

**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 2018 Budget.

As the Office of Management and Budget began drafting President Trump's first budget, we followed one simple directive: write a budget that keeps the promises he has made to the American people.

The process began with a basic premise: Our government must be more efficient, more effective and more accountable to the American people.

The previous Administration ignored hard working taxpayers, and instead of an accountable government, it gave them out-of-control spending and a massive federal debt. Now is our opportunity to reverse the failures of the past.

For years, Washington tried to help Americans by simply growing government. Under President Trump's leadership, we are taking a new approach to how we tax, regulate, and support our American workers, entrepreneurs and job creators.

And that is exactly what this Budget proposal does. We are creating a New Foundation for American Greatness that puts taxpayers first.

This Budget includes a variety of pro-growth policies that will keep President Trump's promise to restore economic growth and increase wages for American families across the nation.

It also keeps the President's promise to balance the budget within the next decade and reduce our debt without affecting beneficiaries of Social Security and Medicare retirement programs, and without raising taxes.

This Budget keeps the President's promise to strengthen the security of our nation by undoing defense sequestration, enforcing our immigration laws, and honoring our veterans.

And importantly, it invests in the federal programs that work for taxpayers, and reduces or eliminates those that do not.

Much like millions of American families across the country, increasing economic opportunity remains at the forefront of President Trump's agenda.

That is why this Budget rejects the idea that the "new normal" in our nation is the stagnant 1.3% average economic growth seen since 2007. From the end of World War II to 2007, economic growth averaged 3.5%. This Budget projects a realistic, positive vision for 2.5% growth in FY 2018, increasing to 3.0% in FY 2020, and staying at that level through the ten-year window.

The growth assumptions in this Budget reflect the President's comprehensive plan for job creation, which includes regulatory reform, higher production of domestic energy, and trade deals that benefit American workers and consumers. The detailed Budget highlights several additional initiatives, including:

- **Repealing and Replacing ACA:** The Budget assumes repeal of the Affordable Care Act (ACA), which the Administration believes has harmed our health care system, economy, and forced middle-class families to pay higher premiums for less coverage. The Budget assumes a patient-centered replacement for the ACA that lowers costs and provides America's families with real health care choices.
- **Welfare Reform:** The Budget includes a variety of major reforms to our welfare system such as the Supplemental Nutrition Assistance Program (SNAP) and the Temporary Assistance for Needy Families (TANF) program, with the overarching goal of more effectively targeting benefits and encouraging work.
- **\$200 Billion Infrastructure Investment:** As the Administration continues to work with Congress, States, and other stakeholders on President Trump's \$1 trillion infrastructure target, financed by both public and private investment, the Budget includes \$200 billion in new infrastructure spending over the next decade.

- **Comprehensive Tax Reform:** The Budget advances the President’s tax reform plan that cuts taxes for individuals and businesses. By simplifying the tax code to three brackets for the middle-class and eliminating loopholes, the plan will allow millions of American families to keep more of their paychecks. For businesses, lowering taxes from 35% to 15% will allow U.S. companies to compete globally while expanding operations domestically. This reform will directly result in more jobs, higher take-home pay, and a prosperous future for American workers.
- **Easing the Burdens of Dodd-Frank:** As red tape from Dodd-Frank continues to directly harm everyone from first-time home buyers to community banks trying to lend capital to small businesses, the Budget assumes \$35 billion in savings from lifting the burdens of the law. The Administration looks forward to partnering with Congress on sensible reforms to our financial system that undo the damage created by Dodd-Frank.

In addition to increasing GDP growth, higher wages, and job creation, the pro-growth policies in President Trump’s Budget help bring our nation to balance, resulting in a \$16 billion surplus in FY 2027, and a reduction in public debt as a percentage of our economy from 77% this year to less than 60% in FY 2027.

With that serving as the plan for the economy, let me transition to national security.

A priority of the Administration’s agenda is major, new investments in our national security. President Trump promised to rebuild our military and strengthen our nation’s security in the face of growing threats both at home and abroad. This Budget keeps those promises. Our military will be dramatically modernized, our borders will be secure, and our laws will be enforced.

It is worth noting that the Administration believes that Congress took a major step toward these goals by ending the Washington mentality of “parity” and providing a \$25 billion increase in defense spending in FY 2017.

However, more must be done. That’s why the President’s Budget provides for a \$54 billion increase in defense spending over the 2018 caps, for a total of \$603 billion, or \$668 billion when counting Overseas Contingency Operations (OCO) funding.

This topline number for 2018 will continue the process, begun in the fiscal year 2017 omnibus, of rebuilding our armed forces after years of underinvestment and neglect.

Importantly, the Budget invests in our military without adding a single penny to the deficit, by reducing lower-priority, non-defense discretionary spending by a commensurate \$54 billion in FY 2018. These reductions result in a proposed non-defense discretionary cap of \$462 billion for FY 2018.

The President's Budget also makes historic investments in border security and immigration enforcement, providing over \$2.6 billion in new infrastructure and technology investments to give Border Patrol agents the tools they need to deter, deny, identify, track, and resolve illegal activity along the border.

This investment includes \$1.6 billion for new and replacement border wall in priority areas.

President Trump's Budget keeps his promise to protect Medicare and Social Security retirement, while reducing the size of the federal government elsewhere in the Budget.

To do so, it proposes more than 150 major reductions and reform proposals, and cuts spending by \$3.6 trillion over 10 years – the most ever proposed by any President in a budget. Combined with the President's Executive Order to reform the federal government and reduce the Federal civilian workforce, this Budget takes major steps toward eliminating unnecessary, overlapping, outdated and ineffective programs.

Many of these programs are well-intentioned and supported by well-organized constituencies and special interests, but simply are not appropriate responsibilities of the federal government. Others have not achieved their intended outcomes. Some are guilty of both. In many cases, Congress has allowed the authorization of these programs to expire.

In fact, the Congressional Budget Office reported that the omnibus appropriations bill for FY 2016 appropriated more than \$300 billion to more than 250 expired authorizations – about one quarter of all discretionary appropriations.

After FY 2018, the Budget continues reasonable reductions in non-defense discretionary spending, by two percent per year. The Administration believes that these reductions can be achieved if Congress chooses to make the hard choices needed to reprioritize spending focused on the federal government's core responsibilities. These reductions - two cents

out of every dollar - will help preserve our country's financial health, and should not be too much to ask.

The Budget proposes additional reforms to save taxpayers' money, by providing states with more flexibility over the Medicaid program, bringing federal retirees' benefits more in line with the private sector, targeting improper payments, and simplifying federal student aid programs.

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

For the first time in nearly a decade, the President has done what Americans families and businesses across the country do each day: balance the books.

The Budget lays the groundwork for an American renewal, and provides a detailed and specific roadmap to get us there. It is a rejection of the failed status quo, and is an effort worthy of the trust of the American people who built this nation.

It keeps the President's promises to balance the budget, strengthen our national security, and protect Social Security and Medicare retirement while eliminating wasteful spending.

It is a budget that ushers in a new culture of limiting the size and scope of the federal government and returning it to its proper and appropriate functions.

It is a budget that prioritizes our men and women in uniform. It is a budget that protects our seniors and answers to taxpayers.

Above all else, it is a budget that recognizes our government must be more efficient, more effective, and more accountable to the American people. We owe it to all Americans to be as responsible as we can with the money they give us.

Make no mistake: this budget makes tough decisions; decisions that need to be made in order to ensure that our children and grandchildren inherit a country that is safe at home, that is strong abroad, and that provides opportunities for generations to come.

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