the deficit over the budget window and beyond.

The Budget also accounts for the agreement that Congress reached last week to significantly raise the defense and non-defense discretionary spending caps in FY 2018 and FY 2019 in the *Bipartisan Budget Act of 2018*.

The Budget is consistent with the FY 2019 defense spending levels included in the *Bipartisan Budget Act*, which are critical to help rebuild our military after years of under-investment. However, given our dire fiscal situation, the Administration is not proposing to match the new non-defense cap in FY 2019. The Administration does not believe these non-defense spending levels comport with its vision for the proper role and size of the Federal Government. However, in light of Congress’s new caps, we believe it is prudent to lay out the Administration’s roadmap for how to account for these higher spending levels in a fiscally responsible manner. As such, the Budget proposes additional funding for Administration priorities, while also fixing long-time budget gimmicks that Congress and the prior Administration have used to circumvent spending caps and add billions to our deficits.

Safety and security of the American people

- Defense: The first priority of the FY 2019 Budget is to keep our nation safe from those who wish to do us harm. To ensure that our Commander in Chief has the tools necessary to destroy ISIS, deter would-be competitors like China and Russia, and rein in rogue states like North Korea, this budget fully funds the National Defense Strategy, providing a total of \$716 billion for national defense. Additionally, we propose shifting funding from Overseas Contingency Operations (OCO) to the base budget, to begin the transition away from using OCO as a gimmick to avoid the sequestration caps.

Other investments in the Budget include:

- **Military Pay Raise.** The Budget requests a 2.6% pay raise for our troops, the largest since 2010.
 - **Force Structure.** Over five years, the Budget increases the total end strength of our military by 56,600 service members, procures an additional 54 ships for our Navy, and adds three Air Force fighter squadrons.
 - **Modernization.** The Budget requests \$99 billion over five years to modernize our nuclear, space, cyber, missile defense, and other capabilities.
 - **Readiness, Forward Posture, and Resiliency.** The Budget addresses the readiness crisis our military faces with investments in training, weapons systems, and facilities, while supporting our global posture to deter our adversaries.
- **Securing the Border:** As the President has said, a nation without borders is not a nation at all. The Budget reflects the President's commitment to fully securing the border by providing \$18 billion to fund construction of the border wall. With the *Bipartisan Budget Act* now the law, the Administration is seeking to fully fund the border wall in FY 2018 and FY 2019. The Budget also provides robust funding for interior enforcement, to secure our ports of entry, and to protect against emerging threats - all components of the Administration's comprehensive approach to border security and immigration.

In addition, specific investments in the Budget include:

- **Law Enforcement.** The Budget proposes \$782 million to hire and support an additional 750 Border Patrol agents and 2,000 ICE officers and agents.
 - **Detention Beds.** The Budget provides \$2.7 billion to fund 52,000 detention beds.
 - **Immigration Judges.** The Budget funds an additional 75 immigration judge teams and provides \$25 million for technology modernization.
- **Supporting Our Veterans:** Our commitment to those who serve does not end once our troops come home. Keeping faith with our veterans, the Budget requests an 11.5% increase for the Department of Veterans Affairs medical care from 2017 enacted levels, including substantial increases over the FY 2018 request to address medical care needs, improve VA's infrastructure, and invest in an updated Electronic Health Records (EHR) system. The Budget funds a smooth transition from the existing CHOICE program to CARE, a new, consolidated community

care program, fulfilling the President's promise to provide veterans with more choice in their healthcare. It also includes several new proposals for vocational rehabilitation and education, including counseling prior to separation for certain service members and preparatory courses for GI Bill beneficiaries.

Continuing to build an even stronger and more robust American economy

- **Pro-Growth Tax Reform:** The *Tax Cuts and Job Act* has resulted in millions of American workers receiving a wage increase or bonus. The historic tax reform law simplifies the tax code by lowering individual tax rates and broadening the tax base. It also increases the standard deduction and child tax credit. Finally, it repeals the individual mandate. The Budget recognizes that tax reform will help grow our economy and improve our Nation's fiscal picture over the long term.
- **Deregulation:** In Fiscal Year 2018, the Administration currently projects the publication of almost 450 deregulatory actions and the addition of only 131 new regulatory actions. Federal agencies have committed to achieving \$9.8 billion in net savings in present value terms. In addition, agencies project they will continue to drive the deregulatory effort by eliminating three existing regulations for each new regulation created.
- **Infrastructure Initiative:** On Monday, the Administration released details of our proposal to generate \$1.5 trillion for rebuilding our nation's infrastructure. The Budget includes \$200 billion in federal support for this effort, focused primarily on incentive grants, formula funds for rural infrastructure and major transformative projects. Combined with major reforms to the permitting process, the infrastructure initiative will generate jobs and growth and pay dividends for decades to come.
- **Apprenticeships:** The Budget requests \$200 million for apprenticeship programs, doubling last year's budget request. Studies suggest that the apprenticeship model of combining classroom training with real-world job experience – all while earning a paycheck – dramatically improves participants' lifetime earnings. Investments in our budget will support States' efforts to expand apprenticeship, establish a new industry-recognized apprenticeship system, and take steps to expand the model in high-growth sectors where apprenticeships are underutilized.

An enhanced quality of life for hardworking Americans

- Welfare Reform: Welfare reform is critical both for our fiscal health and for the well-being of the American people. The Budget takes an innovative approach to the Supplemental Nutrition Assistance Program (SNAP), combining the current retail-based benefits with delivery of 100% American grown food. The Budget also proposes incentives for States to invest in activities that will help SNAP participants find and keep jobs and become self-sufficient.

The Budget also provides States the opportunity to propose Welfare to Work Projects, which streamline funding from multiple public assistance programs and redesign service delivery to tailor it to constituent needs. These projects will be rigorously evaluated to ensure that they reduce welfare dependency and promote child and family wellbeing.

- Protecting Medicare: Protecting our seniors remains a cornerstone of this Administration's priorities. In keeping with the President's promise, this budget proposes reasonable reforms to the operations of the Medicare program without a reduction in the coverage or benefits for beneficiaries. The proposals in this budget will save \$237 billion over the budget window and extend the program's solvency by roughly eight years. By promoting efficiency, reducing the cost of prescription drugs, and eliminating waste, fraud, and abuse, the Budget saves money for all taxpayers.
- Drug Pricing: The Administration is moving aggressively to address the problem of high drug prices, provide greater access to lifesaving medical products, and ensure the United States remains the leader in biomedical innovation. The Budget puts forth new strategies to rationalize the current incentive structure and foster greater competition. Overall, the proposals in the Budget reduce beneficiaries' out-of-pocket costs and provide better protection against catastrophic expenses.
- Combatting the Opioid Epidemic: Deaths from drug overdoses have almost doubled in the last 10 years, and drug overdose is the leading cause of unintentional injury deaths for Americans under the age of 50. Opioids are a major driver of this crisis, and the Budget provides the resources needed to continue the Administration's efforts on this front.

The Administration is seeking nearly \$17 billion government-wide in opioid-related spending in 2019 to stop this deadly scourge. Notably, the Administration proposes \$3 billion in new funding in 2018 and \$10 billion in new 2019 funding in the Department of Health and Human Services (HHS), for a total of \$13 billion for HHS over two years to combat the opioid epidemic by expanding access to

prevention, treatment, recovery support services, research to develop new treatments for addiction, and support for mental health. The Budget also includes investments to help stop the illegal supply of drugs. In addition to investments outlined here, under the levels in the *Bipartisan Budget Act*, the Administration is seeking \$18 billion for the border wall. Building the wall is critical to impeding and denying the flow of illicit drugs into our country. The Administration is committed to providing law enforcement personnel with the tools and resources they need to respond to this threat.

The President has also committed resources to have the Drug Enforcement Agency and Secretary of HHS work together in revoking a provider's certificate that permits them to prescribe controlled substances when that provider is barred from billing Medicare based on a pattern of abusive prescribing.

- Obamacare Repeal: Obamacare has wreaked havoc on the individual insurance market. Average premiums are increasing dramatically as the number of insurers on the exchanges dwindles. The Budget supports a two part-approach to repealing Obamacare, starting with the enactment of legislation modeled after the Graham-Cassidy-Heller-Johnson legislation, and continuing with the enactment of additional reforms to help set government health care spending on a sustainable fiscal path. Under this two-part approach, the Federal deficit will decrease as States take charge of their own health care markets and are given the flexibility to implement their programs in a cost-efficient and consumer-friendly manner.
- Investing in School Choice: The Budget provides a \$1.6 billion investment in school choice, a \$1.16 billion increase from the FY 2018 CR level, eventually ramping up to \$20 billion annually within the next ten years. The proposal includes funding for charter schools and magnet schools, and a new proposed grant program that supports both public and private school choice. Regarding the Budget's investments in private school choice, the increase of private school scholarship programs at the State level clearly shows that parents across the country want access to private school options for their children.

A commitment to a better future.

- Modernizing Government: As part of the Administration's technology modernization agenda, the FY 2019 Budget includes \$80 billion in IT and cyber funding, which is a 5.2% increase over FY 2018. In addition, the Budget requests \$210 million for the Technology Modernization Fund (TMF) as a critical component of advancing the Administration's technology modernization agenda

and an important first step in changing the way the Federal government manages its IT portfolio. The TMF, established by the recently enacted *Modernizing Government Technology (MGT) Act*, is designed to facilitate the retirement of antiquated IT systems across Government and transition agencies to more effective, secure, and modern IT platforms.

The Budget also outlines a number of proposals designed to drive civil service reforms that empower senior leaders and front line managers to align staff skills with evolving mission needs. Just like any organization, the Federal Government should have the means to be able to hire the best and fire the worst. To this end, we are recommending that \$1 billion in FY 2018 funding be aligned to a new workforce fund that targets recruitment and retention incentives for top performers with mission-critical skills.

Chairman Enzi, Ranking Member Sanders, Members of the Committee:

Millions of Americans have benefited from the first year of President Trump's administration. The FY 2019 Budget before you today proposes to build on this success and expand our vision of safety, security, and prosperity to even more Americans.

Thank you for the opportunity to testify, and I look forward to taking your questions.
