THE PRESIDENT'S FISCAL YEAR 2018 BUDGET

HEARING

BEFORE THE

COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTEENTH CONGRESS

FIRST SESSION

HEARING HELD IN WASHINGTON, D.C., MAY 24, 2017

Serial No. 115–5

Printed for the use of the Committee on the Budget

Available on the Internet:
www.govinfo.gov

U.S. GOVERNMENT PUBLISHING OFFICE
30–528 WASHINGTON : 2019

COMMITTEE ON THE BUDGET

DIANE BLACK, Tennessee, *Chairman*

TODD ROKITA, Indiana, *Vice Chairman*
MARIO DIAZ-BALART, Florida
TOM COLE, Oklahoma
TOM McCLINTOCK, California
ROB WOODALL, Georgia
MARK SANFORD, South Carolina
STEVE WOMACK, Arkansas
DAVE BRAT, Virginia
GLENN GROTHMAN, Wisconsin
GARY J. PALMER, Alabama
BRUCE WESTERMAN, Arkansas
JAMES B. RENACCI, Ohio
BILL JOHNSON, Ohio
JASON SMITH, Missouri
JASON LEWIS, Minnesota
JACK BERGMAN, Michigan
JOHN J. FASO, New York
LLOYD SMUCKER, Pennsylvania
MATT GAETZ, Florida
JODEY C. ARRINGTON, Texas
A. DREW FERGUSON IV, Georgia

JOHN A. YARMUTH, Kentucky,
Ranking Minority Member
BARBARA LEE, California
MICHELLE LUJAN GRISHAM, New Mexico
SETH MOULTON, Massachusetts
HAKEEM S. JEFFRIES, New York
BRIAN HIGGINS, New York
SUZAN K. DELBENE, Washington
DEBBIE WASSERMAN SCHULTZ, Florida
BRENDAN F. BOYLE, Pennsylvania
RO KHANNA, California
PRAMILA JAYAPAL, Washington,
Vice Ranking Minority Member
SALUD O. CARBAJAL, California
SHEILA JACKSON LEE, Texas
JANICE D. SCHAKOWSKY, Illinois

PROFESSIONAL STAFF

RICHARD E. MAY, *Staff Director*
ELLEN BALIS, *Minority Staff Director*

CONTENTS

THE PRESIDENT'S FISCAL YEAR 2018 BUDGET

WEDNESDAY, MAY 24, 2017

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
Washington, D.C.

The committee met, pursuant to call, at 9:34 a.m. in Room 1334, Longworth House Office Building, Hon. Diane Black [chairman of the committee] presiding.

Present: Representatives Black, Rokita, Diaz-Balart, Cole, Woodall, Brat, Westerman, Renacci, Johnson, Lewis, Faso, Smucker, Ferguson, McClintock, Sanford, Bergman, Smith Grothman, Palmer, Gaetz, Arrington, Higgins, Boyle, Khanna, Jayapal, Lee, Carbajal, Schakowsky, Wasserman Schultz, Jackson Lee, DelBene, Jeffries, Moulton, and Lujan Grisham.

Chairman BLACK. The hearing will come to order.

Welcome to the Committee on the Budget's hearing on the President's fiscal year 2018 budget. Today we will hear testimony from the director of the Office of Management and Budget, the Honorable Mick Mulvaney.

Good morning, once again to everyone, and thank you for being here today. I want to especially thank Mr. Mulvaney, the director of the White House Office of Management and Budget, for being here today to discuss the President's budget and spending priorities. And we look forward to hearing his remarks.

While Article I of the Constitution gives Congress the power of the purse, the Federal budget is a collaborative process. The administration, this committee, and our counterparts in the Senate work together to build a budget that reflects our unified priorities. For the last 8 years, we have seen budgets from the White House that reflect the status quo of more spending, more regulation, and never even trying to achieve balance. Over the same time period, economic stagnation lead the Congressional Budget Office to continually downgrade their projections for economic growth.

And what is the result of more spending, more regulation, and slower economic growth? It is a large debt burden on the future generation of Americans, a burden that reflects a moral failure to face head on our challenges.

This administration and this committee agree wholeheartedly on our responsibility to improve our country's fiscal situation and put us on the path to a balanced budget that allows us to start paying down our national debt.

Our friends across the aisle will no doubt defend the status quo of the Obama years where the national debt increased by over $9 trillion, the largest increase of any Presidency. Their solutions which are to simply keep on doing what we have been doing are not only unsustainable, they are an abdication of our responsibility to current and future generations.

Our fiscal situation is not just problematic, it is dire. According to the CBO, the Federal debt held by the public, which currently stands at 77 percent of gross domestic product, will rise to 150 percent of GDP in the next 30 years if nothing is done. Over the same period of time, deficits will rise from 2.9 percent of GDP to 9.8 percent of GDP. These are levels of debt and deficits that have never been seen like this before in American history and are well beyond what the economists predict would result in a crisis.

The CBO says that maintaining the status quo would, and I quote: "reduce national saving and income in the long-term; increase the government's interest costs, putting more pressure on the rest of the budget; limit lawmakers' ability to respond to unforeseen events; and increase the likelihood of a fiscal crisis," end quote.

Let me repeat a piece of that, the last line, quote: Doing nothing and continuing the status quo will result in a fiscal crisis. Put simply, the status quo is not an option. And this committee and this administration are committed to building a Federal budget that begins to deal with our out-of-control spending, incentivizes economic growth through tax and regulatory reform, and makes sure that the government works for the people, not for the bureaucrats.

Our committee and this administration also agree on the commitment of funding our military. The threats to our national and homeland security continue to grow. The previous administration left the world less safe and secure with growing threats from all corners of the globe. Ensuring the safety and security of our Nation is our first and foremost responsibility of the Federal Government, and we should give our men and women in uniform the resources they need to complete their mission.

I applaud the President for making our national defense a top priority once again as our committee and our Senate counterparts go through this process of building our budget resolution. The input from the administration officials, such as Mr. Mulvaney, is an invaluable resource to provide information background and details on the goals of President Trump.

Balancing the budget over 10 years presents major challenges, but also a great opportunity. And for the first time since I have been serving on the Budget Committee, we have a President who is willing to take action to reform government and to get our fiscal house in order.

Our budget resolution is no longer a vision document; it is a blueprint for building the better America we have promised our constituents for years. It is our opportunity to show our real progress in limiting the size and the scope of government, ensuring our children and grandchildren aren't burdened by our unsustainable levels of debt, and persevering for a safe and strong America. I know that working together we can find the right solutions for the American people.

Thank you. And with that, Ms. Jayapal, you are recognized.

[The prepared statement of Chairman Black follows:]

Black Opening Statement:

Hearing with OMB Director Mick Mulvaney

Washington, May 24, 2017

As prepared for delivery—House Budget Committee Chairman Diane Black

Good morning, and thank you everyone for being here.

I want to especially thank Mr. Mulvaney, the Director of the White House Office of Management and Budget, for being here today to discuss the President's budget and spending priorities. We look forward to hearing his remarks.

While Article I of the constitution gives Congress the power of the purse, the federal budget is a collaborative process.

The Administration, this committee and our counterparts in the Senate work together to build a budget that reflects our unified priorities.

For the last eight years, we've seen budgets from the White House that reflect the status quo of more spending, more regulation and never even trying to achieve balance.

Over the same period, economic stagnation led the Congressional Budget Office to continually downgrade their projections for economic growth.

And what's the result of more spending, more regulation and slower economic growth? It's a larger debt burden on future generations of Americans, a burden that reflects a moral failure to face challenges head on.

This administration and this committee agree wholeheartedly on our responsibility to improve our country's fiscal situation and put us on a path to a balanced budget that allows us to start paying down our national debt.

Our friends across the aisle will no doubt defend the status quo of the Obama years, where the national debt increased by over $9 trillion, the largest increase for any presidency.

Their solutions – which are to simply keep doing what we've been doing – are not only unsustainable, they are an abdication of our responsibility to current and future generations.

Our fiscal situation is not just problematic, it is dire. According to the CBO, the federal debt held by the public, which currently stands at 77 percent of gross domestic product, will rise to 150 percent of GDP in the next 30 years if we do nothing.

Over that same period of time, deficits will rise from 2.9 percent of GDP to 9.8 percent of GDP. These are levels of debt and deficits that have never been seen before in American history and are well beyond what economists predict would result in crisis.

The CBO says that maintaining the status quo would "reduce national saving and income in the long term; increase the government's interest costs, putting more pressure on the rest of the budget; limit lawmakers' ability to respond to unforeseen events; and increase the likelihood of a fiscal crisis."

Let me repeat that last line; doing nothing and continuing the status quo will result in a fiscal crisis.

Put simply, the status quo is not an option. This committee and this administration are committed to building a federal budget that begins to deal with our out-of-control spending, incentivizes economic growth through tax and regulatory reform, and makes sure that government works for the people, not for bureaucrats.

Our committee and this administration also agree on a commitment to funding our military.

The threats to our national and homeland security continue to grow. The previous administration left the world less safe and secure, with growing threats from all corners of the globe.

Ensuring the safety and security of our nation is the first and foremost responsibility of the federal government, and we should give our men and women in uniform the resources they need to complete this mission.

I applaud the president for making our national defense a top priority once again.

As our committee and our Senate counterparts go through this process of building our budget resolution, the input from Administration officials, such as Mr. Mulvaney, is an invaluable resource to provide information, background and details on the goals of President Trump.

Balancing the budget over ten years presents major challenges, but also great opportunity.

For the first time since I've been serving on the Budget Committee, we have a president who is willing to take action to reform government and get our fiscal house in order.

Our budget resolution is no longer a vision document; it is a blueprint for building the better America we've promised our constituents for years.

It is our opportunity to show real progress in limiting the size and scope of government, ensuring our children and grandchildren aren't burdened by unsustainable levels of debt, and preserving a safe and strong America.

I know that working together we can find the right solutions for the American people.

Thank you, and with that, I yield to the Ranking Member, Mr. Yarmuth.

Ms. JAYAPAL. Thank you, Chairman Black, and vice ranking member, and also ranking member John Yarmuth [off mic].

Director Mulvaney, it is good to see you. Congratulations on your new position.

As you know, this hearing traditionally gives the American people the chance to see the differences between the priorities and values of our two parties. Those contrasts will be made absolutely clear today. The Trump budget is shockingly extreme; the antithesis of what the American people have said they want from their government. It leaves no question of what this administration values: greater gains for millionaires and corporations at the expense of American families, economic progress, and our national security.

Yes, the President's budget is a betrayal, a line by line tally of broken promises. But above all, it is a shattering of dreams and a loss of hope and opportunity for millions of families. This budget starts by taking away healthcare, then food, then housing, then education, then job opportunities. For nearly every American family struggling to get ahead, this budget makes that much harder, if not impossible.

The level of cuts to investments that Americans need is astonishing and, frankly, immoral. This budget cuts nondefense discretionary funding for 2018 by a massive $54 billion from the already austerity level spending cap. Then the budget goes haywire, cutting NDD more and more each year until 2027 when investments are decimated by nearly 30 percent, and that is without adjusting for inflation. A 30 percent cut in nondefense discretionary spending, which includes Homeland Security, education, medical research, veterans healthcare, transportation, and much represents a total disinvestment in our Nation and a complete departure from every standard of responsible governing.

But it gets worse. We know that at least 24 million Americans will lose healthcare coverage because this budget includes the Republican healthcare repeal bill. This budget cuts Medicaid by another $600 billion, that is a total cut of $1.4 trillion to a program that is the only source of healthcare for tens of thousands of individuals in every single congressional district in the country. The vast majority of those people are children, seniors in nursing homes, and the disabled.

This budget actually targets help for people with disabilities, cutting Social Security disability insurance by as much as $72 billion, despite the President's pledge to not touch Social Security at all. And it cuts $193 billion from the Supplemental Nutrition Assistance Program. This is the program that makes sure our poorest families have at least some chance to put a meal on the table. It provides just $1.42 per person, per meal, again, mainly to seniors, children, and the disabled.

The President's budget eliminates or eviscerates 14 education and arts programs. It makes it harder for Americans to get needed skills to compete for jobs, guts investments in rural and urban communities, jeopardizes the safety of our food, air, and water, and leaves roads and bridges to crumble.

The Trump administration makes all these cuts for one simple and, frankly, disgraceful reason: to hide the fact that their huge tax breaks for millionaires, corporations, and special interests will explode the debt, and they even do that in a dishonest way. This budget relies on absurd economic projections and pretend revenues that no credible economist would validate. It provides no real information on tax reform, other than to claim that it is revenue neutral. I guess this is the President's "believe me" part of his budget.

With all due respect, we aren't going to take the President's word for it, particularly when no one else will.

And, Ranking Member Yarmuth, would you like me to turn it back over to you or finish your statement?

Okay. So let me go ahead and finish this. We have been down this road before more than once, and I know you believe it with all your heart, but you are wrong. Tax cuts for corporations and the wealthiest Americans do not pay for themselves. They drive up our deficits and rob our country of needed investments, and that is the truth. And it is also true that we can't trust a budget that sets up false choices.

This budget increases 2018 defense spending by $54 billion, while cutting NDD by the same amount. We don't have to choose between updating tanks or textbooks, and we should not be pitting teachers against soldiers. To strengthen our national security we have to ensure that our military and American families have the tools needed for success. And that is our responsibility, to invest in the future of American families and help grow our economy.

Education, healthcare, job training, innovation, infrastructure, programs that help individuals with nowhere left to turn, and a Tax Code that helps families get ahead. Those are American priorities and they should be the priorities of this Congress and this committee.

Thank you.

[The statement of Ms. Jayapal follows:]

Jayapal Opening Statement:

Hearing with OMB Director Mick Mulvaney

Washington, May 24, 2017

As prepared for delivery—House Budget Committee Vice-Ranking Member Pramila Jayapal

Thank you Chairman Black. Director Mulvaney – it is good to see you and congratulations on your new position.

As you know, this hearing traditionally gives the American people the chance to see the differences between the priorities and values of our two parties. Those contrasts will be made absolutely clear today. The Trump budget is shockingly extreme…The antithesis of what the American people have said they want from their government. It leaves no question of what this administration values: greater gains for millionaires, and corporations, at the expense of American families, economic progress and our national security.

Yes - the President's budget is a betrayal: a line by line tally of broken promises. But above all, it's a shattering of dreams and the loss of hope and opportunity for millions of families.

This budget starts by taking away health care, then food, then housing, then education, then job opportunities. For nearly every American family struggling to get ahead, this budget makes that much harder --- if not impossible. The level of cuts to investments Americans need is astonishing and frankly immoral.

This budget cuts non-defense discretionary (NDD) funding for 2018 by a massive $54 billion from the already austerity-level spending cap. Then this budget goes haywire, cutting NDD more and more each year, until 2027, when investments are decimated by nearly 30 percent, and that's without adjusting for inflation. A Thirty percent cut in NDD, which includes homeland security, education, medical research, veterans' health care, transportation, and much more, represents a total disinvestment in our nation, and a complete departure from every standard of responsible governing.

But it gets worse. We know that at least 24 million Americans will lose health care coverage because this budget includes the Republican health care repeal bill. This budget cuts Medicaid by another $600 billion. That's a total cut of $1.4 trillion to a program that is the only source of health care for tens of thousands of individuals in every single congressional district in the country. The vast majority of those people are children, seniors in nursing homes and the disabled.

This budget actually targets help for people with disabilities, cutting Social Security Disability Insurance by as much as $72 billion despite the President's pledge to not to touch Social Security at all. The budget cuts $193 billion from the Supplemental Nutrition Assistance Program. This is the program that makes sure our poorest families have at least some chance to put a meal on the table. It provides just $1.42 per person per meal, again mainly to seniors, children and the disabled.

The President's budget eliminates or eviscerates 14 education and arts programs; makes it harder for Americans to get needed skills to compete for jobs; guts investments in rural and urban communities; jeopardizes the safety our food, air, and water; and leave roads and bridges to crumble. The Trump Administration makes all these cuts for one simple, disgraceful reason – to hide the fact that their huge tax breaks for millionaires, corporations, and special interests will explode the debt. And they even do that in a dishonest way.

This budget relies on absurd economic projections and pretend revenues that no credible economist would validate. It provides no real information on "tax reform" other than to claim it is revenue neutral. I guess this is the President's "believe me" part of his budget. Mick, with all due respect we aren't going to take the President's word for it – particularly when no one else will.

We have been down this road before – more than once. And I know you believe it with all your heart, but you're wrong. Tax cuts for corporations and the wealthiest American do not pay for themselves. They drive up our deficits and rob our country of needed investments. That's the truth. It's also true that we can't trust a budget that sets-up false choices. The budget increases 2018 defense funding by $54 billion while cutting NDD by the same amount. We do not have to choose between updating tanks or textbooks – and we should not be pitting teachers against soldiers. To strengthen our national security we must ensure that our military and American families both have tools needed for success. In fact, that is our responsibility.

It's also our responsibility to invest in the future of American families and help grow our economy. Education, health care, job training, innovation and infrastructure, programs that help individuals with nowhere left to turn, and a tax code that helps families get ahead. Those are American priorities – and they should be the priorities of this Congress and our Committee.

Chairman BLACK. Thank you, Ms. Jayapal, and welcome. I know that there was a little confusion in the time. So welcome, Ranking Member Mr. Yarmuth. I look forward to hearing discussion a little bit later.

So, now, I would thank you—in the interest of time, if any other members have opening statements, I ask that you submit them for the record.

And I would now like to recognize Director Mick Mulvaney. Thank you for taking your time to come here today. The committee has received your written statement and it will be made part of the formal hearing record. And you will now have 10 minutes to deliver your oral remarks, and you may begin when you are ready.

STATEMENT OF HON. MICK MULVANEY, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Mr. MULVANEY. Chairman Black, thank you so much for having me. Vice Ranking Member Ms. Jayapal, thank you for the opening statements. Ranking Member Yarmuth, thank you for making it. So I wouldn't dream of doing this without you. So thank you all for having me here today.

It is really an honor to be here, to be back in this committee. For those of you who I don't know, I served in this committee for 2 years. And it is an honor and a privilege to be here on behalf of the Trump administration.

Mr. Lewis, welcome. You are sitting in my chair.

So it is an honor to be here. I am not going to read my opening statement. I am going make a couple of comments and we will get right to the question and answers.

When we looked at the budget for the very first time, I picked it up on Friday, the New Foundation for American Greatness, I spent most of the weekend, as you can imagine, reading it. And as I went through it, it struck me that we could have come up with a different title. And the title could have been the taxpayer first budget. Because the first time in my memory, at least, this is a budget that was written from the perspective of the people who actually pay for the government.

And we went line by line through what this government does and asked ourselves, can we justify this to the folks who are actually paying for it? If I am going to take money from Mr. Diaz-Balart in taxes, and I am going to spend it on a program, can I justify to him actually spending that money? If I am going to take money from you, Ms. Schakowsky, and do the same thing, can I justify it to you? Can I look you in the eye and say, I need to take this money from you in order to give it to a disabled veteran? And I think that I can.

I am not sure I could look at Mr. Woodall and say, Mr. Woodall, I need to take some of your money so that I can give it to a program that is completely ineffective, doesn't help anybody and is rife with waste, fraud, and abuse. And that is the perspective that we brought to this bought from the very beginning. And maybe that is what is new about the New Foundation for American Greatness budget.

The other thing that is new, by the way, is that it does balance. And for those who have been here for a long time, you know that it has been a long time since the President's budget has balanced. It certainly hasn't happened since I arrived in Washington, D.C., in 2010.

Someone mentioned on the news today this is a moral document, and it is. And here is the moral side of it: If I take money from you and I have no intention of ever giving it back, that is not debt, that is theft. If I take money from you with an intention to pay it back and I can show you how I intend to pay it back, that is debt. And what we have been doing for too long, both parties by the way, in this city have been taking money from people without laying out a plan for how we are ever going to pay it back. And we start doing that with this budget. This budget does balance within a 10-year window. Something that is completely new in this town.

What is the foundation? The foundation for the plan is 3 percent growth. In fact, that is Trumponomics. People ask me, you know, you are the budget director, what do you think about Trumponomics? Trumponomics is whatever can get us to 3 percent growth. And I can assure you when I am in the Oval Office with the President and we are talking about trade policy, we are talking about energy policy, we talk about tax policy, we talk about healthcare reform, we talk about budgets, we are figuring out—trying to figure out a way to get to 3 percent growth.

I have news for you, both parties: If we do not get to 3 percent growth, it is unlikely we will ever balance the budget again. And that is not a plan. That is not a plan for the future. That is not moral, to continue to take money from people without having a plan to pay it back. So we do everything we can to try and get to 3 percent growth. I look forward to the questions today about how we do that.

We do all of this, by the way, and still fund the President's priorities. You have heard it by now we wanted more money for national security, border security, law enforcement, veterans, school choice, even paid parental leave. For the first time ever, President Trump, the first President of either party, is proposing a national paid parental leave program. There is $20 billion in this budget to do that. We don't touch Social Security and Medicare, following through on his campaign promises.

And we're able to do all of that and still balance. Why? Because what we did here is try and change the way that Washington looks at spending. We no longer want to measure compassion by the number of programs that we have or the number of people that are on those programs. We want to measure compassion, true compassion, by the number of people we help to get off of those programs. We don't want to measure our commitment to the country by the amount of money that we spend, but instead on the number of people that we help get off of these programs and get back in charge of their own lives. That, that is what we think makes this the American Greatness budget, because we are going to try and get the country back to where we have a healthy economy, people are working again, people are optimistic about the country again.

I remind you, if you are under the age of 30, you have never had a job as an adult in a healthy American economy. And a healthy American economy is very, very different than what you have seen for the last 10 years. And the dynamism and the optimism that comes from that is what this administration is about. It is what this President promised. It is what we are going to do everything in our power to deliver, and the budget is a start to that.

So with that, Madam Chairman, again, thank you for having me today. I look forward to the questions and in explaining the budget to members.

[The prepared statement of Mick Mulvaney follows:]

TESTIMONY OF
MICK MULVANEY
DIRECTOR
OFFICE OF MANAGEMENT AND BUDGET
BEFORE THE HOUSE COMMITTEE ON THE BUDGET

May 24, 2017

Chairman Black, Ranking Member Yarmuth, 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 Black, Ranking Member Yarmuth, 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.

***

Chairman BLACK. Thank you, Mr. Director. And I look forward to the conversation. And thank you for yielding back those 5 minutes, and members will have more time and opportunity to ask you questions.

So now we will begin the question-and-answer period. And I am going to begin with the first question. You mentioned, during your opening comments, about a moral obligation of balancing the budget. And around here in Washington, you will hear some folks say, this is just kind of a quaint anachronism that we should balance a budget, that somehow that would not be something that would be very important.

And you mentioned about it being a moral obligation. I certainly as a mother and a grandmother and hopefully a great-grandmother some day do feel that it is our moral obligation to make sure that we leave a strong country without huge deficits for our children and grandchildren. And so will you talk a like bit more about your view on the fiscal and economic well-being and what will happen if we continue these chronic budget deficits and ever-rising debt on the moral issue for the future generations?

Mr. MULVANEY. I will approach it this way. Thank you, Chairman Black. Everybody around this table owes the Federal Government $60,000. I have three 17-year-olds. Okay? They are not even out of school yet and they owe this government $60,000 each. Every man, woman, and child in this room owes the Federal Government $60,000. I am not sure if they know that. I am not sure if we have done a good job as both parties of explaining to people what government truly costs. In fact, I happen to believe we have done a really good job of hiding the true cost of government from the American people. I don't believe that people are willing to pay for as much government as they have. And I don't think that we have been entirely honest with them for about the last 40 years on what government truly costs.

I and do think there is a moral imperative to tell them. Say, look, this is how much it costs and this is how much we have to take from you in order to do this. Do you really want us to take from you that much money or do you want us to try and find a way to balance and to spend less? And balance is something that it seems foreign in this city, which completely stuns me. I don't know how many of you used to be on the State legislatures. I was. I know that Governor Sanford was when he was my Governor in South Carolina. But a balanced budget was the ordinary course of business for just about everybody in the world except this body. States have to do it, families have to do it, businesses have to do it. My goodness, my church has to balance its budget or else they cease to function.

And I think there is a disconnect between the American people and the government when we don't lay out a path to balance. When you talk about the financial impact of that, Madam Chairman, what you look at as we go forward is every single year we talk about more and more of our money going to pay interest payments on the debt. And I don't know the exact numbers, but at some point in the very near future, we expect to be paying more money for debt than we do for defense. And that worries me.

I was in, not this room, because this is a temporary room, but I was in the old Budget room my very first year when I saw the Chairman of the Joint Chiefs of Staff sit in front of this committee and say that he thought the greatest threat to this Nation was the national debt. Great countries are not destroyed from without; they rot from within. And that debt, that crushing debt that we have on every man, woman, and child is part of that rot, and that is what we are trying to address in a very candid, open, and honest way in this budget.

Chairman BLACK. And I do appreciate that. And I appreciate you putting it in a context as well, that we would look at our students in high schools and say to them, would you like to have a $60,000 car or would you like to just pay your share of the debt to the Federal Government? So I appreciate putting it in a real context where folks understand that when we talk about trillions of dollars, I know even before I came here to Congress and serving in the State legislature, we talked about millions and billions. We don't talk about trillions of dollars in State legislatures.

And, honestly, you sometimes think that is a fictional amount, because people cannot wrap their heads around trillions of dollars. But when you put it in a real context of your share of that is $60,000, and you are really, at the end of the day, not paying off even the debt that we are continuing to build up.

Along with that, I do want to say it is gratifying to see that the administration is taking a stand on some Federal entitlement programs and reforming them. Do you consider entitlement reform an indispensable part of reaching that balanced budget, especially as we look at how we are only spending one-third of our total dollars on everyday spending and the rest of it is over in that column with the debt and the entitlement, Social Security, Medicare, and the other entitlement programs? So do you consider that an indispensable part of what we must be doing? And along with that, do you agree that even if we weren't facing a fiscal crisis, that reforming these entitlement programs really is the right thing to do?

Mr. MULVANEY. Let me answer it this way, Chairman: I don't believe it is possible. In fact, I know it is not possible to balance the budget solely using the discretionary portion of the budget. There have been years that I was here, 2010, 2011, I believe, where we could have taken discretionary spending to at or near zero and we still would have had a deficit.

In our budget, we do address mandatory spending, what some people call entitlement spending, but we do not address the two that the President simply didn't want to touch, which was Social Security retirement and Medicare. I have told this story many times, I actually sat across the desk from him in the Oval Office with my list of mandatory reforms. And at the end of—I think we had four meetings on it, he would go, yes, yes, no, no, no. And the noes were all Social Security retirement and Medicare. And when I pressed him on that, he said, look, I made a promise. I made a promise to people that I would not touch those. And we didn't.

And I will be perfectly frank with you and candid: I didn't think we could balance the budget, and that is why I was extraordinarily impressed with my team when they were able to figure out a way to balance the budget without touching those things. I will tell you it is probably the last time we could do that. It will be very difficult in the future to do that because of the role that those programs do play in our future spending, but I was excited to be able to keep the President's promise.

By the way, the budget is nothing more than a collection of his promises. That is how we wrote it. If he said he wanted to spend more money on something during the campaign, we spend more money here. If he said he wanted to spend less, we spent less here. If he said he wanted to add to Defense, he wanted to add to border security, wanted to add to school choice and veterans affairs but didn't want to add to the deficit in year one, that is the framework for the budget.

But to your larger point, yeah, you cannot address our long-term drivers of our debt without looking at the mandatory side of the budget. It is three-quarters of what we spend going to 80 percent in the near future. So, yeah, you would be hard pressed to be able to balance the budget without looking at mandatory spending.

Chairman BLACK. And along those lines, and then I will conclude my questions here, but along those lines, we sat and talked privately about some of the ideas that you had. And you shared with me that we don't want to hurt people who really need the kinds of services that we want to be sure they get. In other words, we don't want somebody who is unable to afford their heat and air conditioning to go without getting those services, but there are wastes in these programs. And I think that is important that we talk about the waste in the programs, at the same time acknowledging that we are not heartless people. We want to make sure we take care of people. We also want to make sure our dollars are well spent.

Would you give an example of it, just in the LIHEAP program, about how there are ways that we need to make sure that we are cleaning up?

Mr. MULVANEY. Sure. And I know it fits a certain narrative that our party doesn't care about poor people, and that is—that seems to always filter out during budget time. In fact, it filters out all the time.

I believe in the social safety net. I really do. I actually think that it helps us get to that 3 percent growth. And I have made that exact argument to the President, that a healthy social safety net gives people that confidence that we need them to have in order to take risks, in order to start your own business, in order to go out on your own, to bring the sort of dynamism that we need into the economy to get 3 percent growth. And that a healthy safety net is part and parcel of that. And we can absolutely afford to do that for folks who really need it.

Part of the difficulty, I think, and we will talk about this, I know, as we go through the various programs, though, is, are there folks who are on these programs who shouldn't be? Again, when we have a chance to go into more detail, I will answer your specific question about LIHEAP. Eleven thousand dead people got this benefit a few years ago, dead people. One of your States, I can't remember which one it is, has a requirement that they approve three-quarters of the applications, regardless of merit.

When you look at that through the perspective of the folks who pay for the program, it is an entirely different perspective than, oh, my goodness, you are going to put—you are going to put people out on the street or people are going to freeze to death. No, they aren't. We are not going to kick any deserving person off of any meaningful program. We want to help people just as much as you do. Republicans care about poor people as much as Democrats, just the same as we care about clean air and healthy drinking water.

But we look at it from a different perspective, which is to balance those who receive the benefits with the folks who pay for the benefits. And you show me a program where 11,000 dead people are getting benefits, I have a problem with that, because I think taxpayers would as well. I look forward to having those conversations as we move forward.

Chairman BLACK. Thank you, Mr. Director.

And I now recognize Mr. Yarmuth for questions.

Mr. YARMUTH. Thank you, Chairman Black. And, Director Mulvaney, nice to see you. Welcome back to the committee, and thank you for your work.

The first thing I want to do today is thank you, because one of the things that I think you have done by submitting this budget to Congress is highlight some incredibly important vital programs that—and investments that the Federal Government makes that help working families throughout this country and that support much of the economy in this country.

You know, it is one thing to say, well, we can do without CPB, we can do without NEA, we can do without NEH, we can do without CDBG. And people just hear initials and they don't really know what we are talking about. But when they say would you like arts programs in your community? Would you like historical displays in your rural community? Would you like Meals on Wheels to help your seniors survive? Then they understand that these are critical, critical programs that are worthy of government investment. So I thank you for highlighting that for the American people.

I just have to respond to one thing. That guy who is deciding whether to buy a $60,000 car or pay $60,000 to the government, I wonder what he would answer if you said, you can have a $60,000 car or your senior parent can come live with you, because the money that would put her or him in a nursing home that is paid for by Medicaid is not going to be available to you. I think you would probably get a little bit different perspective on that.

And, Mr. Mulvaney, you said on several occasions that you would not ask—you could not ask a single mother, I think you said in Detroit, but it obviously doesn't matter where that single mother would be, whether she would be willing to pay for her share of public television or NEA and so forth. And I would say most single mothers that I would know, if you asked them whether they would pay $1 a year for children's programming or would they rather pay $2,000 a year for their share of the Defense budget, they wouldn't have any problem paying that $1 for children's programming, but they might balk a little bit at the $2,000 payment for Defense.

So what we are really talking about in this budget, I think, is this is the age old guns versus butter argument, and I think we will continue to have that debate. And I think it is really unfortunate in a way. And I thank Ms. Jayapal for that impressive rendition of my opening statement, but this really is pitting one against the other, this budget. That is what it does. It pits Defense investment against investment in everything else. And that is a frightening concept, I think, for this country if we have to ignore the portion of the Federal budget that invests in people, whether it is job training, education, important medical research, and other innovation, or whether we buy guns. But that is what we are being asked to do in this budget.

So, you know, you have justified many of the cuts in this budget by saying that there is no evidence to prove that these programs actually work. For example, you have suggested that Meals on Wheels doesn't work. I would think that just by nature of the fact that you are keeping people alive by feeding them is pretty good evidence. But beyond the question of morality of providing meals to seniors, there is abundant evidence that it does work, including evidence that even small increases in that program pay dividends in the form of lower Medicaid spending. Granted, there are many other programs where the evidence may be more nuanced, but that doesn't mean the programs don't work and should be eliminated, pulling the rug out from working people, children, and the elderly who need them.

So if direct empirical evidence that something works is the only standard for funding, then what is the direct empirical evidence that an additional submarine or one more F-35 increases our security? That kind of evidence would be difficult, if not impossible, to produce. Does that mean we shouldn't buy submarines or F-35s? No, of course not. We rely on a comprehensive body of information, including opinions of our military leaders and national security and foreign policy experts to make those decisions.

So the administration is asking for an additional $54 billion above the caps. And there has been plenty of evidence and reports indicating waste and mismanagement at the Pentagon, including it is the only agency that can't pass an audit, there have been hundred of billions of dollars in weapon system cost overruns, reports of significant bloat and the overhead. The Defense Business Board concluded $125 billion in savings over 5 years could be achieved. The GAO has identified a myriad of high-risk management areas in DOD's business operations. And just this past weekend, the Washington Post reported on gross overpricing of fuel in DOD, which created billions of dollars in reserve cash for the Pentagon to spend on new priorities.

So my question to you is, how have these reports of mismanagement and waste factored in the administration's decision to add $54 billion for national defense?

Mr. MULVANEY. A couple of different things to that, Ranking Member Yarmuth. Thank you for the questions. On the DOD, a couple of things. I am just as interested and you are I believe, in waste at the Department of Defense. And I am happy to announce, once I got over to OMB, I started asking questions about what we are going to do about that. And I am told by the DOD—in fact, I think they just filed a confirmation of this a couple of weeks ago—that they intend to be fully audit ready by September of this year. That is pursuant to law I think they are required to hit that deadline. They told us they are ready to hit that deadline. In fact, I think certain subparts of the Department are already ready. But I do look forward to continue to work on those with you.

Regarding Meals on Wheels, I will come back to that for a second, you know I have no intention to embarrass you because you are a friend of mine, but I do believe that the article that you read about that has been withdrawn by the Washington Post. We never said that Meals on Wheels was ineffective. As is too often the case, the story got printed like this and the redaction got printed like this.

Mr. YARMUTH. Okay.

Mr. MULVANEY. But let's talk about the Meals on Wheels, because we don't reduce it. Okay? Most of that is funded through, oh, it is an HHS program—no, ma'am, CDBG is not—the primary funding for Meals on Wheels comes through the senior nutrition services. I believe that is at HHS, it could be HUD. I lose track of the alphabet soup.

There is no reduction in that program. Yes, we do cut the CDBG program, but that is a program that accounts for less than 1 percent and it is optional by the States. We block grants for the States, and some States do choose to use some of that money for Meals on Wheels. But that funding accounts for 1 percent of total Meals on Wheels. So I just wanted to clarify that.

Regarding the Corporation for Public Broadcasting, look, I mean, my mom tells me I saw the very first Sesame Street. Okay? In fact, I was curious that there is a printer in the back room here with Bert's picture on it. They have evidently named the printers here Ernie and Bert. It is a for-profit corporation, and it does extraordinarily well. I don't know if Henson Associates is owned by Disney or has a licensing agreement with Disney. I can assure you Big Bird makes more money than everybody in this room. But when I do go to that family in Grand Rapids and say, look, is this what you want your money to go to? I think they might tell me no, that maybe they can afford to do it without us. So that is why I talk about we are looking through those——

Mr. YARMUTH. Would you think the same family in Grand Rapids would say, oh, I am very happy paying $430 million for military bans?

Mr. MULVANEY. I think that when we look at the priorities that the President has given us—it is not just Defense, by the way. You said all of the money is going to Defense, and it is not. But I will answer your question, then I will fill in some gaps.

Yeah, I think folks understand that a function, a proper and appropriate function of the government is to defend the Nation. I think, in fact, if we got together and came up with a list, if everybody from every different wing of both parties came up with a list of what they thought the priorities of government should do, my guess is defending the Nation would be fairly high up on everybody's list.

Mr. YARMUTH. Everybody on both sides of this committee, I am sure, this Congress.

Mr. MULVANEY. I think one of the knocks against your party is that you don't believe in national defense. I don't happen to agree with that. I know that you think it is a priority just like we do.

Okay. So I think that family in Grand Rapids, if you ask, do you think some of your money should go to defending the Nation, the answer would be yes, sir.

Mr. YARMUTH. Oh, no question about that. I am just asking about military bans, because you are cutting out NEA and NEH cultural enrichment programs, and then you have got this other program that I would argue really provides no service.

But let me say one other thing, and this is just in relation to the methodology that was used here. And I think the media are doing a pretty good job of documenting many of the problems with the assumptions that were made in this budget: the 3 percent growth rate that no economist thinks is reasonable; the possible double counting of $2 trillion; the notion that tax cuts pay for themselves, which even conservative organizations don't necessarily support. But I just have to repeat what was written today by Michael Grunwald when he said, you know, I can say that I want to dunk, and I can make the assumption that I am going to grow a foot and return to the athleticism of my 20s, but that is probably not going to happen. And I think that is what many of us are concerned about with the construction of this budget, it relies on things that just aren't going to happen. So to make the claim that it balances with basically fantasyland predictions, to us is a claim that is not valid.

So I thank you for your appearance, and I yield back.

Mr. MULVANEY. Thank you, Mr. Ranking Member.

Chairman BLACK. Thank you, Mr. Yarmuth.

I now recognize the vice chair of the committee, the gentleman from Indiana, Mr. Rokita.

Mr. ROKITA. I thank the chair.

And, Mick, it is good to see you back at committee again. I really appreciate the leadership that you and the President and the administration is providing. As you said in your opening, you are putting forth priorities. And they are priorities that are responsible in light of the fact that we are $20 trillion in debt going to $100 trillion before too long.

I also take notice that you said this is probably the last budget we are able to do that. That is to say if we implemented every word of your proposed budget or something similar, very similar in terms of the numbers—we reflect our Article I priorities—that means in 10 years, we are going to have to look at Social Security, Medicare, again look at Medicaid perhaps, in order to be responsible and sustainable again, because those three programs are eating up so much of our budget.

And I really think that Republicans—when we started out, Mick, 6 years ago, we were saying the same thing as the President, we don't want to effect anyone on or near to be on these programs. But we are looking for something to do for the next generation so that these programs are strengthened, sustainable, and around. And not speaking for the President, of course, but that is how I interpret his promise. In fact, we are doing the responsible thing and are saying the same thing.

And I also appreciate your announcement that DOD will be auditable by the end of this year. I think that is something that you and I both care about.

And I thank you for our prioritizing school choice, something I work on in the K through 12 Education subcommittee that I chair. We stand fully ready and behind what the President wants do to make sure that parents can pick the choice that is best for their kids and not be shackled to a particular ZIP Code. When parents have a choice, you know, the kids have a chance. And I thank the President and you for doing that.

I want to focus something that is come up in my Transportation Committee that I am also on, and that is this ATC privatization. When the CBO scored H.R. 4441 last year, which was the AIRR Act, CBO said that privatizing air traffic control would cost nearly $20 billion over the 10-year window. And if our goal is to reduce deficit and not add to the debt, like you said, why are we embracing things that are going to cost $20 billion?

Mr. MULVANEY. Thank you for the question. And by the way, I will apologize in advance to addressing all of you today by your first names. It is a bad habit I got into when I was a Member. I am going to try and call you Mr. Rokita. If I call you Todd, I apologize.

Mr. ROKITA. I am going to call you Mick.

Mr. MULVANEY. Yup. And I have been called a lot—you have called me a lot worse, as I recall.

Here is why we do it: Because we think the current system is broken and we think it supports the expenditure. When we look around the world, we look at the technology, when it comes to air traffic control, we are behind the curve. We are way behind the curve, as a matter of fact. And we do support the efforts that are currently moving through the House.

Mr. ROKITA. With regard to that, I fly in the system, I use the system, 145 hours a year that I am flying in the system, not just as a passenger. And for the size that we are, which is the biggest in the world, it works well. We continue to search for, many of us, the actual problem that it is trying to solve. We don't think really one exists. How you can say Canada, like I think your counterpart mentioned the other day, Gary Cohn, said, quote, "Everyone else has done it, so we know it is relatively easy to do," unquote.

So that is the view of the administration that—he was referencing Canada, by the way, which is one-third the transactions and the size of our system. Just because it was easy to do it—and it took Canada nearly a decade, by the way—that all of a sudden it is going to be easy for us to do?

Mr. MULVANEY. I don't think anything on that scale, Mr. Rokita, would be easy, but I do think the system that you see in other countries that is much more modern is a satellite-based system, instead of a ground-based system. It is scalable, but you can take it up to something——

Mr. ROKITA. Yeah, but you don't need to take the governance and the dispassionate third party that is the FAA to decide disputes in an ecosystem that has different interests, and sometimes a competing interest, and turn it over to—it is a monopoly, and you are going to turn it over to the airlines is the problem. That is going to be the effective result of this board. And so that is concerning.

But do you guys support all parts of that ATC privatization proposal, even the labor agreement that is been codified in the proposal?

Mr. MULVANEY. Yeah. Mr. Rokita, I don't get into that level in my budget, because we look at the monetary impacts of the proposals, not the——

Mr. ROKITA. Well, that is part of the $20 billion cost is this labor agreement that you are taking from the FAA, the controllers, and you are actually codifying it and baking it into law, if you—you know, if you agree with that part of the proposal, which was my question.

Tax rates on this very thing, the budget states that you will work with Congress to establish successor tax rates if this new ATC corporation is created. Does the administration have a general idea of what those tax rates would be, and would the administration support moving to a user fee for all segments or any of the segments instead of creating new tax rates?

Mr. MULVANEY. And I am not trying to dodge your question, Mr. Rokita, it is just we don't get to that level of detail. I understand that Secretary Chao I think is on the Hill today or tomorrow. You may get a chance to ask her that question as well.

Mr. ROKITA. Okay. Well, these just go—this goes to the bottom line budget numbers, so that is why I asked.

Mr. MULVANEY. Yes, sir.

Mr. ROKITA. Mick, thanks for being here.

Mr. MULVANEY. Thank you.

Chairman BLACK. The gentleman's time has expired.

And I now recognize the gentleman from New York, Mr. Higgins, for 5 minutes.

Mr. HIGGINS. Thank you, Madam Chair. And welcome, Budget Director Mulvaney.

Under your budget, 3 million wealthy Americans get a $213,000 tax cut; 240 not so wealthy Americans get a $210 tax cut. I appreciate all the concern about debt, but the White House budget increases the national debt by $5.5 trillion over the next 10 years, this according to the nonpartisan committee for responsible Federal budget. Economists right, left, and center say the tax cuts don't pay for themselves and they never have.

You want 3 percent annual growth, so do I. The Congressional Budget Office projects lower than 2 percent growth each year over the next decade. You want growth in the United States economy, you have to invest in that growth.

I think China is serious about their growth and I don't think that we are. And let me explain. China's America's largest trading partner. Last year, we sold $115 billion to China, and they sold to America $462 billion. Our trade deficit last year with China was $347 billion for stuff, for goods. China wants to overtake the United States as the global economic leader. China just announced a $1 trillion infrastructure investment to open up China to 47 other Asian countries to sell the stuff they make to 47 new markets much more efficiently.

Under your budget, you want $1.4 billion to build a $40 billion wall that we were told that Mexico would pay for. Your budget spends $3 billion a month for a 16-year war in Afghanistan. In response to a $2 trillion need for American roads and bridges with a pathetically weak $200 billion, maybe.

China is making an aggressive move to challenge the United States' global leadership. And the President in his first budget does nothing, absolutely nothing to seriously grow the American economy and to reclaim economic share from China and other countries.

Your thoughts on that.

Mr. MULVANEY. Again, you have given me a bunch to work with. Let me take them in turn, and we can backfill if you would like to.

You talk about investments in China. Investments are absolutely critical, absolutely critical to get economic growth. We all agree on that. I think the difference between you and I and China and myself might be where we think the most effective investments are made. We happen to believe that private capital investment is always more efficient, more effective, and more accountable than government investment. And when you say that we make absolutely no provision for investing in this country, sir, I have to disagree. The whole tax plan that we have come up with is designed to try and drive capital investment, businesses investing in new technology, investing in people, trying to figure out new markets; that that is a much more effective way to get to 3 percent growth. And I can assure you that we are fairly confident that we can beat the Chinese at that.

Regarding the trade deficit, we share your concerns. And I think that is why you have seen a focus on trying to rebalance some of our trade agreements, renegotiate some of our trade agreements. We have made some small progress on that already in the first couple of months. You have seen some progress, I think, on some agricultural exports to China.

You mentioned that China is doing a massive $1 trillion in infrastructure, and we are only doing a—I can't remember what the——

Mr. HIGGINS. $200 billion.

Mr. MULVANEY.——$200 billion. And what I would point out to you is that we are proposing to figure out a way, and there are ways, to leverage that, to at least a trillion dollars worth of spending. Let tell you how that is. Let me give you an example of how that might be.

You are a governor and you want to build a road, okay, and the road is going to cost you $100 million. Okay. And you have tried to figure out a way to pay for it and you just can't. And you can only raise $80 billion—$80 million. What if we kicked in the extra $20 million? That is a $100 million road that would not have otherwise been built with a $20 million Federal investment. That is a 5 to 1 return on that investment.

Mr. HIGGINS. Let me just reclaim my time, respectfully, because I only have a few minutes.

We spent $108 billion rebuilding the roads and bridges of Afghanistan. We spent $78 billion rebuilding the roads and bridges of Iraq, and they were all deficit financed in the traditional way that goes back to Lincoln and how you do it. He called them land improvements. You issue debt over the length of an infrastructure project. Cities, villages, towns, and States do it all the time. And what the infrastructure investment does, sir, it unleashes the resources of the private sector, and you see that from Buffalo, New York, to Boston, Massachusetts——

Chairman BLACK. The gentleman's time has expired.

Mr. HIGGINS. So I just think that we need a more serious attempt to get away from building walls and build bridges and roads that are in desperate need of repair throughout America.

Chairman BLACK. The gentleman's time has expired.

Mr. HIGGINS. I yield back. Thank you.

Chairman BLACK. I don't mean to interrupt when you are making a comment. I really appreciate the fact that you want to finish your comment. But if I could ask everyone to try to stay within the time, because these committee meetings do run very long, and I know everybody has other meetings they need to go to.

So I now recognize the gentleman from Florida, Mr. Diaz-Balart, for 5 minutes.

Mr. DIAZ-BALART. Madam Chairwoman, thank you very much. Mr. Mulvaney, good to see you, sir.

Let me first thank you for being accessible. You have been exceedingly accessible to all of us who have had questions, issues, and that is refreshing and grateful. I am not going to talk to you about some of the issues. You know that in my other life I was an appropriator, I chaired THUD, and will have an ample opportunity to talk. And I know that the President and you are emphasizing again infrastructure, and that is something that I am very happy about, and we will have ample opportunity to talk about in detail.

So let me kind of shift to talk a little bit about national security. I am pleased that this budget recognizes the importance of our military and national security. I don't have to tell you that for the number of years in the last administration military spending was, in essence, was held hostage to nonmilitary discretionary spending. That is something that was broken, fortunately, in the 17 Omnibus that was just passed. And I don't have to tell you, sir, about the growing threats around the world, how the world is in flames. And again, I believe that having a strong military is essential for our security, for the stability of the world, for ourselves and our allies, and the United States must continue to lead.

And I also believe that, by the way, part of however that is investing not only in defense, but also in targeted soft diplomacy and funding there. Obviously, a big part of having a safe world and a safe Nation is that when the President of the United States sets a red line, that that red line is enforced.

So let me talk to you a little bit about, again, where you see that spending, military spending being, going, how you see the future of our Armed Forces. That is one issue that I would like you to elaborate a bit on.

The second thing, and if we have some time and I am going to open it up to you, is I keep hearing that 3 percent growth is not possible anymore in the United States of America. We have to give up on 3 percent growth for the future, for our children, and our children's children, that that is not reasonable anymore. I refuse to acknowledge that and believe that if we do some things, that my 11-year-old son will inherent the same country that we inherited, which is not a country growing at 2 percent growth. And the forecasts are that if we don't change a track, that that is exactly what we are going to be condemning our children for.

So if you would talk a little bit about, obviously, you know, tax reform, reg reform is key, domestic energy production is key, a little bit as to how you foresee this budget and, frankly, this administration, looking at ways to make sure that our kids do not inherit what some believe is inevitable, which is a country that will never grow above 2 percent.

Mr. MULVANEY. Thank you, Congressman. A couple of different things that you asked me. Where we thought the defense spending is headed and, of course, what is driving all of this is the President's promise. And I will come back to this again and again during the testimony today, the President's promise to undo the sequester. And that was what drove the decision.

The top line spending number that you see in our budget, which is $603 billion this year for defense, I think is the exact number it would have been but for the sequester. So that is what we see is a presequester spending level, informed by what is going on right now. We are in the middle of our new national defense strategy, and we are looking forward to getting that information from Secretary Mattis.

The President also made promises, again, coming back to that theme on the campaign trail, about the size of the Forces. And you will see funding to try and get us in that direction. I will be perfectly candid with you, it is very difficult to do, given some of the industrial base that we have now, but we are working on ways to try and address those problems.

So the President is just as committed as you are to trying to figure out a way to fix some of the damage that may have been done during the previous administration within the Defense Department.

Regarding 3 percent growth, I am stunned. I mean, there was an article the other day, I think again in The Washington Post, said it was an outrageous assumption. How pessimistic do you have to be to assume that 3 percent growth, which is less than the historical average going back to the founding of the country, less than the historical average going back to the end of World War II, that that is somehow unreasonable? What does it say about the previous administration? What does it say about the CBO, about their view of the country that they don't think we are ever going to be able to do that again?

We refuse to accept it as well, Congressman, as you mentioned. We think that if that is where you are, then don't accept it. Help us figure out a way to get back to 3 percent growth. Taxing doesn't do it, but come up with other ideas and work with us and try to figure out a way to get to 3 percent growth, because everybody around the table will benefit in terms of your role as lawmaker, every one of your children will benefit in your role as parents. Three percent growth should not be something we are just sort of talking about; it should be what drives everything that we do.

Mr. DIAZ-BALART. I yield back the balance of my time.

Chairman BLACK. Thank you.

I now recognize the gentleman from Pennsylvania, Mr. Boyle, for 5 minutes.

Mr. BOYLE. Thank you, Madam Chair. And welcome back, Mick.

There was something I wanted to ask you about. You said a few moments ago that we shouldn't worry about Sesame Street and the rest of the PBS programs because Big Bird is making more money than any of us in this room. Well, I guess the good news is that if Big Bird really is a billionaire, he is standing to get a huge tax cut from the Trump budget that does more to help billionaires and less to do working people and middle class people that happen to populate my district.

I want to key in on one broken promise of this budget, and that is as it relates to transportation and infrastructure. You know, many principal conservatives, such as yourself, don't necessarily agree with a big transportation and infrastructure plan. And I respect that viewpoint.

President Trump is someone, though, who clearly does. When he came dozens and dozens of times to my State of Pennsylvania, he talked, frankly, like a Democrat and said things that I happen to agree with and many of us agree with on the need to repair our historically decrepit infrastructure, which the American Society of Civil Engineers has given us a D plus. We don't even rank in the top 20 anymore in the world. That should bother all of us as Americans.

So President Trump, as a candidate, talked about a $1 trillion infrastructure plan. When the Democratic nominee for President released her plan, he as the Republican nominee criticized it, not for spending too much, a historically Republican position, but for spending too little. Well, here we are now with the budget plan. And instead of having that $1 trillion plan, something that I would sincerely like to work with him on in this administration in a bipartisan way, instead it is actually $200 billion. Just a fraction of the $1 trillion that he talked about and that is the bare minimum that we need as a country, according to the experts.

And it turns out that that $200 billion isn't even real, because included in the same budget is a $95 billion cut in the Highway Trust Fund. I don't think anyone driving America's highways drives them thinking, boy, we are spending too much on highways, these are just so state-of-the-art and don't need any repair.

So I want to ask you about that, about why it falls so short of what Donald Trump says, the candidate.

And I also, before you do that, just want to make a point about spending and investment. Not all spending is the same. Granted, if someone took $60,000 and spent it on some sort of luxury car, that would be, while perhaps fun, wasteful spending. That has no return on investment. It depreciates the moment you buy it. However, if you take instead that amount of money and invest it, for example, in the Community Development Block Grant program— there is one program I know about in the neighborhood that I grew up in in Philadelphia, an area that has been overlooked for decades. They took this small Community Development Block Grant on the North 5th Street corridor and invested it into the main business thoroughfare, something that once was thriving and had really fallen down for decades.

With just that little bit amount of money, they were able to improve, not just the storefronts that they worked on, but then to actually bring business back to that area. It had, in other words, a multiplier effect. And now you see that business thoroughfare, that corridor thriving again and good things happening. That was an investment. That is quite different from just taking the same amount of money and spending it on something wasteful.

So I think too often those of us in Washington, D.C., especially my friends on the other side, treat all spending as the same, when really we should look at the return on investment of these dollars. And any time we spend on education, or I would argue, the Community Development Block Grant program, we are actually investing in rebuilding this country.

So with that, as I say again, welcome back. And you are an example of someone who I have many disagreements with on policy, but shows that good people can still be friends and work together on these issues.

Chairman BLACK. Mr. Director, do you think you can answer that in 20 seconds?

Mr. MULVANEY. I can do Big Bird in 20 seconds. Big Bird actually does get a fairly large tax cut. And we want him to, because Henson Associates that owns Big Bird has been paying the highest corporate tax rate in the world for the last several years. And we want them to have more money to reinvest in that type of creativity that created Big Bird in the first place, because we believe that Henson Associates is a lot more creative than we are. And we believe that money will be much better invested by a private corporation, by private individuals, than it would be by the government. And I am happy to talk about infrastructure. I am sure I will get that question again. So thank you.

Chairman BLACK. Thank you.

I want to remind the members one more time that you have a total of 5 minutes, so if you leave the director 20 seconds, we are only going to be able to give him 20 seconds to answer the question.

With that, I would like to recognize the gentleman from Oklahoma, Mr. Cole, for 5 minutes.

Mr. COLE. Thank you, Madam Chairman. And, Mr. Director, it is really great to have you back here again. Full disclosure, shortly after my questions, I am going to have to get up and leave because I have got to go chair a hearing for Secretary DeVos. So please don't take anything——

Mr. MULVANEY. We will let Mr. Yarmuth read your closing statement. How about that?

Mr. COLE. I want to start and compliment you, frankly. It is a huge seat change to see a representative of the President of the United States bring us a budget that tries to balance and does balance within 10 years. We haven't seen that in a long time. And just the shift in emphasis that that represents is a really welcomed change. And I want to congratulate you for it. I think, you know, we can all disagree with this or that, but that one change is fundamentally going forward.

I also want to thank you for the emphasis on defense. I sat on the Defense Appropriations Subcommittee. I think that is a wise choice. And to some of my colleagues that are critical, I want to also point out that the President could have gone a lot further here. There is a lot of people in, certainly on my side of the aisle and the House Armed Services Committee, that wanted a $640 billion line.

Mr. COLE. So I think this is actually a pretty prudent balance of letting us move back in the right direction. But even that number to me shows fiscal restraint. You could have gone a lot further. And in some ways, I would have liked it, but I think you made the wise decision financially for the good of the country.

And there are a lot of your proposed cuts in here that I strongly support. You know, I suppose you probably had—you won't take credit for it, but I am going to give you credit for Social Security disability. I know the President, this is an area which he has not wanted to go, and I am glad you talked to him about this, because I think, ultimately, that is the big crisis we are going to face, as my friend Mr. Rokita, suggested down the road, entitlements are where we are going to have to come back to at some point. I just think the math drives you there.

I have got two areas I want to ask you about: One is with respect to entitlements. What is the spending balance between mandatory and discretionary spending today? And in 10 years under your budget, what will that balance be?

Mr. MULVANEY. I don't have the numbers in front of me, Mr. Cole, but I think right now, you are looking at sequence of 74, –5 percent of the budget, 72 percent of the budget is mandatory. And that will continue to grow, because what we, in essence, do is we keep the BCA caps in place on total discretionary but allow defense to grow.

So under—should not change from current law in terms of the distribution. Mandatory will continue to get larger and larger as part of our total spending.

Mr. COLE. Again, I would suggest that bears some more thought, and I hope we see it in your next budget. Because, honestly, that math can't be sustained. And it will crowd out, eventually, defense and other areas that I think are important to national investment.

Mr. MULVANEY. And we look forward to talk with you about that, begin this conversation.

Mr. COLE. I know you will, because I know from our time together on this committee how serious you take that sort of thing. So, again, I don't question anybody. You work for a President. It is your job to advance and defend his views, but I hope over time, we can have that dialogue, because I don't think we are on a sustainable course.

One place where I do think we are being in your budget penny wise and pound foolish are National Institute of Development and Center for Disease Control. Those are relatively modest investments, and they are investments of Congress on a bipartisan basis has increased in the last 2 years. And let me tell you why we have done it. We have done it partly because we think that, obviously, it is the right thing to do. You want a good health outcome for the American people. But it is also the fiscally prudent thing to do.

Right now in your budget, in Medicaid, we are spending $259 billion a year taking care of Alzheimer's patients and people with dementia. Right thing for us to do. But that will rise to over $1 trillion in uninflation adjusted dollars but 2050. We have now, back to back, the two largest increases in Alzheimer's funding, really, ever.

The reason, again, is to try to deal with a dreaded disease, but also to get ahead of this things fiscally so we can either cure it, hopefully, or even slow down the progression.

You know, I am going to give you an opportunity to respond. But I think there you should look. And I will also tell you, sometime in the President's terms, you will have a pandemic. You will have a Zika; you will have Ebola. And cutting the Centers for Disease Control, I think, leaves you very vulnerable and the American people very vulnerable. So I want to give you an opportunity to reply to those things.

Mr. MULVANEY. Let me address very briefly—thank you for that—the NIH, because we actually, despite what you may have heard in press, we wholeheartedly support research in this area. We especially support research, what we call basic research, which the stuff that is early in the process, that is far away from marketability, the stuff that will not get done or is less likely to get done unless the government does it. But I encourage the entire committee to consider this, which is the biggest change we have made in the NIH is to look at the overhead costs. If a private foundation gives the university money, typically, the university is required to spend 90 percent of that money on actual research, only 10 percent goes to overhead costs. With our money, it is 72 percent actually goes to research. So I would encourage you to look at ways to lower the overhead. Because if you look at the numbers, Mr. Cole, at 90 percent research in our budget, you would actually be roughly spending the same amount on actual research as you did in previous years.

Mr. COLE. We will have that debate another day.

Mr. MULVANEY. Yes, sir.

Mr. COLE. But, again, I want to thank my friend for being here and thank him for his service.

Mr. MULVANEY. Thank you.

Chairman BLACK. The gentleman's time has expired.

I now recognize the gentleman from California, Mr. Khanna, for 5 minutes.

Mr. KHANNA. Thank you, Madam Chair.

Thank you, Director Mulvaney, for being here.

I want to recognize Representative Cole's thoughtful comments on the NIH, and I appreciate your speaking out on that.

We have very strong philosophical disagreements about the budget, but I don't want to spend my 5 minutes on that. I am a freshman, new around here, so I am going to try on two concrete issues where I hope we may find common ground, and I hope you keep an open mind.

The first is the Manufacturing Extension Partnership. This was a program that President Reagan started. I worked at the Department of Commerce. It helps small and medium-sized manufacturers, many of whom that—the way it helps them is—you know, you look at my district, Silicon Valley, they have cloud technology. This program says, how do we get our small- and medium-sized manufacturers using cloud technology, other things, to be competitive to work—to create jobs in an environment where trade is unfair.

My sense is it was zeroed out at 0.003 percent of the budget by some junior staffer. I am convinced if the President actually met with the manufacturers who are benefitting from the program, or if you met with them, he would probably want to quadruple the budget given how he campaigned.

And my question is, could we, at least, have the President meet with some of the manufacturers who are benefiting with this program, or could you take a look at it? Because, honestly, it was a Reagan program. It is bipartisan, and it is probably the biggest thing we can do to help manufacturers.

Mr. MULVANEY. It was a Reagan—thank you for that, Congressman. It was a Reagan program. And I had a policy when I sat in your chair, which is that I was always careful about my Reagan quotes and my Bible quotes, because my guess is you could always find something on the other side of the argument from the same source.

So I am going to be very careful of my Reagan quote. I also think you said one time there was nothing as permanent as a temporary government program. This program was funded under the Reagan administration, was designed to be temporary. In fact, you are only to be supposed on it for 6 years. There have been folks who have been on it literally decades. And that is why it got our attention. Again, coming back to the folks who paid for it, said look, yes, maybe we can justify giving seed money to businesses so they can get a start and get their feet underneath them, but it is supposed to be temporary, and it is not. And that was the reason, we think we sourced this—we focused on this program.

But to your request by having the President get first involved in it, I think the President's already shown a tremendous interest in talking with manufacturers. A lot of his focus so far, in terms of the executive action, has been on manufacturing, and your invitation is welcome, indeed, sir. Thank you.

Mr. KHANNA. I appreciate that. I just would ask that you take a look at it and the manufacturers benefiting.

The second area, I had the privilege of going down to Congressman Hal Rogers' district in Appalachia near Ranking Member Yarmuth's district. And, as you know, Hal Rogers is one of the most distinguished members of this body. He is a Republican, chaired the Appropriations Committee. What I saw there were coal miners' kids getting apprenticeship programs, jobs, learning IOS software for Apple, learning android software at Google. I mean, these are jobs in Appalachia, jobs in middle America, future jobs.

The Appalachian Regional Commission funded this program. And I think you could talk to Congressman Rogers about it. I urge that, again, the President may visit this area and see what is happening. Because this is—you know, this is how he campaigned. He said, I want to help folks here get the jobs. The Appalachian Regional Commission does exactly that.

Again, my hope would be that he would quadruple the funding. You know, people often say, well, the Democrats participate in supporting things that the President doesn't. If the President were to say, let's quadruple funding for the Appalachian Regional Commission, I would vote for it. But that is zeroed out.

And is there a way we could have the President visit there or you visit there and see firsthand the jobs that are being created for coal miners' kids and others in that area?

Mr. MULVANEY. And I appreciate that. I believe the President and I keep—I don't keep track of his travel schedule probably as closely as I should. I think he has already been to that part of the country at least once. I know he has been to Kentucky at least once. Whether he even got into eastern Kentucky, I can't remember.

Your points about the Appalachian Regional Commission are well taken. And certainly, there are anecdotes of success within that program. It is just when we sat down to look at it, as we have mentioned with our new perspective, it has been a very difficult time confirming that it was regularly as successful as you mentioned.

That being said, we still recognized the need in the area. So while we did zero out the Appalachian Regional Commission, we moved the money around to programs that we thought were even more effective, or at least we can prove are more effective.

So the budget provides an additional $80 million for the Department of Agriculture's rural economic infrastructure grant program, which includes community centers, housing repair, distance learning, telemedicine, broadband grants and the like. It also provides an additional $66 million for job training and employment services through the Department of Labor.

So, again, your points are well taken. And we tend to agree that those areas are a place that do deserve Federal attention. I guess I can come back to folks in southern California and say, can I take some of your money to move to the Appalachian region because of the challenges that it faces? The answer is yes, but we would like to do it through more effective programs than we are able to identify at the Appalachian Regional Commission.

Chairman BLACK. Thank you. The gentleman's time has expired. I now recognize the gentleman from Arkansas, Mr. Westerman for 5 minutes.

Mr. MULVANEY. Did I guess right, by the way, in southern California? By the way I guessed at that. Was—is that not right.

Mr. KHANNA. Northern California.

Mr. MULVANEY. Okay.

Chairman BLACK. Mr. Westerman, you are recognized.

Mr. WESTERMAN. Thank you, Madam Chair.

Director Mulvaney, thank you for being here today, and thank you for the hard work that you have put into this budget proposal. It is refreshing to see a proposal that actually balances in 10 years.

You are in a tough situation. Any time you talk about cutting anything, somebody is not going to be happy about that.

But it takes courage to put these cuts on the table. We may not all agree with the same areas where we need to prioritize spending, but I think we all, at least on this side of the dais agree, that we have to do something about the debt that is in our country and the burden that it is putting on our children, our future generations.

So I appreciate the courage, that you took in putting forth this.

I have read the headlines about draconian cuts and deep budget cuts. So, you know, I would like to go back and look at the numbers. And as I studied these numbers, there is a phenomenon here that I think the general public may not understand and maybe even a lot of people in D.C. don't totally understand. But we have this process called the baseline budget. And if I look at the baseline budget, over the 10-year window, it is—we—it starts at $4.1 trillion and it goes to $6.7 trillion. That is $2.6 trillion of increase over the 10-year window. That is a 63 percent increase. So if you simplify it and average that, that is 6.3 percent increase in each of the 10 years for the next 10 years. That is the baseline. So if we look at the budget, this so-called draconian budget that you have proposed, it starts at $4.1 trillion. It goes to $5.7 trillion in 2027, which is a $1.6 trillion increase over the 10-year window, or 39 percent increase, or 3.9 percent per year over that 10-year window.

Could you explain in a little more detail about how, when we say cut in Washington, D.C.—and I served in my State legislature as well where we had to balance the budget. I had—worked in a business where we talked about a cut, it meant that it was less money next year than it was the year before. And my home and the people—the other families I know in my district, when they talk about a cut to their budget, it actually means you spend less money next year than you spent last year.

However, in D.C. in budgeting, we can still spend more money than we spent last year and call it a cut somehow. Would you explain that in more detail?

Mr. MULVANEY. Sure. Here is how I used to do it back home when I was trying to explain it to people.

In Washington, D.C., if we spent $100 on a program last year and $100 on a program this year, back home we would call that a freeze. In Washington, we call that a cut.

If you spend $100 on a program last year, and $104 on a program this year, back home we would call that an increase. In Washington, D.C. we call that a cut. Back home, if you spend $100 last year and $106 this year, back home you call it an increase, here we call it a freeze. And it is not until you spend $100 last year and $108 this year that we call it an increase in both normal back home English and Washingtonese.

And that is because of what you mentioned, baseline budgeting. The baseline assumes that we are going to grow the government at population plus inflation, I think, every single year, and it leads to that.

I can't tell you the number of people who used to come to my office, Mr. Westerman, and say, Oh, 2 years ago, oh, you cut my budget on this. I am, like, No, we didn't. They say, well, everybody is telling me you cut my budget. I said, no, all we did was grow it slower than otherwise. And they said, well, that sounds an increase. I said, yes, it does.

They said, well, why everybody telling me it is a cut? I said so you will come to Washington and tell me to give you more money. That is how the system works. And that is why I am a big fan of zero-based budget, getting away from the baseline and actually using English language that people can understand.

If you want to be real cynical about it, under the world where we spend $100 last year and $104, okay, to your conservative friends back home—and we all have them in both parties—you can say, you know what, I cut that program. Because in Washington, that is a cut. But to your more liberal-minded friends back home—and we all have those in both parties—you say, You know what, I like that program, too. We spent more money on that. And both of those statements are right; one using back home English and one using Washingtonese.

And I think it is part of the thing that undermines the credibility of the institution. We have to start speaking a language up here that everybody can understand. So I thank you for drawing attention to the effort. I do encourage this committee to continue to look at ways to articulate how we spend money better, go back to my opening statement, explain to people how much government really costs them, because I think in the long term, folks in both parties will be well served by that.

Thank you for that question.

Mr. WESTERMAN. I yield back.

Chairman BLACK. Thank you. The gentleman yields back.

I now recognize the gentlelady from Washington, Ms. Jayapal, for 5 minutes.

Ms. JAYAPAL. Thank you, Madam Chair.

And thank you Director Mulvaney. I am very pleased that I had the opportunity to give the opening statement on behalf of our excellent ranking member.

So I just wanted to highlight a couple of things and then get to some questions. Let's talk about clear language and telling the American people exactly what is happening in this budget.

We are slashing in this budget—you are slashing Medicaid by $610 billion. Combined with the healthcare cut, that is almost $1.5 trillion of cuts to a program that currently serves 74 million Americans. So in plain language for the American people, that is a dramatic cut to their healthcare for most people, healthcare that they wouldn't be able to get elsewhere.

A $1.2 billion cut to Centers for Disease Control, clear English, cuts drug addiction treatment and prevention services. A $1 billion cut to housing assistance programs, including for veterans who are struggling to keep a roof over their heads. We talked about infrastructure already, so I won't go into that. Mentioned SNAP. This is nutritional assistance for the most needy families in our country. And let's just talk about the border wall for a second. This is a $1.6 billion investment into what I call the wall to nowhere. This is a wall, a down payment on a wall, that is ultimately going to cost the taxpayers $40 billion according to a recent MIT study.

And as Janet Napolitano once said when she was governor of Arizona, show me a 100-foot wall, I will show you a 101-foot ladder. This is not the solution to any of our immigration issues.

Now you said, Director Mulvaney, that you should have called this a taxpayer first budget, but I have to ask you, which taxpayer? Out of the almost $1 trillion in tax cuts in this budget, which are on the backs of all these other cuts we have mentioned, 50 percent of those tax cuts are going to go to the top 1 percent. And 75 percent of the tax cuts are going to go to the top 75—top 75 percent of income earners.

So what we are doing is taking away essential benefits for working families across this country, positions that the President ran on, and putting them into the top earners in the country.

So when you talk about Trumponomics, I think that was the word you used in your opening statement, and you said let's do anything that gets you to 3 percent growth, is that the statement philosophy that got the President to six separate bankruptcies, $1.8 billion for debt in Trump hotels before he declared those bankruptcies? I am not really sure what Trumponomics is when you look at the President's record.

So what I would like to ask you, Director Mulvaney, is can you explain how taking away from programs like the Children's Health Insurance Program, the disabled and student loan repayments, one of the top issues in this country Republicans and Democrats alike, $1.4 trillion in student loan debt right now, can you explain how that benefits the economy or working families across this country?

And I might reclaim my time, too, just to make sure. But let's start there.

Mr. MULVANEY. I can try. Because folks are throwing me notes. You have raised a bunch of issues, so let's do this in as rapid a form as I possibly can. CHIP is being extended; it is not being reduced. Total spending on drug treatment goes up. It is not being reduced. You used the word "plain language," slashing Medicaid. To most people, plain language, slashing Medicaid means we spend less next year than we did this year. That is what a slash means—right? No, that is not true. I think it is one year in 10-year window where we have a little tiny, tiny dip because of the cliff that is caused by the AHCA on the Medicaid expansion stage. But generally speaking across the budget, all we do is slow the rate of growth, which is to say, we will be spending more on Medicaid every single year, again, I think except one, and you can call that a slash but I am telling you back home, people say you slash spending on something, I think they would expect you to think that you are spending less money one year versus the previous year.

The SNAP. What we do on SNAP is a couple of differently things. Again, we can take more time on this if you would like. We do ask for an able body work requirement. We can go into the fact that SNAP went up dramatically during the downturn. I think roughly 28 million people on the program before the recession to 47 million people on the program at the height of the recession. I think the most recent number we have is roughly 42 or 44 million. We are back near what we like to call full employment. We have had several years of slow but growing economy. Don't we think——

Ms. JAYAPAL. I am going to reclaim my time——

Mr. MULVANEY. I apologize——

Ms. JAYAPAL. We are limited, so I am sorry for that. I think if you look at what the American people thought about the Republican healthcare bill, you will see that that slash in Medicaid is, in fact, a slash in Medicaid. But even Republican Governors spoke out against. Let me ask you about Social Security, because you consistently said you are not cutting Social Security. $72 billion——

Chairman BLACK. The gentlelady's time has expired.

Ms. JAYAPAL.——including Social Security disability insurance.

Thank you, Madam Chair. I yield back.

Chairman BLACK. If I may, and you have additional questions that you are not able to get in your 5 minutes, I know that the Director would be happy to get those in writing for you.

So now I would like to yield 5 minutes to the gentleman from Ohio, Mr. Renacci.

Mr. RENACCI. Thank you, Madam Chairman.

I want to thank you, Director Mulvaney, for your service to the House of Representatives, and now as OMB director. It has always been a pleasure working with you. And I continue to admire your passion for public service and understanding of the fiscal challenge facing our Nation.

I applaud the President, your office, for putting together a budget that balances, over the next 10 years, your commitment to addressing the debt and deficit crisis that faces our country. While I may not agree with all the policies, I am encouraged to finally have an administration that understands that we need to get our fiscal House in order.

Right now we are quite simply on an unsustainable path, and this proposed budget is recognition of that reality.

I am going to use a few words my colleagues on the other side said, slashing and cutting. But would you really agree that your budget is reducing what we borrowed from China to pay for programs we don't have money to pay for?

Mr. MULVANEY. Absolutely.

Mr. RENACCI. That is what I thought. And would you also agree that today, our corporate tax rate of 35 percent is the highest in the world, so we can continue to say we don't charge corporations enough, but if we continue to do that, they will just go overseas, and then we will have less money to spend. Would you agree with that?

Mr. MULVANEY. Which is exactly what they have done for the last several years.

Mr. RENACCI. Exactly. On the personal side, today, 70 percent of our individuals actually pay as passthroughs corporate businesses, so they are businesses that employ people and eventually, since 70 percent of them are paying a rate that is higher than most worldwide tax rates, they are going to find places to go other than the United States which will also take revenues away from us if we don't come up with a plan to reduce taxes.

Mr. MULVANEY. Taking jobs with them as they go.

Mr. RENACCI. Absolutely. So we can continue to say you are slashing and cutting and all the other words you want to use, but clearly, what you are doing is you are looking at a budget and saying we can't continue to borrow, we can't continue to pass this on to our children and grandchildren. Shame on anybody that continues to do this year after year after year and doesn't realize that all we are doing is handing our children and grandchildren a debt they can ever pay. So I appreciate what you are doing.

Would you also agree that if we do nothing, and we don't start looking at the programs that aren't valuable and that aren't working, that our debt will become one of our greatest concerns and our interest costs will start to begin to swallow the budget? In fact, the Congressional Budget Office says our interest, if it stays as it is, will still triple in 3 years based on the debt growing?

Mr. MULVANEY. I think they used to put out a report that says it would take 100 percent of revenues under certain circumstances by the 2050s, but I think they took down that graph.

Mr. RENACCI. So we are clearly at a real problem here with budgeting and how we spend money, because we can continue to say we are slashing and cutting, but clearly, what we are doing is we are borrowing money we don't have, and are continuing to spend money we don't have. And we are continuing to be willing to pass that on to our children and grandchildren, and only say that the only way to fix it is to raise more revenues from people when, again, as I said, if we continue to raise our taxes, business will just leave, companies will just leave, and we will have less and less revenue.

So I want to make sure we understand that. So I want to switch gears over to tax reform, which I really believe is an opportunity. And I appreciate you talking about getting a 3 percent, because if we don't at least set a goal around here of 3 percent, you are exactly right. We might as well say that we will never be able to balance a budget. So whether people agree we can get to 3 percent or not, I think we should all be focused in on 3 percent, and that is why I am a big believer on tax reform and growth.

I have a question for you regarding the budget window. Do you believe that Congress should consider expanding the budget window beyond 10 years in order to make tax reform more permanent, increase the likelihood of Congress to be able to pass some type of tax reform?

Mr. MULVANEY. I do. And my understanding is that you can do that without legislative change. That you all have the ability to look at different periods of time. My understanding is over the course of the last couple of administrations, some budgets have been 5 years, some have been 7, but we sort of settled on the 10-year budget window for the last couple of years. And we will continue to do it like that.

We are exploring the possibility of also looking a little further out, especially when you start to talk about changes in the mandatory spending, even putting aside for a second Social Security and Medicare, if you don't look out beyond the 10-year window. If you want to phase some changes in, a lot of the benefits aren't reaped until outside the budget window.

So I think it is a more reasonable way to look at the budget window, and I think it is important for us to look at whatever options give us the best and most commonsense view of the economy and our proposals to change it.

Mr. RENACCI. You would also probably agree, and I know you and I have served on the Budget Committee, but also on other committees. In the old days, with a 10-year budget, we passed legislation that really dumps everything into the 11th year in many cases. All the problems in the 11th and 12th year. I even think that Affordable Care Act dumped a lot in the 11th and 12th year. Wouldn't you agree?

Mr. MULVANEY. It is possible, Congressman, to game the system in order to move the costs of a program outside of the budget window. We are coming very close to the outside budget window of the original Affordable Care Act, and now you are starting to see the costs rack up at an exponential rate.

Mr. RENACCI. I agree. And I know I am running out of time, and I will yield back.

Chairman BLACK. The gentleman yields back.

I now recognize the gentlelady from California, Ms. Lee, for 5 minutes.

Ms. LEE. Thank you very much. Good to see you, Mr. Director. I really want to, first, say to you that never before, really, have I seen such a cruel and morally bankrupt budget. It dismantles our Nation's basic living standards, which Americans have turned to for decades. This budget—and you know this—it will push millions of people into poverty and over the edge. This budget destroys people's lives. This budget, what you are doing is you are asking people to fend for themselves, and you are really leaving them out in the cold. And our moral obligation is to make sure that every American has a decent standard of living.

This budget is a broken promise, and it is really a betrayal to every American in favor of tax cuts for millionaires, billionaires, and corporations.

I would like to just ask you, how are people going to eat when they need a temporary helping hand with a cut of $190 million in food assistance? Then you add these onerous work requirements, and then, yet, you cut $1.3 billion in workforce training program so people cannot be trained or retrained for jobs, which I don't see much in terms of investment in job creation in this budget either.

How are people going to get health insurance with a cut of 1.3 trillion in Medicaid? And how are people going to get a house to either purchase or rent with elimination of the housing trust fund and a $2 billion cut in rental assistance?

You are forcing families to choose between putting food on the table and a roof over their head. That is just down right wrong. You are forcing them to choose between lifesaving prescription drugs and higher education.

Again, that is wrong. And I guess I just have to say with looking at these percentage of cuts: EPA, 30 percent; Department of State, 29 percent; Ag, 20 percent; education, 13 percent; housing, 13 percent; Interior, 10 percent; Health and Human Services, 16.2 percent; Department of Labor, 19.8 percent; Department of Commerce, 15.8 percent; you wipe out the Minority Business Development Agency; the Department of Transportation, 13 percent cut.

For the life of me, I just have to remind my colleagues that Steve Bannon said that part of the goal of this administration was deconstruction of the administrative state, and I think what we see here is really the elimination of the public sector.

And so, Director Mulvaney, I just want to ask you, one is, are these SNAP cuts, for example, how do you think people are going to survive when they need this helping hand? Most people on SNAP don't rely on this for a lifetime. It is a bridge over troubled waters.

Mr. MULVANEY. Thank you, Congresswoman. I will deal with a couple of things in reverse order, if I can.

SNAP, as I may have mentioned—I have forgotten how many times I may have answered the question——

Ms. LEE. And also, let me remind you, Secretary Perdue mentioned that it was a program that was working, why fix it if it is not broken? And he appeared to not be aware that you all were going to recommend these cuts.

Mr. MULVANEY. I think it is reasonable to ask if you had 28 million people on SNAP before the recession, 47 million people on it at the height of the recession, and 42 or 44 million people today, it is not unreasonable to ask if there are folks on SNAP who should not be, because we should have seen that number go down. SNAP should be countercyclical; it should go up during bad economic times, it comes down during better economic times. We have not seen that. The EPA was a promise that the President made——

Ms. LEE. Mr. Mulvaney, at least 20 percent of people who are eligible for SNAP don't even receive SNAP because of stigma and other reasons. So there are more people who need SNAP benefits.

Mr. MULVANEY. Let me be—let me deal with the every American deserves a decent standard of living. Does that include our kids?

Ms. LEE. And you have a 13 percent cut in the Department of Education. Those are the most vulnerable kids who need——

Mr. MULVANEY. What about the standard of living for my grandchildren who aren't here yet, who will end up inheriting $30 trillion in debt, $50 trillion in debt, $100 trillion in—what about their standards? Who is going to pay the bill, Congressman? That is what this bill is all about. That is what new perspective is. Who is going to pay for all the stuff you just mentioned? Us? Or somebody else? And I suggest to you if it is important enough for us to pay—to have, then we should be paying for it, because right now, my unborn grandchildren are paying for it, and I think that is morally bankrupt.

Ms. LEE. I have grandchildren also, and I want to make sure that they have the opportunity to get a job so that they can help pay for our government, which is a government that should be enhancing the standard of living and making sure everyone has a chance for the American dream.

Chairman BLACK. The gentlelady's time has expired.

I now recognize the gentleman from Ohio, Mr. Johnson, for 5 minutes.

Mr. JOHNSON. Thank you, Madam Chairman.

And Mr. Director, first of all, congratulations on your selection for this position.

Mr. MULVANEY. Thank you, Bill.

Mr. JOHNSON. You got an awesomely tough job, and I appreciate having worked with you for the last 6 years.

I associate my position with yours in the sense that our children and grandchildren are expecting us to address this problem now, because it is not going to get any easier. And I hear the cries from my colleagues on the other side calling for more opportunities. Well, I don't—I don't know that the Federal Government has ever created jobs. That is a—that is a private market-driven economy that creates jobs. And if we are over $20 trillion in debt, that is just going to get that much worse.

I appreciate that we finally have an administration that understands how critically important it is to bend the spending curve in the other direction. And I certainly accept that there are some very, very tough budget decisions to make to get us there. And so I think you and the team have done a remarkable job putting together a budget that does exactly that.

Now, we all know that this is a proposal. That ultimately, the final say will come from Congress, because that is where the power of the purse resides. But I—this is a—a significant step in the right direction.

That being said, I do want to bring one thing to your attention. You and I actually talked about this a little bit yesterday as we met outside of this room.

I am concerned with the rationale about the Appalachian Regional Commission. I understand the logic. I understand what you are saying about moving that money around. My concern stems from two basic premises. One, I think the study that you cite, Mr. Director, indicating that there is not a lot of evidence that ARC has lived up to its reputation. If I am not mistaken, that is a nearly 30-year-ago study. That is a 1996 study by GAO. And I think if you look at what has happened, let's take last year, for example. $175 million investments by the ARC into 662 projects across the region, that money being matched with another $257 million by the local governments, and an additional $443 million in leveraged private investments, you know, that brings us to a total of $866 million of investment in—through the Appalachian Regional Commission into 93 counties that are—76 percent of that money is going to those 93 counties that are considered economically distressed.

And so my first point is, I think that 1996 study is probably outdated. I would urge either you or the GAO or someone to take another closer look at what the Appalachian Regional Commission has been doing over recent years.

And, number two, I understand giving the States and the governors the—moving this money around so that they have more flexibility. But, look, I live in Appalachia, and I can tell you that governors are concerned about the region where the voters are, the big metropolitan areas. And when the money gets doled out, I know, personally, from history, where that—how that money gets allocated.

So while I am very optimistic on the budget and think you guys have done a great job, I would just urge you to go back and take another look.

And one final thing, I really was pleased to see the administration reversed its position on the Office of National Drug Control Policy. Funding for the—right now, with the opioid epidemic being what it is, the President's task force is in place, we need to make sure we have a national focus on that. So I appreciate that.

And I have taken up all the time with my comments.

Mr. MULVANEY. I appreciate that, Congressman, and we will look into that study for you. Thank you.

Mr. JOHNSON. I yield back.

Chairman BLACK. The gentleman yields back.

The gentleman from California, Mr. Carbajal, is recognized for 5 minutes.

Mr. CARBAJAL. Thank you, Chairman Black.

Thank you, Mr. Mulvaney, for being here.

I must say, I have to start with your comment about Democrats not supporting defense and military.

Have you ever served, Mr. Mulvaney?

Mr. MULVANEY. Actually, Congressman, I think my comment was that we do believe in defense.

Mr. CARBAJAL. I heard it otherwise.

Mr. MULVANEY. I am sorry. Then I would like to correct the record. I think I said you were accused of not supporting national defense, and I thought that that was wrong.

Mr. CARBAJAL. Thank you. I misheard it. So I appreciate you setting the record, because I had some choice words for you, so thank you.

Let me just say that for a number of years, the Department of Defense Overseas Contingency Operations, known as OCO designation, which has been used as a budget practice to circumvent budget caps. There are now billions of dollars in OCO funding being used to fund so-called base budget activities. This practice obfuscates the true cost of regular government operations. Disincentives—disincentivizes trade-offs in the budget and inhibits long-term planning.

Director Mulvaney, does using OCO designation in this way adhere to your notion of sound budgeting and accounting principles? You have been a fierce critic of the OCO budget as a Member of Congress, and has characterized it as a gimmick, and you have sponsored legislation to curve this practice.

Does your budget include OCO funding for nonwar activities?

Mr. MULVANEY. Congressman, our budget does include OCO during the 10-year practice. And your criticism is well-taken and well-put. It can be and has been a way to get around budget caps in the past. It has included things that, perhaps, are not properly defined as OCO. I simply suggest to you a couple of things: First of all, both parties seem to be interested in using it that way, that the reason that it is used that way is that there is a bipartisan support for using it that way. What I encourage you to look at is this: If you look at the tables in the budget, you will see that we slowly reduced the OCO in the outyears in hopes, in hopes that we can instill some discipline in the OCO line item so that it is used for what it is supposed to be used for, which is Overseas Contingency Operations.

I would also suggest to you that one of the reasons I think it has been used in the fashion in which it has been used for the last several years is because the top line defense number was simply not enough to accomplish the missions that we were on.

So—but your criticisms are well taken, and I could assure you that I am as skeptical of long-term use of the OCO in ways that are not as intended, and will continue to look at them very closely at the Office of Management and Budget.

Mr. CARBAJAL. Mr. Mulvaney, you know that past Democrat and Republican administrations, as well as Congress and the Armed Services Committee, have failed to get the DOD to do an audit to really look at the waste.

Clearly, you would agree that there are many examples of waste in the Department of Defense. And having said that, it is quite disappointing that we look to waste and domestic programs; we point those out extremely rapidly, but we kind of just gloss over them when it comes to increasing the Department of Defense spending.

There seems to be a hypocrisy. And I guess I ask you, why is that the case?

Mr. MULVANEY. And I apologize, Congressman. Again, I may have covered this before you came into the room on a previous question.

I share, as does the President, your interest in finding more efficiency, more accountability inside the Department of Defense. In fact, I can assure you it is a priority for the President, a priority that I have discussed at length with Secretary Mattis, and he is as interested as you and I are in trying to drive out that waste within the Defense Department, because a wasted dollar is a dollar that is not going to defend the Nation.

Regarding audits, what I mentioned earlier in the hearing was that the DOD, I believe, is required by law to make itself auditable by September. They just gave an update on that a couple of weeks ago, and they intend, and they tell me, and they tell you that they intend to hit that deadline.

One of the reasons that you see more focus on the domestic side and not on defense—or defense, domestic nondefense discretionary, is that we have the ability to sort of look at those programs. There are tools available to us that don't exist in the Defense Department, because they are not auditable. But I am looking forward to them following through on their promise to be fully audible by September, and I hope that is the first step in a long process to drive the efficiencies at the Defense Department that we are all interested in.

Mr. CARBAJAL. Thank you, Mr. Mulvaney.

And lastly, there is a 30 percent cut projected for the U.S. EPA. Have the impacts to the health of our water, of our air been tabulated, the impacts they would have in the health of Americans in this country?

And when we talk about grandkids, what does that mean? I have future grandkids coming. What is the impact to them when we have degraded regulations?

Chairman BLACK. The gentleman—if you would, please answer that by written—as I say, you have 5 minutes. And so if you wait until the end, you are probably going to get your answer in writing. So if the Director will answer that in writing. Thank you.

I now recognize the gentleman from New York, Mr. Faso, for 5 minutes.

Mr. FASO. Director, thank you for being here today, and thank you for your service to the country.

I wanted to ask if you could clarify the Medicaid spending in the proposal.

We are aware of the reduction in expected increase in Medicaid spending through the American Health Care Act. And there is some confusion as to how the calculation of that reduction and projected increase is also included within the President's budget proposal. I am wondering if you could clarify this issue for me.

Mr. MULVANEY. I could do my best, Mr. Faso, and if I don't satisfactorily do it, I would be happy to meet with you outside or get something to you in writing. But here is how I explain it to folks, is that the largest line item deals with the scored version of the American Health Care Act, which is all we had available to us when we started writing the budget. The budget—by the way, for those of you, and I learned this the first time, the budget for 2019, we start work on that in September of 2017. So that is how long a lead time is when you work on budgets.

So what we had available to us is the first scored version of the American Health Care Act, and that accounts for a big part of our Medicaid savings, because that is how that proposal was scored.

We added to that an additional change on the growth rates. We believe that the growth rate that is contained in the bill is actually higher than what we expect to see in the real world. So we propose a growth rate that we think is closer to actual growth rates in these types of costs. What you get when you do a couple of different things, then, and the reason that so many folks talk about the $1.4 trillion number, if you have two large numbers—roughly, I am going to round now, $800 billion in savings from one, and $600 billion savings in another. Okay? But my point to you is that it is almost impossible for those two numbers to be added to get to $1.4 trillion, because they contain within them the sum of the same factors.

Mr. FASO. There is double counting?

Mr. MULVANEY. There is double counting. So what you end up is, you are going to take the 800—some of the 800 is contained in the 600 and vice versa. So when you put it together and you actually have a proposal, it would never get as high as 1.4 trillion. In theory, it is possible, but it is highly unlikely. Number would be between 8 and——

Mr. FASO. Thank you. And I also appreciate your discussion about the debt. The CBO informed us earlier this year our debt is going to go from $19 trillion to $29 trillion in just 10 years. And so many of my friends on the other side believe that the problem is we are not taxing certain groups within our country enough.

And I recently noted the Forbes 400. And if you calculated the net worth of all the Forbes 400; in other words, pretend we are in Venezuela or the old Soviet Union for a second, and we just confiscated all of their net worth, not what they pay every year on taxes, but take all their money away from them. If you confiscated the net worth of the richest 400 people in America, all you would do is cover the Federal budget deficit for about 4 years. And that is it. So I do think one of the problems in our country is that we are not speaking frankly to the American people as to the true nature of our debt and deficits.

I wonder if you could comment also as to the risk in terms of servicing our national debt, if we have a 1 percent increase in long-term interest rates, and what that would mean in terms of additional national debt service that we have to pay every year?

Mr. MULVANEY. Sure. To your previous point, what I like to tell people, if we could tax our way to growth and if we could tax our way to prosperity, every government in the world would have done it a long time ago. You simply can't do it. You have to figure out a way not to tax yourself into lack of growth.

Regarding the 1 percent, it is fairly simple. When we talk about the $20 trillion debt, that is the total debt, we call total debt, gross debt, subject to the cap. Some of that obviously is contained within the Social Security system, the private debt. But the bottom line answer is, roughly speaking, 1 percent increase in long-term rates cost us $200 billion a year.

Mr. FASO. A year. So over a 10-year period, that is about $2 billion?

Mr. MULVANEY. Would also make it the second largest line item in the budget after defense.

Mr. FASO. Lastly, the discussion of SNAP—and I also served on Agriculture, and I do want to see—to make sure that people who are in need of food assistance are able to receive it. However, in our discussions in the Agriculture Committee, we learned this year that the taxpayers are paying $3 billion a year for folks on SNAP to buy soda, for which there is no nutritional benefit.

I am wondering what the administration's position might be, if you have thought about this as trying to restrict SNAP to actually things that are nutritious rather than things that are not.

Mr. MULVANEY. Congressman, in all fairness, it is an excellent point. And we have not—I don't know that we have given that some consideration. I would be happy to talk to the policy council and get back to you on at that.

Mr. FASO. Great. Because there is $3 billion there you could probably save.

Thank you, Madam Chairman. I yield back.

Chairman BLACK. The gentleman yields back.

I now recognize the gentlelady from Illinois, Ms. Schakowsky, for 5 minutes.

Ms. SCHAKOWSKY. Thank you, Mr. Mulvaney.

You have mentioned that the President promised that he would not cut Social Security, Medicaid, and Medicare. And after he won the election, with the help of plenty of older Americans, I think we are seeing today a tremendous betrayal of that promise, and of the people who rely on those programs. And I think it is in order to give enormous tax cuts to the wealthiest individuals and corporations. He never did say Social Security retirement. He said Social Security, Medicare, and Medicaid. And the trust fund, the Social Security trust fund, has two major components. The OASI, Old Age and Survivor Insurance, and SSDI, the Social Security Disability Insurance. The contributions come from the same payroll tax. They go into the same Social Security trust fund, and together, make up what we know as the Social Security program.

Yet, this budget makes dramatic changes to SSDI that would, among other things, cut the retroactive benefits that a serious disabled construction worker, for example, can receive for the time the Social Security Administration takes to work through its backlog of cases and finally give approval which can take rates—can take years.

So, Mr. Mulvaney, what I am asking, yes or no, does the President's budget cut $72 billion from the Social Security Disability Insurance program?

Mr. MULVANEY. I am not sure—I don't have the number in front of me, but yes, we do make reforms and reductions within the Social Security Disability Insurance program. A couple of things. I think you may have——

Ms. SCHAKOWSKY. I am sure your staffer could provide you with a number. That is really what I am asking.

Mr. MULVANEY. You said the money goes into the same trust fund as old age. It does not. They are separate trust funds. So that is important to know, because they are on different timelines.

This is how I explain Social Security Disability Insurance, Ms. Schakowsky, which is that we also propose a parental—paid parental leave program. We are running that, funding that through the unemployment insurance programs in the States, which is, by the way, the same way Canada does it. New York, New Jersey, California, one of the States——

Ms. SCHAKOWSKY. Mr. Mulvaney, my time is so limited, and I am not asking about that particular program.

Mr. MULVANEY. No, you asked about SSDI, ma'am, and I am happy to get to that. The point of the matter is that many States fund their parental leave through disability, we propose through unemployment insurance.

Does that mean having a baby is unemployment? No. Does it mean having a baby is disability? No. It just happens to be that that is how the program is structured because the infrastructure is there.

Social Security disability is not Social Security. Social Security Disability Insurance is disability insurance. It is a welfare program for the disabled.

Ms. SCHAKOWSKY. Okay. We disagree on that. I think most Americans disagree that Social Security Disability Insurance is part of that guaranteed program.

Mr. Mulvaney, the President pledged not to cut Medicaid. Now, I just want to point out, we have dealt with this a little bit today, but we are talking about half the births in the United States, 30 million children, and half of all nursing home and long-term care nationwide for senior citizens and people with disabilities comes out of Medicaid.

So it is really yes or no if the—does the President's budget cut $1.3 trillion from Medicaid over 10 years?

Mr. MULVANEY. I will ask you a question, Congresswoman. When you say "cut," are you speaking Washington or regular language?

Ms. SCHAKOWSKY. Will the President's budget mean that Medicaid gets $1.3 trillion less than it would otherwise?

Mr. MULVANEY. In the CBO baseline score, the answer is yes. It will spend more money every single year over the previous year with the exception I mentioned; that, in my mind, is an increase in Medicaid spending.

Ms. SCHAKOWSKY. Okay. I want to quote you, Mr. Mulvaney.

You said that in regard to after-school programs, they are supposed to be educational programs, right? They are supposed to help kids who don't get fed at home and—so they do better in school. Guess what, there is no demonstrable evidence they actually—they are actually helping result—they are helping results, helping kids do better in school.

The way we justified it was these programs are going to help these kids do better in school, and we can't prove that that is happening.

You—this budget cuts the 21st century learning program. It eliminates it entirely. And this is a program that does before school, after school, and summer programs that do include food for children. What the heck is going on?

Mr. MULVANEY. Less than 20 percent of the children who enroll in that program actually move from not proficient to proficient. 20 percent is a failing grade.

Ms. SCHAKOWSKY. So let's just not feed them. My time is up.

Mr. MULVANEY. How do we justify—thank you.

Chairman BLACK. The gentlelady yields back.

I now recognize the gentleman from Minnesota, Mr. Lewis, for 5 minutes.

Mr. LEWIS. I would thank the chair and welcome Director Mulvaney. Glad to have you back in the Budget Committee.

Let me start with a couple of quick questions and a short yes-or-no answer on a couple of these things, and then we will get into more substantive give-and-take a little bit.

It is interesting to note, especially from the other side, that the first balanced budget in over 8 years, or in 8 years, has been greeted by moral outrage, shockingly extremes, I think is the phrase I heard.

Do you find it shockingly extreme that our debt has gone from $10.6 trillion to $19.9 trillion in just the last 8 years?

Mr. MULVANEY. I absolutely do.

Mr. LEWIS. Do you find it shockingly extreme that we are mired in 1.9 percent growth over the next 10 years.

Mr. MULVANEY. Frustratingly so, yes, sir.

Mr. LEWIS. Do you find it shockingly extreme that we have had a record tax revenue last year over $3.2 trillion and yet we have a $600 billion deficit this year?

Mr. MULVANEY. It is unacceptable.

Mr. LEWIS. Shockingly extreme that net interest expense is projected to be $768 billion, but if interest rates go back to their post World War II average, 10-year Treasury at 5.7 percent, it will be well over $1 trillion?

Mr. MULVANEY. We will be broke.

Mr. LEWIS. Is it shockingly extreme that Federal budget outlays has gone from $1 trillion in 1987 to $2 trillion in 2002 to $4 trillion today.

Mr. MULVANEY. Growing much faster than every other measure of economic outgrowth.

Mr. LEWIS. Is it still shockingly extreme that Federal revenue is above its 50-year average of 17.4 percent of GDP? Now, it is 17.8 percent of GDP and yet, we are told it is not enough?

Mr. MULVANEY. It is never enough. Is it?

Mr. LEWIS. Shockingly extreme that Federal outlays are above their 50-year average of GDP 20.3 percent, today at 21 percent, scheduled to go to 23.4 percent of GDP?

Mr. MULVANEY. It is unacceptable.

Mr. LEWIS. Federal debt held by the public, 77 percent of GDP, but actually, total Federal debt is almost 100 percent of GDP, correct? Is that shockingly extreme?

Mr. MULVANEY. And going to have long-term, detrimental economic impact on our economy.

Mr. LEWIS. And the civilian labor force participation rate back to 1977 levels at 60, what, at 62.8 percent?

Mr. MULVANEY. Even lower than it should be, giving the graying of the American work force population.

Mr. LEWIS. And finally, is it shockingly extreme that the top 25 percent of taxpayers, those households making $78,000 a year or more, two teachers making $40,000 a year, actually pay 87 percent of all income taxes collected?

Mr. MULVANEY. That is where the money is. Right.

Mr. LEWIS. So despite of all of the debt, all of the money, all of the Keynesian stimulus, we are stuck at 1.9 percent growth. The CBO says it is going to be 1.9 percent growth for the next 10 years, and I am wondering why that is if that is all supposed to be so stimulative, and we are going to have the multiplier effect and demand side economics is going to pull us out of this, is it the President's budget and what you are defending today an attempt to make certain that we grow at historical averages by not focusing on this pumping up or priming of demand, but getting investment and productivity back into the economy?

Mr. MULVANEY. Private investment is what is going to save the company—save the country, because that is where innovation comes from; that is where productivity comes from, and that is where GDP growth comes from. But we have tried it the other way. We have tried it with huge Federal funding for the last 30 years.

And now, here we are where a large portion of the population, a large portion of this body thinks that 1.9 percent is the best we are going to—ever be able to do, and that just speaks of pessimism about the country that we simply refuse to accept.

Mr. LEWIS. And we have heard this notion of malaise, we are stuck in slow growth, just can't move. Jimmy Carter talked about malaise, and yet, we have had 5 consecutive quarters after the progrowth policies in the early 1980s of 7 percent growth. Where is the empirical evidence that we can't grow at 3, 3.5 percent?

Mr. MULVANEY. Well, I think the empirical evidence is that we can grow at 3 percent.

Mr. LEWIS. So the emphasis of this budget is to say we have got the highest corporate tax rate in the developed world of 35 percent. We have got $2.6 trillion in profits that could be repatriated. We have got a passthrough tax rate subchapter S, LLC, small business men or women, paying not 39.6 percent, but 43, 44 percent when you take out the PEP and Pease and the itemized deductions, lowering those tax rates is going to provide more capital, which is going to increase productivity. The truck driver, is it not true, Director Mulvaney, is always more productive with the truck?

Mr. MULVANEY. Always.

Mr. LEWIS. And, therefore, that is what the budget is supposed to do. And we have got data that show it has been done in the past, in the 1960s, in the 1980s, and even in the 1990s.

Mr. MULVANEY. Not only that, we need to do it to save the country.

Mr. LEWIS. In fact, without this sort of growth and this investment in productivity, we will never balance the budget?

Mr. MULVANEY. No, sir. Well, I take that back. At some point, we will balance the budget. The question is, do we do it on our terms or on someone else's, because at some point, people will start to refuse to lend us money. And I would much rather do it on our terms than somebody else's.

Mr. LEWIS. Thank you, Director Mulvaney. Good to see you again, and I yield back.

Chairman BLACK. The gentleman yields back.

The gentlelady from Florida, Ms. Wasserman Schultz, is now recognized for 5 minutes.

Ms. WASSERMAN SCHULTZ. Thank you, Madam Chair.

Since, Mr. Mulvaney, you began the meeting by providing a better name for this budget, you described it as the taxpayer first budget. I describe it as the taxpayer shaft budget, because that is really what you are doing to millions and millions of people who simply are trying to make sure that they can keep their head above water and live a decent lifestyle.

And I find irony in your lamenting that there is some kind of double counting in the total costs of the cuts in TrumpCare. Because let's be clear, this budget, as you have described, does not balance; hubris doesn't solve basic math problems.

The Trump budget counts the savings from tax cuts and projects that these same tax cuts will stimulate growth in the economy and generate so much new revenue that it will produce $2.1 trillion in additional Federal revenue.

Now, you can't balance the budget by ignoring the reduction in revenue from tax cuts, and then count the cuts as generating unprecedented, never-before-realized growth attributable to those tax cuts, and then trying to use that growth and revenue as a pay-for for the tax cuts. That is what is called double counting.

So let me give a real—a real-life example. If I bought solar panels for my house, and I reduced my electric bill through the savings by disconnecting from the grid, but then I didn't count the cost of the solar panels in my household budget and just ignored that there was a significant cost, and then I tried to also count the savings in my electric bill as an offset to the costs of the actual solar panels, then that would be double counting, particularly, if I say that the offset is more than the cost of the solar panels.

If I went to my accountant and said, my household budget, using this configuration, is balanced, he would laugh at me.

Your Treasury Secretary, when confronted with the double counting, said that it was premature to put in any changes as a result of taxes since you are not far along enough—far enough along to estimate what the impact would be.

So, I mean, look, we can all go through this exercise, and that is certainly what we are doing. We can pretend that we are actually going to come up about a budget that we can all agree on and send to the President when we haven't done that in years. One thing, though, that is absolute certainty is that a budget is an expression of our values. And your values and your boss's values are appalling.

If this is a reflection of our Nation's values, then we really are in an internecine battle for the heart and soul of this country.

So with that in mind, and I would love to have you respond to that, I will ask both of my questions and then leave you the remaining time: 65 percent of seniors who rely on Medicaid to be able to afford a nursing home or nursing care in their homes do it through Medicaid.

How can States continue to implement innovative programs to deliver long-term care to seniors and people with disabilities in their home when you are taking $610 billion from them? So if you will could answer both of those questions. If you just illuminate the committee on your math.

Mr. MULVANEY. Sure. I could try. Yes. And I will start, Congresswoman, with the pushback on the never before realized growth. That is what is so depressing, because people think that 3 percent growth is never before realized. It used to be an annual thing. And yet, here we are assuming that that is how we describe below average, long-term growth in this past.

Ms. WASSERMAN SCHULTZ. Please address the double counting. The double counting, that is my question.

Mr. MULVANEY. Yes, the double counting. Mr.—Secretary Mnuchin was right. It is and was too early to make any assumptions about the final tax bill, looks like. We gave a set of principles to the House, and the House and the Senate are both looking at them right now.

Ms. WASSERMAN SCHULTZ. So then clearly you representing that this budget is balanced is inaccurate.

Mr. MULVANEY. No, it is not.

Ms. WASSERMAN SCHULTZ. You can't both say it is premature and say that the budget balances.

Mr. MULVANEY. I would be more than happy to answer your question if you would give me the chance. But I am absolutely not suggesting that the budget balance is inaccurate. So if I may continue.

We assumed—we had to make assumptions regarding what the Tax Code would look like. There are three assumptions you could make: Either it adds to the deficit, subtracts from the deficit, or is deficit neutral. And we assumed for sake of doing the budget that it would be deficit neutral, that removing the exclusions, the deductions, the loopholes, would lead us to a deficit-neutral tax plan. The dynamic benefit is only counted one time and that is towards the 3 percent economic growth.

And I am happy to explain that further to you in writing, if you would like.

Ms. WASSERMAN SCHULTZ. You can explain whatever you would like. You are counting revenue twice and saying that that budget was balanced. And anyone running their household budget that way would be in serious financial trouble down the road as you are heading us towards.

Chairman BLACK. The gentlelady's time has expired.

Ms. WASSERMAN SCHULTZ. I yield back.

Chairman BLACK. I now recognize the gentleman from Pennsylvania, Mr. Smucker, for 5 minutes.

Mr. SMUCKER. Thank you, Madam Chair.

Good morning, Director.

Mr. MULVANEY. Good morning.

Mr. SMUCKER. As a previous small-business owner, I understand the need to balance a budget. Each year we had to match expenses to revenue or you threaten the future of the company. And of course as families we need to do that on an annual basis as well. So I have talked about the Federal budget in those terms. We expect families, businesses to do that, why can't we do at that the Federal level?

In the States we have had a tool. We have a balanced budget amendment in Pennsylvania, I served in the State senate there. That required us to—it imposed discipline on the process, if I will.

But I brought this up at a—I spoke at a Rotary recently and the first question from the constituent said that the Federal Government is different. We cannot compare the two. We can't compare the Federal Government to businesses because at the Federal Government we can print money, so it is not the same thing.

That is, by the way, very different than—we had a hearing in this very room, CBO Director Hall was here, and he used a term called sovereign debt crisis. If we don't change the trajectory of our annual deficits, there is growth in those deficits—so I am curious, what is your thought on that? What happens if we continue down the path that we are on right now?

Mr. MULVANEY. Well, let me speak to the point someone raised to you at the Rotary meetings, which is technically I suppose they are right, you could simply print money. But what does that mean? But what does that mean in the real world? It is not free to do that. If it were, we would do it every single day, right?

When we print money to pay off debts, when we print money to pay for things, what it essentially does is make the existing dollars in your pocket work less. That is why they call inflation one of the cruelest taxes, especially on the older generations that have saved for retirement, now living off investments and so forth.

So when you print money, you do nothing but essentially tax the people who are already there, to tax in a different form. So you can go back to your folks at Rotary and say, "Look, I guess you are probably right. Why don't you give me, say, 20 percent of the money in your pocket and we will call it even?" Because that is what it would take to effectively balance the budget. Actually I think the number this year is going to be about 14 percent.

But where are we headed? We are headed to where I talked about before, which is we will balance the budget eventually, one way or the other, on our terms or on somebody else's, either by balancing the budget the proper way, printing a bunch of money that impoverishes our citizens, or having somebody else who won't lend us money force certain considerations on us in order to get us to balance as a condition to lending us money.

Only one of those outcomes is desirable, Congressman, and that is the one about figuring out a way do it ourselves before it is too late.

Mr. SMUCKER. Which requires tough decisions.

Also, as a business owner, I saw the real impact. We talk about 3 percent, 2 percent, 1 percent growth. And when you are just talking figures it doesn't seem like a lot. But we had about 150 employees in our business, and I have been through times of recession, times of low economic growth, and the jobs just weren't available. We were a construction company. So a small enough company we knew the employees and we knew the families and saw the impact when we with had to tell people we simply don't have enough work and had to lay people off.

One of the reasons that I think we are all here is to provide opportunity for our kids, our grandkids, to help lift people out of poverty, provide that economic mobility. And I think the best possible thing that we can do is have the higher economic growth that will provide that opportunity. I would just like to hear your response to that.

Mr. MULVANEY. I am interested to hear a story about your family. My family is in the home building business. And one of the things my dad, he turns 75 this year, and one of the things I think he is most proud of is the number of folks who are making more than $100,000 at his company—this is 20 years ago now—that didn't have a college degree, in fact many of them didn't have a high school degree, because you could make that kind of living in a healthy American economy in the construction business. And I think that growth cures so many ills.

Bill Clinton gave more people—"gave" being the wrong verb—but provided health insurance for more people than HillaryCare would have simply by having economic growth. It solved so many of our problems and in fact would probably cure a lot of the ills between the two parties because it is a lot more fun to govern in a growing economy than it is in a sluggish one.

Mr. SMUCKER. I think there is a lot we can agree on here in both parties.

But I do want to mention one other aspect of the budget and this was brought up. Our Nation faces a growing heroin and opioid epidemic that is shattering the lives of families in my district and devastating communities across the Nation. This public health crisis claimed the lives of more than 3,383 Pennsylvanians and 33,000 Americans in 2015 alone and is getting worse.

I sent you a letter last week, which I would like to submit to the record, Madam Chair, if I could.

Chairman BLACK. Without objection.

[The information follows:]

Congress of the United States
Washington, DC 20515

May 18, 2017

The Honorable Mick Mulvaney
Director
The White House Office of Management and Budget
725 17th Street N.W.
Washington, D.C. 20503

Dear Director Mulvaney,

Our nation is currently fighting a growing prescription drug abuse and opioid epidemic that is devastating communities across the nation and particularly those in Pennsylvania. We strongly urge you to prioritize investments into the Office of the National Drug Control Policy (ONDCP) and reject spending cuts to the federal program in the Office of Management and Budget's (OMB) Fiscal Year 2018 Budget.

Now more than ever our nation must prioritize federal funding to combat rampant drug abuse. As you are aware, the Centers for Disease Control and Prevention reports that in 2015 opioids were involved in the death of 33,091 Americans – more than double the rate in 2000. The opioid epidemic is tragically engulfing the Commonwealth of Pennsylvania and has claimed the lives of more than 3,383 of our constituents in 2015. We must increase the federal government's response in the wake of this public health crisis.

Since 1998, the Office of the National Drug Control Policy (ONDCP) has been a leading force in identifying illicit drug threats and developing a national strategy to reduce drug usage across the country. The agency is responsible for overseeing the federal government's drug control programs and coordinates with the President, other federal agencies, and substance abuse organizations to ensure the public health and safety of American families. The ONDCP's national strategy uses evidenced-based solutions to raise awareness about the severe consequences and negative health effects of chronic drug usage within our communities.

It is proposed that two critical ONDCP programs are at risk of having all their federal funding stripped in the FY 18 President's Budget. The High Intensity Drug Trafficking Areas (HIDTA) Program addresses threats from national and international drug trafficking organizations that distribute heroin, synthetic drugs, and illegal prescription drugs. It has been successful in collaborating with law enforcement agencies to identify and prosecute high ranking drug leaders and cartels. Additionally, the Drug-Free Communities Program has been successful in providing grants and partnering with local stakeholders, law enforcement agencies, and community coalitions dedicated to reducing substance abuse among adolescents and young adults. We believe that these two programs are critical to the ongoing war on drugs and must not be eliminated.

The plight of the opioid crisis is evidently getting worse and that the federal government must act now to support the individuals battling with addiction. We must ensure that states such as

Pennsylvania have the resources and support needed to prevent addiction and increase access to treatment options to save lives.

It is our hope that OMB understands the severity and urgency of the opioid and prescription drug crisis and prioritizes funding for the ONDCP to ensure a strong federal response to the matter. We look forward to your prompt response about proposed FY 18 funding levels for the ONDCP.

Sincerely,

Lloyd Smucker
Member of Congress

Mike Kelly
Member of Congress

Ryan Costello
Member of Congress

Lou Barletta
Member of Congress

Brian Fitzpatrick
Member of Congress

Mr. SMUCKER. And I again laud you for recognizing the severity of this crisis and for prioritizing lifesaving investments into the Office of National Drug Policy.

I was wondering if you could explain to the members of this committee just exactly how the President's budget requests increases in the Federal Government's response to the opioid crisis.

Mr. MULVANEY. I can, Congressman. I see that my time has expired. But I would be more than happy to both talk to you about that and send you a letter in writing.

Mr. SMUCKER. Thank you. I appreciate that.

Mr. MULVANEY. Madam Chair, if I may be so bold, would it be possible to take like a 90-second break?

Chairman BLACK. It absolutely would. Let's take a 90-second break for the committee.

[Recess.]

Chairman BLACK. The committee will come to order. I now recognize the gentleman from Georgia, Mr. Woodall, for 5 minutes.

Oh, excuse me, I think that I did not—excuse me, Mr. Woodall. I need to go to the Democrat side. I apologize. I am incorrect. You are next.

I now recognize Ms. Jackson Lee from Texas for 5 minutes. I apologize.

Ms. JACKSON LEE. Mr. Mulvaney, you indicated in your statement that reducing lower priority, nondefense, discretionary spending was going to be a core of this budget's success. I interpret that as a betrayal, betrayal of the children, seniors, working families, people who voted for Trump, cities, counties, and States. That is the interpretation that I believe the American people will understand.

In the course of your budget you have gutted or cut the National Endowment for the Arts, the National Endowment for the Humanities, and something that the Gulf region needs desperately, coming from South Carolina you should understand, the Army Corps of Engineers.

You repealed the Affordable Care Act, but $880 billion, that is your premise, when the Senate said that that repeal is dead on arrival. They said the budget was dead on arrival.

You are going to eliminate the Community Services Block Grant, you are going to eliminate the Community Development Block Grant, you are going to eliminate Federal Emergency Management Agency State and local grants, all lifelines for Americans.

I won't have to worry about shutting the government down because Americans will shut it this government down if the Trump betrayal budget ever passes.

So let me ask you these questions. And as I do so, let me remind my fellow Texans that they get $70 billion from the Federal Government for their budget and they just balanced their budget on the $70 billion from the United States Government Federal Government of which you eliminate.

I also want to put on the record that the trips that Trump takes to Mar-a-Lago in the past 5 months cost $20 million. If we keep going at this rate, it will be in 4 years $200 million. I would like to suggest that one of the things you do is to cut not only his trips to Mar-a-Lago, but his trips overseas, because you are cutting $9 billion from the State Department.

So my question to you involves the Army Corps of Engineers, why you would be so much against the important flood work that counties like mine need, number one.

The other question is I want to ask about a letter you wrote last week to the Director of the Office of Government Ethics, Walter Shaub. The letter appears an effort to try and shut down the investigation of Trump, giving waivers to so many billionaires who are working in his administration, number two.

Number three, you have a comment: That doesn't mean we should take care of the person who sits at home and eats poorly and gets diabetes. Are you saying that you support a healthcare plan that makes distinctions between the deserving ill and the undeserving ill in deciding who can get Federal support and how much? Is that why you have the audacity to cut $800 billion out?

My third question is, Director Mulvaney, is it reasonable to assume that the budget includes $1.4 trillion or more in cuts to Medicaid? And I just met with the State of Texas, they are begging for their Medicaid so they can provide for the poor in their State.

I would appreciate you answering the question. And would you answer the question, are you betraying those who voted for Trump looking for a lifeline? And are you betraying the American people?

Mr. MULVANEY. Thank you, Congresswoman.

In reverse order, are we betraying the American people? No. In fact we believe that giving them 3 percent growth is giving them exactly what they wanted when they elected this President.

Is it true or untrue to state that we have cut $1.4 from Medicaid? That is untrue, for the reasons I stated earlier.

Regarding my statement week on diabetes, I was speaking at a healthcare conference. What I was trying to do is draw a distinction between type 1 and type 2.

Ms. JACKSON LEE. But you did say it.

Mr. MULVANEY. Again, I am trying to put my comments into context, ma'am. I am aware of the difference between type 1 and type 2 diabetes.

On the OGE——

Ms. JACKSON LEE. But you are not a doctor.

Mr. MULVANEY. I am not a doctor. Are you?

Ms. JACKSON LEE. I know diabetes. It is my in family and it is in my community and it particularly impacts African Americans. And we will be devastated by this budget along with American working families.

Mr. MULVANEY. Regarding the OGE letter, I got a letter from the Office of Government Ethics that I thought was inappropriately broad and violative of statutes. So I did what I think is the exact right thing to do when there is a dispute between two pieces of the administrative—of the executive branch, we referred the matter to the Department of Justice and the Office of Legal Counsel, which I think is the statutory thing I am supposed to do.

Regarding infrastructure, we are, as I mentioned before to an earlier question——

Ms. JACKSON LEE. Army Corps of Engineers.

Mr. MULVANEY. The Army Corps of Engineers, writ large with infrastructure, is that we are focusing, trying to focus our attention on getting to the $1 trillion worth of new infrastructure, leveraging $200 billion of new spending.

Ms. JACKSON LEE. Your budget is full the tricks and trickery. It does not work. No economist will approve your budget in terms of it working. There will not be a 3 percent growth because the working population is expired. This is a betrayal of the American people.

Mr. MCCLINTOCK. [Presiding.] The gentlelady's time has expired.

Ms. JACKSON LEE. Thank you. I yield back.

Mr. MCCLINTOCK. Mr. Woodall.

Mr. WOODALL. Thank you, Mr. Chairman.

I want to thank the Director for being here. I remember when he was a young freshman, I was a young freshman. In fact, our current chairwoman, Ms. Black, was a young freshman. We got here having been just elected in that giant class of 2010, and the first thing we got to do was write the budget. And, oh, golly, what an amazing honor that is. You get elected to serve your folks back home and you get to come up here and start making priorities.

And I remember that first moment, and I suspect you remember it too, Mr. Mulvaney, when you realize the budget doesn't actually get signed into law, that the changes that you make don't actually become the new law of the land, that the conversations that we have here are simply about vision and not about how policy is going to change tomorrow.

Do you remember that moment of realization?

Mr. MULVANEY. Realization is a positive spin to put a on it, yes, Mr. Woodall.

Mr. WOODALL. I asked you that because I heard my friend from Florida say that your values are appalling, and I apologize for that. We are not talking about your values here. I know you. I know you to be a man of integrity. And you are exactly the right guy to have in this job.

We are talking about choices. I think in the ranking member's opening statement as read by Ms. Jayapal it was said that these are false choices, that we don't have to choose. What I hear you saying is that in the spirit of finding reputable economists, that you cannot find a reputable economist that says continuing as we are continuing is a recipe for success. Is that accurate?

Mr. MULVANEY. Not a single one. No, I don't think you will find any reputable economist that says we can do what we are doing forever.

Mr. WOODALL. And, in fact, over the last 8 years we haven't been making choices. It is hard to make these choices. But in all of the doom-and-gloom conversation about cuts, explain it to me in simple terms that I can understand, exactly which year, going from one year to the next, are you going to spend less money on behalf of the American people?

Mr. MULVANEY. Not one.

Mr. WOODALL. Let me make sure I am understanding you. You are saying that in all of this conversation about the cuts and the erosion of public spending, you are spending more every single year proposed in this budget?

Mr. MULVANEY. Yes, sir.

Mr. WOODALL. I know that there is more that unites this country than that divides it. And I believe we can find that pathway forward together.

If I could put a slide up here on the screen. This is what I have seen in my short time in Congress. This is CBO-projected growth. And of course OMB has one projection of growth, CBO has a separate projection of growth.

But time and time again in this committee hearing I have heard folks say that your projection of 3 percent growth is just outrageous, that it is unsubstantiated, that absolutely no one would ever agree that such a thing was possible. As I look back on my chart, even we here in Congress agreed that such a thing was not only possible, but probable just 5 years ago.

When you talk about 3 percent growth going out on the horizon, is that the same 3 percent growth that CBO was projecting just a short time ago?

Mr. MULVANEY. And other administrations, previous administrations were actually projecting higher than that.

Mr. WOODALL. Now, when you move from 1.9 percent economic growth to 3 percent GDP growth, what does that translate into in terms of revenues for the Federal Government?

Mr. MULVANEY. I can't remember what the topline number is, Congressman, but it is a substantial sum. Remember the difference between 2 percent growth—and I always cringe when people say when you go from 2 percent to 3 percent growth, that is only a 1 percent increase. It is not, it is a 50 percent increase.

Mr. WOODALL. So my understanding of that revenue means we would be looking at something close to a balanced budget. If these numbers had stayed at 3 percent going back to the time you and I got started, we would be looking at a balanced budget today so significant would be that revenue.

Mr. MULVANEY. I have seen studies that, based on what assumptions you want to make, that would say you are very, very close to getting there.

Mr. WOODALL. What I have heard the President say and what I would like to hear from you is that every single thing that he is doing is geared towards returning us to these 3 percent growth figures. Is that accurate?

Mr. MULVANEY. Every single thing that he is doing is geared towards getting us back to 3 percent growth.

Mr. WOODALL. There is not one family in my district that doesn't believe that is going to make a difference.

I will close with this. You all just sent a $10 million check to the State of Georgia to rebuild a bridge that collapsed in our district. That was a fire. Twelve lanes of interstate collapsed. We rebuilt it in 6 weeks—6 weeks—a performance budget going out to that contractor.

There is not a conservative family in my district that was not proud to pay their tax dollar to go to that project because they got value for that dollar. Thank you for trying to squeeze those dollars and bring that pride back in what we do together.

Mr. MULVANEY. And I would encourage you to look at the permit process that was necessary to build that in 6 weeks. It would stun you as to how much time we spent.

Mr. WOODALL. I thank the gentleman.

Mr. MCCLINTOCK. Ms. DelBene.

Ms. DELBENE. Thank you, Mr. Chairman.

And thank you, Director Mulvaney, for being here with us today.

My background is as a businesswoman and an entrepreneur, and I know how incredibly important it is to have a budget that is responsible. And I must say that this budget is incredibly irresponsible and dangerous. It would be an enormous setback in pretty much every area that affects American families, particularly for children, seniors, and people with disabilities. It would have a negative impact on critical research, on healthcare, job training, our environment, affordable housing programs, education, and that is just to name a few.

Rather than gouging programs—and important programs—that the middle class relies on just in order to give the wealthiest Americans a tax break, we should be working on a bipartisan budget. That is what works. A bipartisan budget that provides working families certainty and stability.

And so let's start with farmers. Under your budget, more than 5,200 positions at USDA would be eliminated. This is part of a larger 8 percent cut. The Farm Service Agency alone, which my farmers rely on for critical assistance, would lose 973 people, USDA Rural Development would lose 925 employees, and on and on. This was a bad idea when it was proposed in the past and it is still a bad idea.

What is the rational for making a farmer drive hours out of his or her way to get to one FSA office that is open three counties away because you decided that rural America is doing just fine as it is? Farmers lead incredibly busy lives, and making their lives more difficult through cuts like this is incredibly shortsighted. So why are we cutting important programs for farmers.

Mr. MULVANEY. Congresswoman, I appreciate the question. And while I have received some questions about some of the farm supplement and subsidy programs, I have not received that exact question before. So I apologize if I am only going to be able to give you half an answer. I am not satisfied with half an answer, so I want to give you a full answer in writing afterwards.

Mr. MULVANEY. But I am looking at my notes very quickly on a the topic I am not as familiar with as some of the other things, and I see that the farm loan programs are up $564 million in the budget. So I am not saying——

Ms. DELBENE. The Farm Service Agency alone would lose 973 people, and we already know that access is hard. I have heard that from my farmers directly. I just heard it from a farmer last night. So I would appreciate more information on that.

Mr. MULVANEY. And I apologize for not having it on the top of my head.

Ms. DELBENE. This budget would also cut the National Institutes of Health, the NIH, by $6 billion, which is a truly stunning and irresponsible cut. In the last few years Congress has worked on a bipartisan basis—bipartisan basis—to boost NIH funding by nearly

$4 billion. And I would remind you that Federal finding for NIH supports more than 400,000 American jobs and generates more than $60 billion in new economic activity.

Unfortunately, the Federal Government's contribution towards basic research at the NIH has consistently failed to keep pace with inflation, which has allowed the agency's purchasing power to diminish by nearly 20 percent since the year 2003. So if we are serious about breaking new ground in our understanding of complex and life-threatening conditions, then it is absolutely essential that we increase funding for the NIH. We can't hope to accelerate development for new cures, therapies, vaccines without additional resources for research, and these need to be consistent, stable resources.

We just agreed through the end of this year to make sure we increase funding for NIH in a bipartisan fashion. So why can we not support bipartisan ideas, important ideas, that have a positive impact on our economy and a positive impact on our communities in terms of the innovation and the impact it would have on people's lives? I would like to understand your rationale for setting back medical progress and research across many critical areas.

Mr. MULVANEY. Sure. I think we probably can agree on more than you realize, Congresswoman. I don't know if you were here when I answered a similar question from Congressman Cole earlier. But the administration wholeheartedly believes in the commitment to research.

We would like to see more focus on what they call basic research, which is research further away from the marketability of products, because that is one of the gaps that the government can and should fill. When you look at the long lead time on developments of new drugs, for example, many companies cannot afford——

Ms. DELBENE. And that is why consistent dollars are important.

Mr. MULVANEY. It absolutely is.

Ms. DELBENE. And so here we have had continuing resolutions and we disrupt that ability for scientists to see their research. Partial research doesn't work. If you are going to fund something it has to be funded all the way through.

We are running out of time, so I just want to say this is critically important, it is a bipartisan issue, something we agree on. You are cutting dollars, you are not adding dollars, and I think we have to focus on that.

Mr. MULVANEY. As I mentioned, in the last 3 seconds, if you look at the way we have proposed to spend the money, we can actually spend as much money on research next year as we did last year.

Ms. DELBENE. I yield back.

Mr. MCCLINTOCK. The gentlelady's time has expired.

Mr. Ferguson.

Mr. FERGUSON. Director, thank you for coming today.

And it is interesting, as I sit here and listen to a lot of the comments on both sides, but particularly from those here on the left, it reminds me so much of where I was just a few years ago in my hometown.

I lived and come from a hometown and governed in a hometown that lost its manufacturing backbone. We lost tens of thousands of textile jobs. And no matter in the coming decade and a half after that, no matter how many government programs the communities relied on, no matter how much public assistance went to those in poverty, education, community block grants, no matter what those small wins may have looked like, you could not pour enough money into the problem to address those issues. It simply did not change until we created the environment for advanced manufacturing to call our community home.

And it is when we put 16,000, 17,000 people back to work that we really begin to see our fortunes change. It changed our city budgets, budgets that we had had to cut doing the same things that we are doing now, really programs that communities valued, but we simply did not have the mechanism to pay for them. It wasn't until we grew our local economy, that we grew our city revenues and cut taxes, that we were able to have the revenues needed to put back into those important programs that our community wanted.

So with that, the things that we had to do is we had to create the right tax environment. We had to have the right regulatory environment where we partnered with our industry, not penalized it. We had to have an education system that developed a viable workforce. And we had to make strategic public investments in infrastructure to support it.

So with that I will ask these very few questions. Does this budget and is it the desire of the President to do those things, create the right tax environment for business?

Mr. MULVANEY. Absolutely.

Mr. FERGUSON. Create the right regulatory environment?

Mr. MULVANEY. Drives everything we do.

Mr. FERGUSON. Create the right education environment that really prepares people for a job in the 21st century economy?

Mr. MULVANEY. Yes, sir.

Mr. FERGUSON. Does it create strategic public investments in infrastructure that allowed the public sector to come in behind it and to work the public investments.

Mr. MULVANEY. One of the reasons we talk about increasing spending on infrastructure.

Mr. FERGUSON. If we do all of those things, can we in fact get above 3 percent GDP growth?

Mr. MULVANEY. Yes.

Mr. FERGUSON. If we do that, can we develop the resources that we need to build a bridge to really effectively deal with what is ultimately the biggest cost driver in the budget, and that is the mandatory spending curve?

Mr. MULVANEY. As I said before, I think you are moving to a point where you won't be able to balance the budget if you don't address mandatory programs.

Mr. FERGUSON. Okay. If we are able to do that, if we are able to have significant deficit reduction, or at least be neutral as this much it does, I think it is important that we recognize that we are fighting over a small part of the budget. If we want to make those strategic investments in these programs that our members on both sides of the aisle feel are valuable, we have to address the mandatory spending curve. There is no doubt about it. We have to address issues with Social Security and Medicare and Medicaid and interest on the debt.

Typically, when those conversation are had, the first thing that happens is one side or the other throws up some wild headline that says: Hey, Bergman over here or Ms. Wasserman Schultz wants to cut your Social Security or Medicare.

We need to have an honest conversation with the American public about where that is and where we are headed. And every single Member of Congress has an obligation to address the programs in such a way that we protect those that are receiving them now, those that are close to the finish line, but be very transparent about the fact that we are going to have to change something long term and we are going to have to create enough economic activity to be able to build that bridge to get us from where we are right now until when those programs changes can actually go into effect.

Mr. MULVANEY. I think it is absolutely valuable, Congressman, that you have the perspective of someone who is either a councilman or a mayor, judging by what you mentioned, that folks who have to balance the budget at the town level and the city level get it. Folks that have to balance the budget at the State level get it.

And for some reason this body—and I count myself amongst you because I was one of you until recently—we just don't get it. And I don't know why we lose that commonsense approach, where that reasoned look at economics and life goes away because somehow we get elected to Congress. So I appreciate that input. It is extraordinarily refreshing.

I want to clarify one thing I said before, because I hate being wrong on numbers, I probably have done it more than once. But I got asked earlier the size of the nondefense discretionary budget versus mandatory. I think I said mandatory was 72 percent; 66 is what my staff told me is the right number. But either way you look at it, it is the 800-pound gorilla in the room.

Mr. FERGUSON. There is no greater program that we can give our American people than the dignity of work.

Mr. MCCLINTOCK. Thank you.

Mr. Jeffries.

Mr. JEFFRIES. Thank you, Mr. Chair.

And thank you, Director Mulvaney, for your presence and for your service.

The Trump budget balances itself on the backs of working families, middle class folks, senior citizens, the poor, the sick, the afflicted, as well as rural America. It does this, in my humble opinion, largely to just provide a massive tax cut to the wealthiest 1 or 2 percent of the people in this great country. That is reckless and that is irresponsible.

Now, the Trump budget as proposed balances itself and eliminates the deficit in 10 years. Is that right?

Mr. MULVANEY. Yes, sir.

Mr. JEFFRIES. And part of the reason why it is able to balance itself is that it assumes that there will be increased revenue in the amount of $2 trillion connected to exponentially more significant job growth. Is that right?

Mr. MULVANEY. It assumes a 3—you are referring to the GDP growth, because I think—I don't know if we talk about full-time——

Mr. JEFFRIES. Economic growth.

Mr. MULVANEY. Yeah, it is economic growth. We do have some numbers on unemployment as well. But, yes, you are correct, that we do assume additional government revenues through economic growth.

Mr. JEFFRIES. And that is $2 trillion in additional revenue, not $2 million or $2 billion, $2 trillion in additional revenue. Is that right?

Mr. MULVANEY. I think that is right, yes, sir, 2.1, 2.0, I can't remember the exact number.

Mr. JEFFRIES. And the projected economic growth of approximately 3 percent is due in large measure to the theory that significant tax cuts disproportionately benefiting the wealthy and the well-off will stimulate the economy. Is that right?

Mr. MULVANEY. Congressman, that is part of it. When we looked at the CBO baseline of 1.9, the way that we moved towards 3.0 included tax reform, but it also included regulatory reform, which we think actually can have a larger impact on GDP, it included our trade policies, our infrastructure spending. So there was a basket of policies that we think moved us from 1.9 to 3.0.

Mr. JEFFRIES. But it is fair to say that a substantial part of the theory as to the increased economic growth is anchored in your strong, authentic, principled belief in tax cuts. Is that right?

Mr. MULVANEY. Again, it depends on what your definition of substance part is. We also assumed the repeal of ObamaCare, which the CBO said actually added 0.1 percent to economic growth.

Mr. JEFFRIES. Okay. There is no scintilla of evidence, certainly for the last 25 years, that tax cuts in part are responsible for stimulating any meaningful economic growth. Is that fair?

Mr. MULVANEY. No.

Mr. JEFFRIES. Okay. Well, let's look at the record at least at the Federal Government level. Bill Clinton was President for 8 years and during his 8-year Presidency there was substantial economic growth. Is that correct?

Mr. MULVANEY. That is a true statement, yes, sir.

Mr. JEFFRIES. And the tax rate when Bill Clinton came into office was at 31 percent, correct?

Mr. MULVANEY. I don't remember the tax rate, Congressman.

Mr. JEFFRIES. Okay. We can stipulate the highest tax rate, easily ascertainable, 31 percent. He immediately with the support of Congress changed that top tax rate from 31 percent to 39.6 percent, correct?

Mr. MULVANEY. Again, Congressman, I don't remember. I was not paying much attention to national politics in the mid-1990s.

Mr. JEFFRIES. Okay. And 20 million-plus jobs were created during the 8 years of the Clinton Presidency, true?

Mr. MULVANEY. I believe there was substantial economic growth. I don't remember the number of jobs.

Mr. JEFFRIES. Okay. George Bush was elected President in 2000, correct?

Mr. MULVANEY. That is correct.

Mr. JEFFRIES. And the top tax rate at the time was 39.6 percent, true?

Mr. MULVANEY. Again, Congressman, I take you at your word.

Mr. JEFFRIES. Okay. Thank you. And the Bush tax cuts that were put into place 2001 and 2003 resulted in the top tax rate being dropped from 39.6 percent to 35 percent, correct?

Mr. MULVANEY. I think that is correct.

Mr. JEFFRIES. And how would you characterize economic growth and job creation during the Bush Presidency?

Mr. MULVANEY. Congressman, if you are trying to get me to say that the cause of the Clinton economic boom was an increase in taxes and that the cause of the recession of 2008 was a decrease in taxes, you are just not going to get me to go there. If we could tax our way to prosperity, we would have done it a long time ago.

Mr. JEFFRIES. I am just asking a factually based question. Actually during the 8 years of the Bush Presidency when the top tax rate was dropped, this country lost 400,000 jobs.

Now, during the subsequent 8 years we have got, again, 25 years of a record here. Barack Obama comes into office, the top tax rate is 35 percent, it is raised to 39.6 percent. And during the Obama Presidency, 12 million private sector jobs were created.

I simply say that there is no evidence anchored in any reality as to this theory of dynamic scoring and trickle-down economics yielding substantial economic growth.

I yield back.

Mr. ROKITA. [Presiding.] The gentleman's time has expired.

The gentleman from California Mr. McClintock, is recognized for 5 minutes.

Mr. MCCLINTOCK. Mr. Director, welcome.

I would like to continue that very line of analysis. As I recall, Bill Clinton reduced Federal spending by 4 percent of GDP. He approved what amounted to the biggest capital gains tax cut in American history. He overhauled entitlement spending, in his words ending welfare as we knew it. And we did have a period of profound economic expansion.

Mr. MULVANEY. As I recall, over his objection and at the insistence of a Republican-controlled Congress.

Mr. MCCLINTOCK. And I understand that the growth assumptions are at issue here, but the growth assumptions, which are very relevant to whether and when the budget balances, are really irrelevant to the policies that are required to produce that growth. Are they not?

Mr. MULVANEY. Policies will drive everything, yes, sir.

Mr. MCCLINTOCK. And with respect to the policies, this budget reminds me a great deal of the first Reagan budget, when he rebuilt our defenses, restrained the growth of nondefense spending, enacted the tax and regulatory reforms that were necessary to grow the economy, where wages are growing and opportunity to prosper expands to include every American.

What was the result of these policies that you are restoring to our Federal fiscal plan?

Mr. MULVANEY. We built an American economy that was the envy of the entire world and can be again if we can have the sense to reinstill some of those same policies.

Mr. MCCLINTOCK. In fact, we averaged 3.5 percent growth every year for 8 years, compared to the Obama policies that increased taxes, increased the regulatory burdens, increased our deficits dramatically, and produced one of the slowest growth rates in the history of the country. I believe we averaged 1.5 percent every year for his 8 years. Is that correct?

Mr. MULVANEY. I think that sounds right, Congressman. In addition, I think in his very first budget he assumed that he would get 3.5 percent growth, 4.4 percent growth, 4.6 percent growth, and 3.8 percent growth.

Mr. MCCLINTOCK. And when Reagan took office the top marginal income tax rate was 70 percent, getting to the question of these terrible tax cuts for the very wealthy. Top rate was 70 percent when Reagan took office. He cut that rate from 70 percent down to 28 percent. And the result was our income tax revenues went from $285 billion to $456 billion in the same period. Is that correct?

Mr. MULVANEY. Again, I don't remember the exact numbers, but I will take you at your word as I did with the previous Congressman.

Mr. MCCLINTOCK. And the share of taxes paid by that top 1 percent actually went up dramatically, from 17.6 percent to 27.6 percent. So when we cut the top marginal tax rate, the economy expanded dramatically, revenues to the Federal Government expanded dramatically, and the proportion of taxes paid by the wealthy actually increased, it didn't decrease.

Mr. MULVANEY. And don't forget President Reagan also dramatically simplified the tax plan, which is something we are talking about doing as well.

Mr. MCCLINTOCK. So this isn't theory, this is practice, and it has been practice under both Democratic and Republican administrations, when you cut the tax and regulatory burdens the economy expands. We saw that under Reagan, we saw that under Clinton. We saw that under Coolidge and Harding. We saw that under John F. Kennedy. These are the plans that actually work. This isn't theory, this is longstanding practice.

And it is so good to see an administration returning to the policies that work and for the first time in 16 years having a President who actually gives a damn about balancing the budget before it bankrupts the country.

That is the one point I wanted to differ are you on, you said that if we continue down this path our grandchildren will have $30 trillion, $40 trillion of debts on their shoulders. I don't think we would get that far.

You mentioned the sovereign debt crisis. When the government loses access to capital, pension systems implode, basic services, including public safety, falter, while ultimately you have runaway inflation and the economy collapses.

I asked a leading economist from Mercatus, how long do we have? And his answer was, well, you can't really make a prediction like that because a number of different factors will influence the onset of a sovereign debt crisis. But he said, "I can tell you this. When we reach a trillion dollars a year in annual deficits, the markets will be destabilized at that point and you will set the stage for a sovereign debt crisis."

Your budget turns us away from that bleak future. But that day comes, according to the Congressional Budget Office, if we don't change course, 5 years from now. We don't have a lot of time left.

Mr. MULVANEY. And I hope the House Budget Committee takes your words to heart as well, Congressman.

Mr. ROKITA. The gentleman's time has expired.

The gentleman from Massachusetts, Mr. Moulton, will be recognized for 5 minutes.

Mr. MOULTON. Thank you, Mr. Chairman.

Director, thank you very much for joining us here today.

I would like to touch on your comment about Washington-speak versus regular language for the American people. Director, do you believe in inflation?

Mr. MULVANEY. I believe that it is very real, yes, sir.

Mr. MOULTON. Do you believe in population growth?

Mr. MULVANEY. I do, yes, sir.

Mr. MOULTON. Okay. So I think that people back home understand that if you flatline budgets for things like Medicare and Medicaid, that, you know, let's say my parents are counting on getting cataract surgery so they don't go blind today, but if there is enough money in the budget to cover them both today and that budget is flatlined going forward and the price of cataract surgery goes up or there are simply more people in America who need that surgery, then they won't be both covered in the future. One of my parents will go blind.

That is why in Washington that we account for inflation and population growth when we do budgeting. I think people back home understand that the cost of bread is not the same today as it was 10 years ago or 20 years ago because of inflation.

And I am concerned that in the same way that you are returning us to the failed President Bush policies of tax cuts to spur economic growth that when only directed at the wealthiest don't in fact spur any economic growth at all, that we are getting back to the fuzzy math of the Bush era as well.

But I would like to talk for a second about your cuts to the State Department. General Mattis in 2013, who was then Commander of U.S. Central Command, said before Congress that: If you don't fund the State Department fully, then I need to buy more ammunition. And that quote, "The more that we put into had the State Department's diplomacy, hopefully the less we have to put into a military budget as we deal with the outcome of an apparent American withdrawal from the international scene."

Do you agree with his assessment, Mr. Director?

Mr. MULVANEY. I will answer the question this way, Congressman. What you see there is the President doing exactly the same thing he has done on other line items in the budget that I have talked about today. I recognize the fact there are folks in this room who do not appreciate or support the reductions in the State Department line item, just like there are folks over on this side of the room who probably do not agree with our decision not to tackle Social Security and Medicare.

Mr. MOULTON. Director, I am actually not talking about Members of Congress, I am talking about our own Secretary of Defense.

Mr. MULVANEY. I am going to answer you this way, is that this is what the President promised he would do. I understand what Secretary Mattis said before he was Defense Secretary——

Mr. MOULTON. Well, the President also promised he wouldn't cut Social Security, Medicare, and Medicaid, and he is cutting them. He also promised us a healthcare plan that would see everybody get beautiful coverage, and that is not what we are getting from the AHCA, which, in fact, is guaranteeing that a lot of people, like my parents, will see their healthcare costs go up over the next 10 years if it is passed.

Mr. MULVANEY. Go back to your basic assumption, Congressman, though, which is that the government most grow. That is what the CBO baseline says, that you are required to grow at inflation plus population growth. And I think we simply—there are many of us who simply reject that. There is no reason that the government must on auto pilot——

Mr. MOULTON. Mr. Director, I would love to see the government not grow because we would get more efficient. I share your belief that we ought to be able to achieve that. But I am not going to dismiss inflation, I am not going to dismiss population growth when we talk about budgeting.

Director Mulvaney, do you disagree with the statement of General David Petraeus, former CIA Director, retired General John Allen, retired Admiral James Stavridis, and 120 other retired generals and admirals who expressed their opposition, just like Secretary Mattis, to cuts in diplomatic programs.

They said the State Department, USAID, Millennium Challenge Corporation, Peace Corps, and other development agencies are critical to preventing conflict and reducing the need to put our men and women in uniform in harm's way.

Do you disagree with that assessment?

Mr. MULVANEY. Yes, sir, I don't necessarily agree with that, and the budget does not agree with that.

Mr. MOULTON. But why do you disagree with that? It sounds an awful lot like our President who says that he is smarter than the generals. Is that your view?

Mr. MULVANEY. What you are seeing——

Mr. MOULTON. There are 120 respected generals who say you are wrong. Your own Secretary of Defense says you are wrong. So why is it that you are willing to put our troops at risk by cutting aid to diplomatic programs that keep them out of harm's way? Why is that? That is not fair to our troops, that is not fair to those of us who are on the ground, Mr. Director, with all due respect.

Mr. MULVANEY. Putting troops at risk is what this body has done with the sequester that we are trying to undo.

Mr. MOULTON. Mr. Chairman, I yield back.

Mr. MULVANEY. Thank you, sir.

Mr. ROKITA. The gentleman yields back.

Mr. Sanford, the gentleman from South Carolina, you are recognized for 5 minutes.

Mr. SANFORD. I thank the gentleman. I thank the Director as well for his time here.

I want to say how much I applaud your goal of balancing the budget. As has already been noted, the last administration did not have that as a goal. It didn't balance in perpetuity. I very much admire that. I admire your willingness to make cuts both in taxes and in spending. We have had much conversation on the Appalachian Regional Commission because you have actually proposed cuts, and it is something a lot of administrations have not proposed.

I admire you. We have worked together over any number of different years in different capacities. I think you are bright, capable, and caring.

Mr. MULVANEY. You have to write that down.

Mr. SANFORD. Yeah, I will, I will. And I generally sympathize with the fact that you are doing an executive branch budget, which I did for 8 years of my life, and that is a difficult process.

But—and we will go to the "but"—I want to go back to what we talked about yesterday. You have said that the foundation of your budget is 3 percent growth. And I have looked every which way at how you might get there and you can't get there. And as a consequence, I think it is just disastrously consequential to build a budget on 3 percent budget. The Bible says you can't build a house on a sandy foundation.

What it does is it perpetuates a myth that we can go out there and balance the budget without touching entitlements. It the not only a myth, it is, frankly, a lie. And if it gets started at the executive branch level, it moves from there.

And so I think that this notion of 3 percent—I heard literally the Speaker of the House talking today about the notion of 3 percent growth and how we can balance the budget. I just again, as earnestly as I have looked at this, I don't know how you get there.

And what this does is it creates real debates from happening. I mean, legitimately, myself and Democratic colleagues can see things quite differently, but for us to have a real debate we have to base it on real numbers.

I would also say it is important, because I am a deficit hawk, as you well know, and if you are wrong on these numbers, it means all of a sudden we have created a $2-plus trillion hole for our kids and grandkids here going forward.

So I want to walk through a couple different numbers with you. One, this budget presumes a Goldilocks economy, and I think that that is a very difficult thing on which to base a budget.

If you look at the average economic expansion in the history of our country, it is 54—58 months. The current expansion that we are in is actually the third-longest economic expansion in American history. We are at 94 months.

But what you presume in this budget is not only will we not have a recession, though we are in the third-longest economic expansion in history, but it is going to keep going for another 214 months. It is not only unprecedented, I would think that to be unreasonable. It assumes that the stars perfectly align with regard to economic drivers.

Can you guess the last time we had an unemployment rate of 4.8 percent, growth at 3 percent, and inflation held at 2 percent?

Mr. MULVANEY. I can't remember.

Mr. SANFORD. It has never happened. The last time that growth was at 3 percent where we were held for a sustained period of time, the 10-year bond yield below 5 percent, you all presumed 3.8 percent, can you guess the last time that has ever happened?

Mr. MULVANEY. Again, I am trusting you on the assumptions——

Mr. SANFORD. Yeah, it has never happened. So we are going way out there on a curve in terms of assumption.

And then in terms of the ingredients of growth, I actually broke out some numbers here, capital formation would have to go to the record level that we have seen in terms of capital growth from 1965 to 1974, though capital formation actually goes down as people retire. They withdraw from the savings accounts.

Labor force growth would have to go to see what we saw in 1970s and 80s when women were joining the work force en masse. And even if you include the labor participatory rates took them back up to the numbers that we saw in the 1990s, we would see a two-tenths of 1 percent, a decimal increase, not a percentage increase. It would require either radically opening immigration or a radical change to demographics as we are having adding 10,000 baby boomers retire each day.

If you look at productivity growth, it would require numbers, again, that we haven't seen since the golden days of 1958 to 1967 in the final wave of electrification, consumer appliance, and the completion of the highway system to achieve what we are seeing. Even if we went to 1990 numbers, we would only see one-quarter of what is necessary to achieve 3 percent growth.

Mr. ROKITA. Time is expiring.

Mr. SANFORD. The Rand Corp says that a reduction of 15 percent is to be presumed with aging.

I would just lastly submit this for the record, which is to say, if you look at the correlation between OMB and CBO——

Mr. ROKITA. Entered for the record, without objection.

Mr. ROKITA. I am sorry, the gentleman's time has expired.

The gentlewoman from New Mexico, Ms. Lujan Grisham, is recognized for 5 minutes.

Ms. Lujan Grisham. Thank you, Mr. Chairman.

And welcome, Director.

That wasn't the strategy I was going to take, but maybe I can finish up just a little bit of what my colleague, Mr. Sanford, was hitting on.

This committee, as you well know, it is very difficult for us to have—and I mean no disrespect to my colleagues and I don't think that you mean any disrespect to us on this side of the Budget Committee either—but we don't have these earnest dialogues about how you might look at this and what your priorities could or should be. And I agree, if with a want to have kind of a Cadillac growth in the economy and GDP, you want that and you want to get kind of a balanced perspective about who thinks that can happen, do comprehensive immigration reform.

Now, we might disagree about the policies related to that, but I think it is going to be very hard for members of this committee to disagree that that in fact will grow the economy.

You want to make sure that government is lean and efficient, you want to make sure that we are not hoarding money or not being accountable? Well, let's deal with $125 billion at the Pentagon.

There are things that we can do. If we are concerned about population issues that are very expensive, boy, I spend a lot of time doing aging policy. It is a very delicate effort here. You want dignity and respect and quality of life for older Americans. But we recognize unequivocally that they are chronically ill, they are on an average of seven medications, most need long-term care, including my mother, who, by the way, is only 77. And the amount that we spend, unsustainable.

So if we are interested in that, then you bet, get NIH and CDC and every research arm and institution, public or private, in the United States and get them to prevent and cure Alzheimer's, and we have got a boon to the economy and we have lowered our risks.

And I realize that particularly the last one, you know, there is a not a one of us here who doesn't wish we could do to that and eliminate all chronic disease, but we aren't going to invest in addressing that at all. And, in fact, we are saying, look, because there have to be sacrifices to deal with a balanced budget and to really address some serious issues, we are just going to have one side of the American population, you sacrifice, and everybody else.

And I want to talk to you a little bit how I am living that. NBC News just put out a report, I will submit it for the record if that is——

Mr. ROKITA. Without objection.

[The information follows:]

nbcnews.com

Trump's Budget Would Hit These States the Hardest

by Sam Petulla

6-7 minutes

The Trump administration unveiled a budget for 2018 on Tuesday that seeks to overhaul many of the country's safety-net programs for low-income and struggling Americans. Though these cuts are popular among Republican lawmakers, they affect programs that are actually more commonly used in Republican-leaning states than in Democratic ones, and that in many cases benefit white voters without college degrees — a demographic group that strongly supported President Donald Trump in the 2016 election.

The programs experiencing the deepest cuts provide assistance for health care services to children, the poor and disabled, and that supplement food and housing for those with low incomes. Most of the programs were created decades ago by Democratic presidents.

The president's budget reduces funding to the current welfare system and would impose more stringent work requirements as a condition of receiving benefits. The work requirement is popular among conservative think-tanks and has been frequently promoted by House Speaker Paul Ryan. The budget remains a wish list, however; many of its more draconian provisions are not widely popular in Congress and are considered likely to be rejected or changed.

NBC News examined the states with populations that benefit the most from the programs and would experience cuts under the proposed budget. The maps below are colored to show where those populations live.

Food Stamps

The president's budget cuts $193 billion from food stamps, a program (now known as the Supplemental Nutrition Assistance Program, or SNAP) that provides extra money for food and groceries. Over the next 10 years, that amounts to a cut of 29 percent. More than 40 million Americans receive food stamp benefits.

In order to achieve cost savings, the proposed changes add a work requirement for receiving benefits. "If you are on food stamps and you are able-bodied, we need you to go to work," said budget director Mick Mulvaney during a White House briefing on Monday.

The budget is not specific on how the work requirements will be implemented, but past examples cited by conservative think tanks provide a guide. All states in fact already have a work requirement for food stamps, though some have been granted waivers. Reforms to work requirements have focused on making requirements more strict, similar to Maine's recent policy changes, or nullifying waivers given to areas with higher unemployment.

Participation in the food stamp program is higher in the Rust Belt and the South. Areas that are more rural, with higher unemployment and periods of prolonged unemployment, are more likely to use food stamps and be hard-hit by a work requirement.

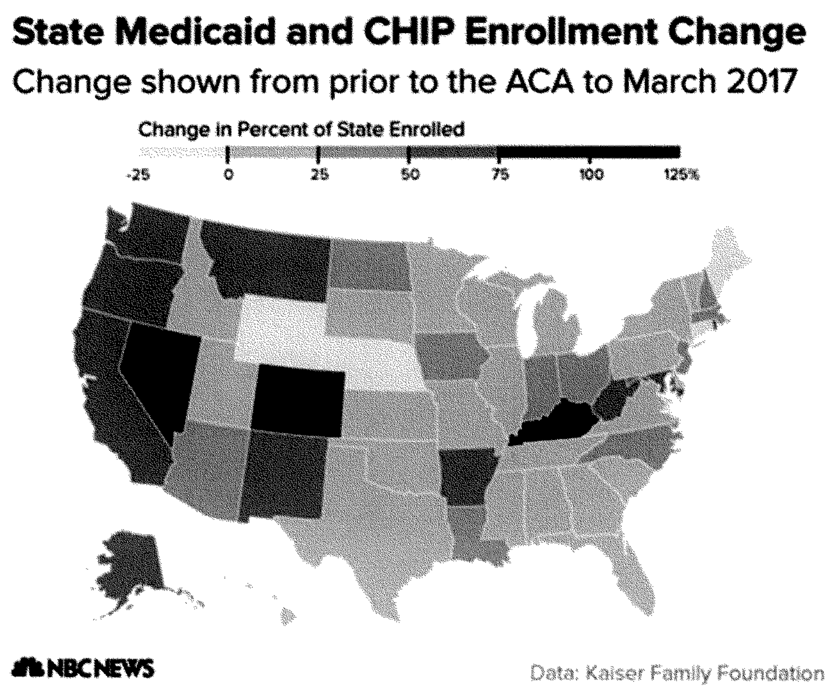
Medicaid and Children's Health Insurance (CHIP)

As NBC News has reported, Medicaid, which pays for health care for children and the disabled, is one of the hardest programs to cut. The expansion of the program under President Obama's health care program are popular and have been a critical sticking point during the House's efforts to repeal and replace Obamacare.

Trump's budget makes $616 billion in cuts to Medicaid over 10 years. This appears to be in addition to the $880 billion in cuts already in the House's health care bill. The savings are achieved by changing the program's funding formula and rolling back the expansions provided by Obamacare.

Combined, this amounts to a more than 25 percent cut to Medicaid and CHIP. The Congressional Budget Office estimated at least 10 million people would lose health insurance in an earlier scoring of the House's health care bill.

The changes in the bill will have profound effects in states that expanded Medicaid, which tend to vote Democratic. Many Republican states elected not to expand Medicaid following a successful Supreme Court challenge to Obamacare, but those states will also experience cuts. All states that did not expand Medicaid will see cuts to the program because of substantial changes to the funding formula.

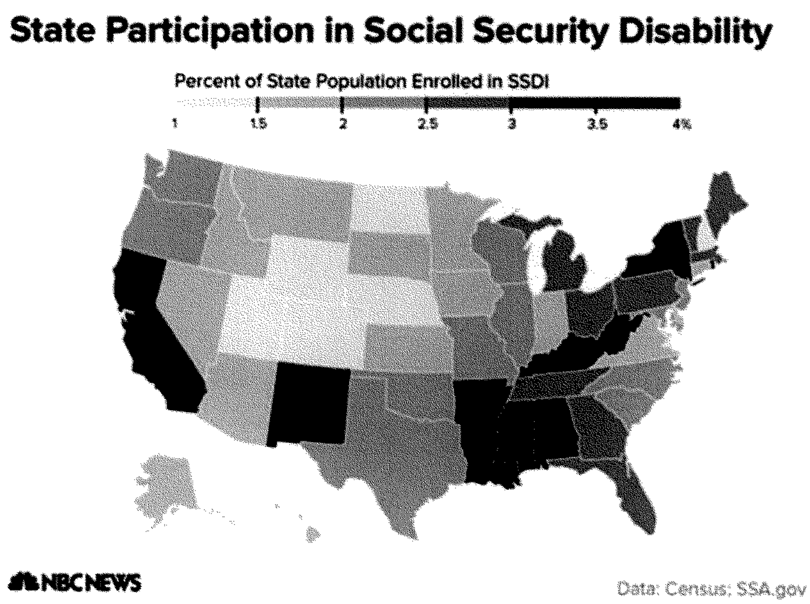


Other programs

Social Security and Disability Insurance (SSDI)

On the campaign trail, the president promised that Social Security would not be touched. But the component of Social Security that helps those with disabilities is cut back in his budget. Almost 10 million people rely upon Social Security Disability Insurance. Trump's budget cuts the program by 2 percent over 10 years.

The map of these beneficiaries is similar to the food stamps map. Residents of battleground states won by Trump, including West Virginia, Florida, Ohio and Michigan, are more likely to be recipients. SSDI also tends to be critical to areas that experience high rates of injury during manual labor, like the Rust Belt, or in rural areas with more agricultural production, according to Jacob Leibenluft, senior adviser at the Center on Budget and Policy Priorities.



Temporary Assistance for Needy Families (TANF)

The TANF program, which mostly provides low-income assistance for food, utilities, housing, childcare and job-related expenses, is cut by $21 billion over 10 years in the president's budget. Trump's budget cuts TANF by 13 percent over that time span.

States in the South and Midwest tend to have a higher percentage of their populations taking advantage of the program. The program is utilized less in the Rust Belt than other entitlement programs. TANF has an existing work requirement, which is being used a model for cutting other entitlement programs.

Ms. Lujan Grisham. I will then. And here it is. It says, look, New Mexico would be hit the hardest. All right. So I am living in a State that is using many of the trickle-down economic and cut policies, agendas that are clearly embedded in this budget document. And let me tell you a little bit about our—and we are a defense State with two labs, right? So a lot of the stuff that you are proposing should really work in a State like ours, except NBC says not so much.

And let's talk about my State. And if you remember from being on this committee, I talk about it a lot, because it is a huge problem.

Ten years ago we had a 3.7 unemployment rate. Today, we have the highest unemployment rate in the Nation at 6.7 percent for the third month in a row.

Our graduation rate is the worst in the Nation with only 69 percent of our students graduating on time.

Twenty percent of New Mexicans live in poverty, 28 percent of New Mexico children live in poverty, second highest in the Nation.

Half the State is on Medicaid with some of the worst healthcare outcomes, second for infectious diseases, fourth for teen pregnancy, third for suicide, first for chronic liver disease, eighth for drug overdose.

One-third of New Mexicans rely on SNAP and nutrition assistance, half of New Mexico's children under 4 are, in fact, receiving State or SNAP benefits.

Now, we might argue about, well, see, Medicaid is not working, but we have a Governor that has actually been cutting Medicaid and being more draconian about work requirements and not being very smart about reinvesting. Cut, cut, cut, cut, trickle-down economics, which, in fact, have driven out businesses. We have the highest teacher vacancy rates in the country.

I could spend way more than just the 40 seconds I have left to tell you that we are the only State losing population, people have lost hope. And in fact embedded in every decision that our current conservative leadership both at the local level and at the State level have made mirror many of the priorities in this budget with none of the outcomes that you project for the Nation's economy.

So I would like to just point to a different perspective, that while States are working to get ahead and balance these issues and sacrifices, shared opportunities, shared returns on those investments, that, in fact, exactly what you are proposing, and I didn't get to any of the other stuff, student loans, Pell grants any of it.

Mr. ROKITA. The gentlelady's time has expired.

Ms. Lujan Grisham. We are, in fact, a disaster using your budget blueprint.

Thank you, Mr. Chairman.

Mr. ROKITA. Mr. Bergman is recognized for 5 minutes.

Mr. BERGMAN. Thank you, Chairman.

Director Mulvaney, thanks to you and President Trump for all the hard work in crafting the fiscal year 18 budget proposal.

I am encouraged by the strong conservative reforms the President has proposed and the consideration shown for our tax dollars. As a freshman member of the Budget Committee, one of the most interesting documents I have read, it was about 26 pages, it was called the Evolution of Federal Budgeting. I have subtitled that, when 2 and 2 ceased to equal 4.

We have got challenges and we have heard it in different ways. As a career member of the military, I am encouraged by the investments made in our national security and the military in general. I applaud the President for taking our national security threats seriously and for responding in a serious way. But I would suggest to you that this is not a plus-up of the military, it is a catchup over the last 8 years.

So I just have one question that I would like to discuss or hear your thoughts on this afternoon, and it regards overseas contingency operations, or OCO, as we call it.

The President's budget slowly brings down OCO spending. Could you explain briefly the rationale behind the reduction? And in your opinion, would the administration support establishing a set of criteria, prioritized criteria, for allocating OCO dollars in the future to ensure that the money that is being spent is actually being spent on security needs and to ensure we don't allocate more than necessary into the OCO account in future years?

Mr. MULVANEY. We have not had a chance to talk about that in particular, Congressman, but I can assure you that I welcome that conversation. We simply haven't had a chance to do it yet because we have been doing budget since the day I got there. But I share your concerns, as I mentioned with one of our colleagues earlier today, that OCO be used for OCO and that it not be used in other ways.

Because of the nature of the account where it is not quite as accountable, it is not quite as transparent, it is not in anybody's benefit to use it as a place to park other spending. It is an important piece of how we operate the Defense Department, a necessary piece of how we operate the defense department, but it does need to be properly used.

Mr. BERGMAN. Thank had you. And this is something we haven't heard much this morning.

I yield back the balance of my time.

Mr. MULVANEY. And you won't hear that much in this committee, Congressman.

Mr. ROKITA. I thank the gentleman.

I see that we have no more speakers, at least at the present time, on the Democratic side. So we will continue on the Republican side with Mr. Grothman from Wisconsin for 5 minutes.

Mr. GROTHMAN. Thank you very much for coming all over here, glad to see you on that side. Dream come true.

Right now the average debt per person, as you pointed out, in this country is about $60,000. I know this is going to be a difficult next 4 or 5 months for us all because there are a lot of people, both on the Democratic side and I guess what I will refer to as the Bush Republicans, who feel that $60,000 can get higher.

But I would like to thank you for trying to hold the line on 60. And in this budget over the next couple of years how much higher do you think that is going to get or do you think we can kind of hold it at 60 for now? Or do you expect by the end of this year it is going to be up to 63, 64?

Mr. MULVANEY. Well, it depends, Congressman, on what sort of assumptions we make about what you all do. Keep in mind, our budget is a message document, it contains the vision of the administration. You all control the power of the purse. So when it comes to spending, that will fall to you.

I think the CBO baseline number has us adding $9 trillion of debt in the next 8 years. If you allow that to happen by not changing the current law, that is exactly what is going to happen.

Mr. GROTHMAN. Okay. I know you have a little bit more in here for border enforcement. Do you plan on in the next year doing a lot of work towards building the wall?

Mr. MULVANEY. Yes, sir, we do. We asked for an additional plus-up of the Department of Homeland Security of $4.5 billion, of which 2.6 will go to actual border security.

Mr. GROTHMAN. And how much of the wall do you think we will build, first of all, by the end of our current fiscal year, and then beginning the year that we are talking about in this budget, how many miles do you plan on building?

Mr. MULVANEY. It is really difficult to say for a couple of reasons. I am not trying to dodge the question, I am just trying to give you the variables that we deal we deal with. We haven't picked the ideal kind of fence yet. We are going through a prototype process where there are a bunch of folks trying to build small sections of wall to sort of see what they look like, see how they might function. And then we have not decided if one size fits all on a wall or if different parts of the border need different types of barriers.

Mr. GROTHMAN. What is your goal? You must have a goal.

Mr. MULVANEY. The goal is securing the border.

Mr. GROTHMAN. I know. On November—on October 1 of this year how many miles, if I tell my constituents back home, if I have a town hall meeting?

Mr. MULVANEY. You all appropriated $341 million in the 2017 appropriations bill for replacement, and we plan on spending all of that money this year.

Mr. GROTHMAN. You have no idea, guess, 100 miles, 500 miles? No idea?

Mr. MULVANEY. Mr. Grothman, again, it depends on the kind of wall that you build. I think the bollard wall is roughed out at $8 million a mile. But I think that is an all-in cost and I think it is actually cheaper to do it when you replace wall that is there already, because you already own the land, the infrastructure is there. So it is very difficult to give you that number, sir, and I apologize. We can give you our best estimates, though, in writing after the meeting.

Mr. GROTHMAN. Why don't you come back and give me an estimates as to when we are going to start billing and how many miles we will get at the end of this fiscal year.

Mr. MULVANEY. Work is going on today. Work is going on on the southern border today.

Mr. GROTHMAN. Good. Okay. Next question.

I think your increased border enforcement will result in a savings, but I wondered if you could work towards, in three areas, work towards the amount of savings we could get if we kept certain immigrants here we wouldn't want here. And I am thinking of three areas.

I am thinking about crime, because we all have heard about stories about crimes-committing people who broke the law to get here. Welfare payments, even though they shouldn't be getting welfare payments. And providing medical care for expensive illegal immigrants coming here. Do you have any numbers on all three, how much savings we could have in all three areas?

Mr. MULVANEY. I don't have the numbers at my fingertips, Congressman, but I can tell you that the budget does provide, or propose that we require Social Security numbers for recipients of both the childcare tax credit and the earned income tax credit, which we think would result in dramatic savings.

Mr. GROTHMAN. I hear from my, like, social workers or maintenance workers sometimes because they are sanctuary cities or sanctuary counties, is not able to ask questions, but that people are just taking advantage of our general income support programs, low-income housing, food share that I hear are illegal. Can we do anything to crack down on those people?

Mr. MULVANEY. Yes. We also propose, Congressman, as part of the policies contained in the budget, switching from a current lottery system to a merit-based system, to ensure that folks who come here can actually contribute more quickly to economic growth.

Mr. GROTHMAN. I am glad you are working on that regard. One of the things that I have been trying to do since I have been here is do something about the marriage penalty, and which apparently is the current policy of the American Government to discourage parents of children from getting married. You know, it is not hard to think of a hypothetical, $20-, $30,000 a year, assuming $20,000 a year for not getting married. I don't see anything specifically dealing with that problem here. Would you be willing to work with Congress as we work our way through the system to try to not pay people so much not to get married?

Mr. MULVANEY. Yes, sir. I would be happy to do that, because we agree with the principles.

Mr. ROKITA. [Presiding.] I thank the gentleman. The gentleman's time has expired. Continuing with questions on this side of the dais, Mr. Smith from Missouri, you are recognized for 5 minutes.

Mr. SMITH. Thank you, Mr. Chair.

Director, it is a pleasure to have you here.

When I am home and talking about the budget to our constituents, they—they have never seen $1 trillion, and so the best way to talk about the fiscal—the fiscal situation of the Federal Government is to take off eight zeros when I talk to them.

And you could take off those eight zeros right now, and I put it in perspective that the folks back home make roughly $36,320 a year, give or take a little bit. That is the revenue that comes into the United States in this past—past year, roughly, estimated, but yet, that same individual would be spending $42,680 a year, almost $6,000 more a year. But when you add the eight zeros, which is the Federal Government, that is a whole lot more than $6,000. But when we talk to the people back home, it is, you make $36,000, you spend $42,000, but yet, on your credit card, you have $190,000. It is unsustainable, as you know, as the President knows, and that is why I want to thank you and thank President Trump for offering a solution that comes towards a balanced budget in 10 years.

So then, we are at that point that you make $36,000, and you spend only $36,000, and then you can stop reducing the debt.

Do you have the numbers of where we would be if we leave it as a status quo of how much the debt would be over the next 10 years?

Mr. MULVANEY. Again, I think the 10-year number is—I think the 8-year number is $9 trillion, according to the baseline, if you leave status quo, if we simply go home and don't do anything different for the next 8 years. I think it is $9 trillion versus 10 years, but roughly $9 trillion, to answer your question.

Mr. SMITH. So $9 trillion not to do anything. But if we pass this President's budget, we would add $5 trillion?

Mr. MULVANEY. Yes. I think it is half that, because we actually get to balance in the 10th year, was a $16 billion surplus, I think.

Mr. SMITH. Okay. Is there any items that you feel like that would be great that you would love to express that you may have been cut off in prior testimony that might be helpful?

Mr. MULVANEY. No. I have to admire the way you articulate the numbers. Because I think what is so frustrating, we talked earlier today about regular language, regular English versus Washingtonian English. And at some point, Congressman, I wish we didn't have the word "trillion." I can't tell you the number of times I have gone out, I asked folks that I used to represent, what do you think is more, $952 million or $1.1 trillion? And some people actually think 952 is more. It is a thousand times different. It is actually more than a thousand times different.

And so you are right to get it down to the numbers that people can understand. I don't like using trillion dollars in OMB, because I have never seen $1 trillion either.

I had a constituent one time give me a calculator that actually could do trillion dollars, which it was about this big. And it will absolutely frustrate you. I think you are absolutely doing the right thing, trying to explain to people what that real world looks like, because that credit card debt that you mentioned, $190,000 is absolutely right. And though know what it would mean for their families if their families had that kind of debt. And it is not mortgage debt, as you pointed out; it is credit card, which is entirely different.

Mr. SMITH. It is unsecured.

Thank you, Director. I appreciate you being here.

Mr. MULVANEY. Thank you.

Mr. ROKITA. The gentleman yields back.

The gentleman from Alabama, Mr. Palmer, is recognized for 5 minutes.

Mr. PALMER. Good you to see, Director Mulvaney.

I want to ask a question that was asked by one of our colleagues. Did one of our colleagues on the other side say that she had never seen economic growth of 3 percent?

Mr. MULVANEY. No. I think she was what I was proposing was never before seen growth.

Mr. PALMER. I would like to enter into the record——

Mr. ROKITA. Without objection.

Mr. PALMER.——this document that shows that our average growth since—for the 7 years has been 3.21 percent.

Mr. ROKITA. Without objection.

Mr. PALMER. Thank you, Mr. Chairman.

I want to ask you a few questions and try to go through this fairly quickly.

In your budget, you show $142 billion over the next 10 years in reductions and improper payments. I want to know why so little when last year, the improper payments alone was 133.7?

Mr. MULVANEY. Thank you. We never had a chance to talk about that yet. That was a conscious decision. We only took 10 percent of the improper payments. We didn't want to be accused of using different numbers, so we tried to be as conservative as possible. I think it would have been reasonable for us to go as high as 40 or 50 percent on that. I think that is a goal that you should shoot for.

Mr. PALMER. I think it would be reasonable, and I would like to have the opportunity to help you with that.

Mr. MULVANEY. And keep in mind, if we do what the budget suggests, and we get to that 40 or 50 percent, that is a faster path to balance.

Mr. PALMER. Thank you. Thank you, Mr. Director.

Let me ask you this: How does the administration define success when it comes to social programs? Do you consider adding more people to the welfare rolls a success? That is the answer to that?

Mr. MULVANEY. No. It is so frustrating to me when I see incentives at the State level to get people on the programs. That is not how you decide—that is not how you measure success. Success should be somebody who was employed, became unemployed, used the benefits available to him or her, whether it is unemployment, SNAP, whatever, as the bridge to get to the next job, get back into the workforce, back in charge of their own life, back providing for their own family. That is what the safety net is for. That is what it needs to be for. And it needs to provide that type of comfort, but it can't be a permanent dependency.

Mr. PALMER. So you are aware that when the government puts people on support that really shouldn't be there, that it disadvantages people who should be on there.

For instance, there is a report out at the Department—Illinois Department of Human Services, that indicated they were given preference to the able-bodied working age adults because they were in Medicaid expansion, that resulted in thousands of people at the lower reimbursement rate being—having to wait for care. As a matter of fact, 752 died between 2013 and 2016. That is a bad policy. Wouldn't you agree with that?

Mr. MULVANEY. It is. But the people who pay the highest price for the abuse within the safety net are the folks who really should be on and need the safety net.

Mr. PALMER. Well, let me ask you this: My Democratic colleagues cast many of the things that are in this budget as cuts when in fact, they should really be talking about savings. For instance, eliminating LIHEAP payments to dead people. Wouldn't that be a savings and not a cut?

Mr. MULVANEY. Last time I checked, that would be a savings, yes, sir.

Mr. PALMER. When you—when an able-bodied person, who is working age, that doesn't have young children, is encouraged to get a job when—in order to continue to get Medicaid or food stamps or some other government program, and that able-bodied person actually improves the quality of their life, they raise their income, and they get off of government support, is that a savings or a cut?

Mr. MULVANEY. That is a win for that person and that person's family, and a win for the country, and we should claim it as such.

Mr. PALMER. As a person who grew up pretty much dirt poor, I can tell you that work is the right path. I can tell you that from personal experience.

Let me ask you something else.

Mr. MULVANEY. I would suggest to you, Congressman, it is probably the only path.

Mr. PALMER. It is the only path.

Let me ask you something else in regard to the tax reform. And I also have a chart here that indicates that a high tax burden damages economic growth. And it is particularly damaging to small business. Everybody gets caught up in the big corporations, but it—the employment engine of our economy is small business.

And over the last 8 years, we have really seen that damage in full-blown, livid color. The Gallup put out a report that indicated that prior to 2008, we had 100,000 more businesses starting up than closing. By 2014, we had 70,000 more businesses closing than starting up. It is a disaster for employment in the United States.

Can you briefly tell us how you think the tax reform policies——

Mr. MULVANEY. Yes. It is the dynamism in the market that you are talking about, new business formation is at embarrassingly low levels, and we believe that tax policy certainly has an impact on that. We also actually believe that regulatory policy has more an influence over that than even tax policy. I have started a small business; I have started a restaurant. I want to tell you, figuring out how to handle all the regulatory requirements was harder than rolling a burrito. Business people want to be in business. They don't want to be in the business of filling out government paperwork.

Mr. PALMER. Mr. Chairman, I just would like to address the chair for a moment. I think it is wonderful. While I don't agree with everything that is in the President's proposed budget, I think it is wonderful that we have a Budget Director that supports a progrowth economy, that supports small business formation and supports getting people back to work.

I yield back.

Mr. ROKITA. The gentleman's time has expired. I thank the gentleman.

The gentleman from Florida, Mr. Gaetz, is recognized for 5 minutes.

Mr. GAETZ. Thank you, Mr. Chairman.

I just find it ludicrous that Democrats in this hearing has suggested that President Trump has betrayed his voters by presenting a balanced budget. So, Director Mulvaney, please share with the President that the folks in Florida's first congressional district who voted for the President are proud of the fact that you have worked so hard to bring a balanced budget forward for our consideration and review.

I honestly wish that we could vote out the President's budget today and make it the law and use it as a device to constrain the growth of government.

I don't want to see the swamp of this town submerged and swallow up the bold decisions that you and the President have made together to put us on a path to fiscal responsibility.

My question for you, Director, is this: Detail for us the ideas that Democrats on the Budget Committee have brought to your office to balance the budget.

Mr. MULVANEY. It is none.

Mr. GAETZ. Is it safe, then, to assume that a balanced budget is not truly a priority or objective of those who have been asking you these questions today?

Mr. MULVANEY. You can certainly assume from the experience on this committee, for example, over the last 8 years, that since the previous administration never offered a balanced budget, that that administration representing their party are not interested in balancing the budget.

Mr. GAETZ. I want to speak for a moment about work requirements. This committee, in the context of healthcare, took the position that able-bodied, childless adults should have to meet a work requirement if they want someone else to pay for their healthcare. What is the position of the President in this budget relative to work requirements?

Mr. MULVANEY. Actually, we support that, both within the affordable—the American Health Care Act, which we support, and that you all have already voted on. We also take that same sentiment and apply it to food stamps, under the theory that if you are an able-bodied person with no dependents and you are able to work, we should require you to prove that you are trying to work in order to get food stamps.

Mr. GAETZ. Should that be a mandatory requirement within these Federal programs that we have work requirements, or should States be able to choose whether or not to have work requirements?

Mr. MULVANEY. Well, both is the answer to your question. I think in the American—in the AHCA, we allowed the States to do it, because I think that deals with Medicaid, which is a State-administered program. In our budget, we introduced that concept into SNAP, which is, I believe—it is a federally run program. I am sure the States are involved in providing the services, but I think we are a lot heavier involved in food stamps, SNAP.

Mr. GAETZ. And if you tell folks in the food stamp space, the SNAP space, and the Medicaid space that the path to greater progress is not further dependence on the government, it is actually getting the benefit of work, what impact do you think that will have on our aspirations for broader economic growth?

Mr. MULVANEY. In order to get that 3 percent growth, we need folks to work. Okay? And we need to figure out a way to provide them with the economic opportunity so that they can go to work. I didn't get a chance to talk here today about the difference between the U-3 measure of unemployment and the U-6 measure. U-

3 is the measure that we use most traditionally. It is folks who are defined as being in the workforce but unable to find work.

U-6 is those people, plus folks who are—I think we described it as marginally attached, who are working part-time for economic reasons against their will. Okay? That difference is, I think, over 6 million people. Those are folks who want to work full-time but haven't found the opportunity to do that yet. That is the folks we want to go to and say, look, if we can get the 3 percent growth, we can get you into the full-time job that you want.

Mr. GAETZ. Director Mulvaney, please also share with the President the gratitude from the folks in my district who are so grateful to see a President willing to prioritize our military, and the capabilities within our military to meet the challenges presented by our adversaries.

As a member of the Armed Services Committee, I have seen time and again our adversaries invest in next generation weapon systems, testing, evaluation. And so, maybe, could you speak to the opportunities that would be presented for our military and our capabilities in the test and evaluation mission if we were to accept the budget that you and the President have proposed?

Mr. MULVANEY. Yes. And I think if you are encouraged, I will have you reach out to Secretary Mattis, but, yes, what I think you will hear him say is he wants this money now so that he can modernize and get readiness up to where it needs to be. That is his first priority is taking what we already have and making sure it is able to be used to defend the Nation.

We are all interested longer term at looking at larger troop numbers, larger ship numbers, larger plane numbers, but his first priority is making sure the defense capabilities we have can be used if necessary.

Mr. GAETZ. Thank you, Mr. Chairman. I yield back.

Mr. ROKITA. The gentleman yields back.

The gentleman from Texas, Mr. Arrington is recognized for 5 minutes.

Mr. ARRINGTON. Thank you, Mr. Chairman.

And thank you, Director Mulvaney, for your service to our country in the House, and now your new role with the President.

Growing up in Plainview, Texas, my dad said that money—repeatedly, that money didn't grow on trees, and I believed him, until I came to Washington. And now I have got to tell him I found the money tree, and it is the United States Treasury.

And I am just grateful that you are presenting a budget that is not a money tree trimming budget, but it is a money tree cutting budget. And that is what we have got to do if we are going to get our country back.

I want to applaud you and the President for proposing a long overdue balanced budget, and one that begins reducing our national debt, which I believe is the greatest threat to my children's future in this great country.

And we know what to do. You know what to do. I know what to do. The committee's know what to do. The American people know what we have to do. They are waiting on politicians to have the courage to do it.

I commend you on your courage, and I commend the President equally.

I agree with your growth projections. I think there is pent-up growth demand in this country. If we would just unleash it, unleash the economy, unshackle it from the $2 trillion in regulatory costs, the highest corporate income tax in the industrialized world, and relieve the American people, middle-class and working-class families, from this disaster called ObamaCare.

We are not going to agree on every item of the budget. You know that. I know that. Let me highlight for you what is, I think now, after Ms. DelBene has expressed her thoughts, a bipartisan concern, with all due respect: Our food, fuel, and fiber producers in rural America are feeding and clothing the American people, and they are fueling the American economy.

That is not just economic development for West Texas. That is ag and energy independence for the entire Nation. That is national security for every American citizen.

Now, I have got a question, and I will qualify it with four very important facts. Agriculture is the basis for the economy in rural America. In the last farm bill, we cut billions of dollars from foreign programs. The last 3 years, we saw a 50 percent decline in farm income, the steepest decline since the Great Depression. And you know this, Director Mulvaney, but farm policies represent a mere 0.26 percent of the entire Federal budget.

Here is my question: Recognizing that we need to make cuts, recognizing there are cuts to be made everywhere, why now, and why such deep cuts to our farm sector safety net?

Mr. MULVANEY. Thank you, Congressman.

As I mentioned earlier, and I can't put my hands on the piece of paper, there is actually—I think we dramatically increased spending on some ag programs, not the least of which I think is the farm loan program.

We have also, as I am sure you have listened to farmers to find out what their priorities are, what can allow them to change that trend you talked about in terms of farm incomes? And what we hear from them again and again and again is more favorable trade deals, because the world is their market and the world needs to be their market, and we need to be able to ship U.S.-grown agricultural products everywhere, and right now, we lack the ability to do that. So I applaud the President, as I am sure you do, being from West Texas, even the incremental benefits we have been able to get with the Chinese in terms of our meat exports. It is a big deal for our folks back home.

I was from a rural district as well. You look, then, at the regulatory climate and what we were doing to our farmers in terms of waters of the U.S. and clean streams and regulations from top to bottom. Farmers are farmers, and they want to grow stuff, and they want to be productive. They don't want to be paper pushers who try and figure out how the Federal Government is going to punish them for doing something that they thought was right.

So we hear those farmers and again and again. They are down at the White House on a regular basis. To your point—I won't be Pollyannish—yes, we do make some proposed changes in some of the farm programs.

I think we deal with—let me put it to you this way: We focus exclusively on what we would call corporate farmers, protecting, I think, 96 percent of farms in this country.

Mr. ARRINGTON. If I may, just because I have a little time.

Mr. MULVANEY. Yes, sir.

Mr. ARRINGTON. We need freer markets, as you suggested. We need fair trade, better trade deals as the President has suggested. They will never be able to compete, though, with China and India and others that don't have an EPA, they don't have an OSHA; they don't have these costs. So we need a safety net, a reliable strong safety net.

I yield back.

Thanks for your time.

Mr. MULVANEY. Thank you, sir.

Mr. ROKITA. I thank the gentleman for yielding back.

The gentleman's time is expired.

Let me recognize the ranking member, Mr. Yarmuth, for closing remarks.

Mr. YARMUTH. Thank you, Mr. Chairman.

Mick, thanks so much for being here.

Just for the record, when I—as you know, when I was alerted that you were a possible appointee for this position, I wrote a note to the transition team saying that I consider Mick Mulvaney a man of the highest character, principle, and intelligence, and one with whom I agree on almost nothing. But that as ranking member on the Budget Committee, that I know we would have an amicable working relationship and a mutually respectful one, and I haven't changed my opinion about any of that.

Thank you so much for your work and your appearance, and I look forward to discussions as we go along.

Mr. MULVANEY. If I may, Congressman, I want you to know that I have protected that secret with my life over the course of the last several months. I am glad that you were the one to out that and not me.

Mr. YARMUTH. Absolutely.

Mr. MULVANEY. I do appreciate those words and also your efforts during the transition process. Thank you.

Mr. YARMUTH. Thanks.

I yield back.

Mr. ROKITA. I thank you the gentleman. Secrets. Secrets.

I am going to use my closing, Director Mulvaney, to clean up some of the record, if I could, or establish more of the record.

I don't think we have talked much about the debt ceiling concept, and I know you were worried we were going to get to that. So let me ask a few questions in that regard.

Mr. MULVANEY. Sure.

Mr. ROKITA. Of course, the statutory debt limit was reinstated on March 16, 2017, at just under $19.809 trillion. Treasury Secretary Mnuchin at that time informed Speaker Ryan beginning that day, the outstanding debt of the United States would be at the statutory limit immediately in that he would be using, quote, unquote, "extraordinary measures" to temporarily continue to meet all the Federal Government's financial obligations.

Mnuchin also wrote that he was declaring a, quote, "debt suspension period," or DISP, to allow him to use additional extraordinary measures to extend the debt limit, and that is something his predecessors had declared under similar circumstances, you remember as well.

He encouraged the Congress to protect the full faith and credit of the United States by acting to increase the statutory debt limit as soon as possible.

So the two questions, I guess, would be: Does the administration have a preferred legislative approach to the debt limit issue; for example, specific amount or specific time period? And then, secondly, how soon do you think we need to act?

Mr. MULVANEY. Thank you for that. Very briefly, the answer to your first question is, no, we do not have a final stated policy yet. I can tell you that I met for about an hour yesterday with Secretary Mnuchin to discuss this exact topic. We look forward to Director Cohn, who is the third person of the troika, so to speak, that sort of run lead on economic issues within the West Wing, within the White House returning from overseas so we can continue that conversation.

We look forward to working with the Hill on the best way to go about that.

Secondly, regarding the timing, my understanding is that the receipts currently are coming in a little bit slower than expected, and you may soon hear from Mr. Mnuchin regarding a change in the date.

Mr. ROKITA. Okay. I thank the gentleman for coming. Again, let me add my appreciation for what you are doing. I thank the President for prioritizing, as he had done in this budget, and I appreciate the respect he has given us to do our Article 1 duty.

I think, Mick, the President is lucky to have you, the administration is happen to have you, and, indeed, the country is lucky to have you in this position. Thank you for being here today.

Mr. MULVANEY. Thanks, Todd, I really appreciate it.

Mr. ROKITA. With that, the meeting is adjourned.

[Whereupon, at 1:03 p.m., the committee was adjourned.]

Democratic Questions for the Record
OMB Director Mick Mulvaney
May 24, 2017

Rep. Barbara Lee

SNAP:

Last week, Agriculture Secretary Sonny Perdue said the budget would not include cuts to food assistance because, quote, "You don't try to fix things that aren't broken." And he's right—pregnant mothers who receive food assistance have healthier babies and food stamps—or SNAP—have lifted 10 million people out of poverty. Yet according to this budget, you propose $193 billion in SNAP over 10 years, which could mean at least thousands of families will have their food taken away.

Did the president speak to his Agriculture Secretary about this budget? And if so, why did he ignore his advice?

Could you explain to me how you find savings in SNAP-- which is outlined in your budget – and includes burdensome new work requirements -- when you're ripping away programs that help people find a job in the first place?

Social Security:

Below are several quotes from Donald Trump during the campaign:

"As Republicans, if you think you are going to change very substantially for the worse Medicare, Medicaid and Social Security in any substantial way, and at the same time you think you are going to win elections, it just really is not going to happen."

"I'm not a cutter. I'll probably be the only Republican that doesn't want to cut Social Security."

"I was the first & only potential GOP candidate to state there will be no cuts to Social Security, Medicare & Medicaid."

"Every Republican wants to do a big number on Social Security, they want to do it on Medicare, they want to do it on Medicaid. And we can't do that."

Director Mulvaney, in your view, is Social Security Disability Insurance not part of Social Security? If not, please justify your answer.

Director Mulvaney, do you believe that individuals with disabilities should receive federal benefits?

You said that "In keeping with his campaign promise, Mr. Trump would leave core Social Security benefits and Medicare untouched." But Donald Trump didn't promise to leave "core Social Security" untouched, because there is no such thing. He promised to not cut Social Security.

Director Mulvaney, is it your view that he is keeping that promise with this budget?

Medicaid:

Under this budget, Medicaid spending would be cut *by* $1.4 billion—and would actually be cut in *half within ten years*. According to the CBO, just a fraction of those cuts—in the AHCA—would take away healthcare from 14 million people.

Does this violate President Trump's campaign promise not to cut Medicaid?

How would you go about deciding who deserves publicly supported healthcare?

Housing:

Director Mulvaney, in your budget you cut HUD by $6 billion, eliminate the national Housing Trust Fund, cut $2 billion from rental assistance programs, cause more than 250,000 families to lose their housing vouchers, and gut the public housing program, among other things. Together these draconian cuts would increase homelessness and housing poverty throughout the country.

Could you please explain which rental assistance pogroms will be cut specifically, and how many people will lose their housing? Are you cutting any of the funding to support housing vouchers for veterans?

Defense:

Director Mulvaney, when you were in Congress we worked together on reducing military spending and auditing the pentagon. You were a co-lead on my Audit the Pentagon Act, which would cut by 5 percent the budget of any federal agency that does not produce a financial statement for the previous year that can be audited by an independent auditor. So I find it somewhat odd that now you are a lead architect and advocate for increasing military spending – especially when the Pentagon has YET to complete an audit. Ever.

Director Mulvaney, does your budget include OCO funding for non-war activities?

Famine:

Director Mulvaney, 20 million people are currently facing starvation in 4 countries. The fiscal year 2017 Consolidated Appropriations Act provided $990 million in humanitarian relief to address this critical famine, and hundreds of millions of dollars were included in the 2017 Security Assistance Appropriations Act for international disaster assistance.

Has this money gone out the door yet? And if not, when do you plan to allocate these funds?

HIV:

You sent me a letter back yesterday (5/23/2017) on HIV promising to advance the safety and security of the American people. You say in your letter that your budget supports Ryan White HIV/AIDs program but your budget before us cuts it by $136 million.

Clearly, this is another one of Trump's broken promises.

How can you justify this large cut when your letter specifically states support for the program?

How can you justify cutting $1 billion in cuts to global HIV efforts when we are on the precipice of ending the epidemic? How will that help the security and safety of the American people?

Rep. Debbie Wasserman Schultz

1.
    - Homestead Air Base
    - Pepper Steel
    - Miami Drum
    - Airco Plating
    - Continental Cleaners
    - Anodyne, Inc.
    - Petroleum Products
    - Florida Petroleum Reprocessors
    - Wingate Road Municipal Incinerator Dump
    - Hollingsworth Solderless, and
    - Flash Cleaners

    These are the eleven superfund sites in Miami-Dade and Broward county— the counties that comprise Florida's 23rd district. Over one thousand superfund sites in the nation, releasing hazardous toxic chemicals into our soil, groundwater, and air, are in serious need of remediation. Some of these sites have been waiting for over 20 years.

    While carcinogens are being released into our communities on a daily basis, this budget cuts the EPA superfund, responsible for the cleanup, by more than $330 million.

    A 2016 University of Florida study showed that people living in Florida counties with hazardous waste sites were 6 percent more likely to be diagnosed with cancer than those not living in close proximity to such sites.

    Miami Dade and Broward are two of the nation's most populous counties— each day we wait to remediate these sites, children and families are put at risk.

    Don't you agree we can do better for American families?

2. Director Mulvaney, the President's budget completely eliminates FEMA's **Emergency Food and Shelter Program**. This program is a public private partnership with several of the nation's leading charitable organizations, including Catholic Charities USA, the United Way, The Jewish Federations of North America, the Salvation Army, and the American Red Cross.

    It is a small, yet far reaching program, supporting the work of more than 14,000 nonprofits and agencies in more than 2,500 counties and cities. Its mission is to provide temporary homelessness and hunger prevention assistance to families and individuals who have fallen into economic crisis by virtue of an economic downturn, unexpected plant closing, illness, or other predicament. It is preventative in nature — designed to be quick and flexible and keep people from falling into chronic, long-term suffering and homelessness.

Created during the 1983 Recession, it is the program of last resort for families in crisis. **So I ask, what is the justification for canceling the EFSP program, which does so much, for so many, for so little?**

3. The budget proposes to shift 25 percent of the cost of nutrition assistance benefits to states. The same proposals would allow states to reduce nutrition assistance as a "cost management" tool to deal with the new benefit costs. Currently nutrition assistance is based on USDA's estimate of a very bare bones healthy diet. **How much could states cut basic benefits? Is there any floor below which they can't go? If Florida wanted to cut benefits by 20, 40 or 60% would that be permissible?**

4. Approximately 80 thousand Floridians use Planned Parenthood services each year. According to the President's Budget, Planned Parenthood will be excluded from participating in any program that receives Federal funding through the Department of Health and Human Services. This includes Medicaid, Title X, Zika virus prevention programs, HIV prevention grants, VAWA grants, maternal and child health programs, CDC cancer screening programs, and sexually transmitted disease and infertility prevention grants. **Director Mulvaney, why do you believe these 80,000 women and men should be excluded from these services, and how do you respond to those of us who believe that access to preventive services should not depend on how much money you have in your wallet?**

5. Director Mulvaney, in addition to serving on the Budget Committee, I serve as the Ranking Member of the Military Construction and Veterans Affairs Appropriations subcommittee.

   In our discussions with Secretary Shulkin, we've addressed the need to streamline how the VA provides veterans with the ability to receive care in the community. We currently have two accounts tasked with the same objective: one on the discretionary side and the Choice program on the mandatory side. Instead of streamlining these parallel programs, the President's budget would only extend and exacerbate the current practice.

   On one hand, the President demands reforms at the VA and on the other, the President's budget proposes over $9 billion for discretionary community care funding and $2.9 billion in mandatory funding for the Choice program. **Would you agree this seems inconsistent and can only hurt the VA's efforts to streamline care, improve wait times, and its delivery of services? Is the administration continuing this practice and adding funds to mandatory appropriations just to avoid the damaging discretionary budget caps your party has imposed? Additionally, if the authorizing Committees fail to pass legislation for "Choice 2.0" will the Appropriations Committee be forced to come up with the additional $2.9 billion in the Community Care account?**

REP. JIM RENACCI QUESTION FOR THE RECORD
COMMITTEE ON THE BUDGET

THE PRESIDENT'S FISCAL YEAR 2018 BUDGET

Date: Wednesday, May 24th, 2017
Location: 1334 Longworth
Time: 9:30 AM

Director Mulvaney, thank you again for your commitment to balancing the budget within the next ten years. I appreciated your testimony and willingness to answer my questions during the May 24, 2017 hearing on the President's proposed budget. Our office had a constituent group reach out with an inquiry regarding further clarification for the elimination of the Emergency Food and Shelter Program.

- Can you provide further explanation for the proposed elimination of this program?

FY 2018 Budget Committee Questions for the Record (Director Mulvaney's Testimony; May 2017)

Rep. Lee

Last week, Agriculture Secretary Sonny Perdue said the budget would not include cuts to food assistance because, quote, "You don't try to fix things that aren't broken." And he's right -- pregnant mothers who receive food assistance have healthier babies and food stamps -- or SNAP -- have lifted 10 million people out of poverty. Yet according to this budget, you propose $193 billion in SNAP over 10 years, which could mean at least thousands of families will have their food taken away.

Did the president speak to his Agriculture Secretary about this budget? And if so, why did he ignore his advice?

Could you explain to me how you find savings in SNAP-- which is outlined in your budget and includes burdensome new work requirements -- when you're ripping away programs that help people find a job in the first place?

The Budget was largely finalized before Secretary Perdue's confirmation. It is not for me to report on conversations between the President and Secretary Perdue regarding the Budget.

The Budget proposes a series of reforms in the Supplemental Nutrition Assistance Program (SNAP) that will close eligibility loopholes, target benefits to the neediest households, and provide States incentives to do more to get able-bodied adults to work. The SNAP proposals are not new work requirements, but rather acknowledge through policy that work is the best path out of poverty, and reserve exceptions to work to those areas hardest hit by economic decline. The Budget also prioritizes proven job training models and shifts some responsibility for funding training and employment services to States, localities, and employers, while giving them more flexibility to make decisions about how to structure their programs. We believe these proposals, will help ensure that American workers have the right skills to fill good jobs in the 21st Century economy and move up the economic ladder.

Rep. Lee

Below are several quotes from Donald Trump during the campaign:

"As Republicans, if you think you are going to change very substantially for the worse Medicare, Medicaid and Social Security in any substantial way, and at the same time you think you are going to win elections, it just really is not going to happen."

"I'm not a cutter. I'll probably be the only Republican that doesn't want to cut Social Security."

"I was the first & only potential GOP candidate to state there will be no cuts to Social Security, Medicare & Medicaid."

"Every Republican wants to do a big number on Social Security, they want to do it on Medicare, they want to do it on Medicaid. And we can't do that."

Director Mulvaney, in your view, is Social Security Disability Insurance not part of Social Security? If not, please justify your answer.

Director Mulvaney, do you believe that individuals with disabilities should receive federal benefits?

You said that "In keeping with his campaign promise, Mr. Trump would leave core Social Security benefits and Medicare untouched." But Donald Trump didn't promise to leave "core Social Security" untouched, because there is no such thing. He promised to not cut Social Security.

Director Mulvaney, is it your view that he is keeping that promise with this budget?

The President's Budget does not cut core Social Security benefits. The Budget proposes overdue and much needed reforms to disability programs. The main goal of our reforms is to increase the labor force participation of people with disabilities, ensuring they are able to return to work before they apply for long-term disability benefits. These disability programs should be helping people stay in the workforce and be self-sufficient. As part of this reform effort, the Administration calls on Congress to establish an expert panel that will identify specific changes to program rules based on results of successful demonstrations and other evidence. Even with the additional demonstrations that will promote work, rehabilitation, and job training, anyone who is disabled and unable to do substantial work will continue to receive full payments according to current law. Additionally, we propose a series of program integrity efforts that are aimed at addressing inequities in the system, detecting and preventing fraud, and removing program inequities. The President's budget also funds the administrative part of Social Security at the same levels as 2017, ensuring there are no cuts to customer service for beneficiaries and applicants.

Rep. Lee

Under this budget, Medicaid spending would be cut *by* $1.4 billion -- and would actually be cut in *half within ten years*. According to the CBO, just a fraction of those cuts -- in the AHCA -- would take away healthcare from 14 million people.

Does this violate President Trump's campaign promise not to cut Medicaid?

How would you go about deciding who deserves publicly supported healthcare?

No. Under the President's Budget, Medicaid would still see growth over Fiscal Year 2017, but the Budget policies would slow future growth in Medicaid spending. By giving States the choice of either a per capita cap or block grant and providing new flexibilities, States will be best positioned to design programs that work for the needs of those most truly vulnerable.

Rep. Lee

Director Mulvaney, in your budget you cut HUD by $6 billion, eliminate the national Housing Trust Fund, cut $2 billion from rental assistance programs, cause more than 250,000 families to lose their housing vouchers, and gut the public housing program, among other things. Together these draconian cuts would increase homelessness and housing poverty throughout the country.

Could you please explain which rental assistance programs will be cut specifically, and how many people will lose their housing? Are you cutting any of the funding to support housing vouchers for veterans?

The 2018 President's Budget reflects the Administration's commitment to fiscal responsibility while maintaining assistance to over 4.5 million current low-income residents, encouraging work, and promoting family self-sufficiency.

The Budget provides over $35.2 billion for the Department of Housing and Urban Development (HUD) rental assistance programs and includes reform proposals that serve as an initial step toward a comprehensive legislative reform package next year. Of this total, the Budget provides $19.3 billion for Housing Choice Vouchers, $4.5 billion for Public Housing, $10.8 billion for Project Based Rental Assistance, $510 million for Housing for the Elderly, and $121 million for Housing for Persons with Disabilities. The Budget provides sufficient resources to renew HUD-VA Supportive Housing (HUD-VASH) vouchers for currently assisted veterans.

The Administration looks forward to working with the Congress and its stakeholders to find ways to reform these important programs to support those in need while ensuring that the programs are sustainable in the long term.

Rep. Lee

Director Mulvaney, when you were in Congress we worked together on reducing military spending and auditing the pentagon. You were a co-lead on my Audit the Pentagon Act, which would cut by 5 percent the budget of any federal agency that does not produce a financial statement for the previous year that can be audited by an independent auditor. So I find it somewhat odd that now you are a lead architect and advocate for increasing military spending especially when the Pentagon has YET to complete an audit. Ever.

Director Mulvaney, does your budget include OCO funding for non-war activities?

The FY 2018 DOD OCO budget includes funding for enduring costs that support combat operations, but will likely continue after those combat operations come to an end. OMB intends to work with DOD on a plan to transition those enduring costs to the base budget, with the ultimate goal of limiting OCO requests to direct war costs.

Rep. Lee

Director Mulvaney, 20 million people are currently facing starvation in 4 countries. The fiscal year 2017 Consolidated Appropriations Act provided $990 million in humanitarian relief to address this critical famine, and hundreds of millions of dollars were included in the 2017 Security Assistance Appropriations Act for international disaster assistance.

Has this money gone out the door yet? And if not, when do you plan to allocate these funds?

We appreciate that the fiscal year 2017 appropriations included $990 million for famine prevention, relief, and mitigation and that the Security Assistance Appropriations Act, 2017 (SAAA) included funding for International Disaster Assistance (IDA) for humanitarian needs, part of which is being used to help people from several of the countries in or at risk of famine. In FY 2017, the United States has already committed nearly $1.2 billion in humanitarian assistance to address the needs of affected populations from these four countries, including nearly $565 million in International Disaster Assistance (IDA) and nearly $461 million in P.L. 480 Title II (the two principal accounts into which the famine funding was appropriated).

OMB approved the U.S. Agency for International Development's (USAID's) apportionment request for the SAAA funds on April 6, 2017. Pursuant to OMB Circular A-11, OMB automatically apportioned the amounts provided in the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2017 (the Act), on May 5, 2017, for a renewable period of 30 days. Once OMB receives USAID's request for an account-specific apportionment under the Act, OMB, we anticipate approving it apportioning those funds in a timely manner.

Rep. Lee

You sent me a letter back yesterday (5/23/2017) on HIV promising to advance the safety and security of the American people. You say in your letter that your budget supports Ryan White HIV/AIDs program but your budget before us cuts it by $136 million.

Clearly, this is another one of Trump's broken promises.

How can you justify this large cut when your letter specifically states support for the program?

How can you justify cutting $1 billion in cuts to global HIV efforts when we are on the precipice of ending the epidemic? How will that help the security and safety of the American people?

The Budget prioritizes national security and economic growth while eliminating the deficit in the next decade. To do this, the Budget focuses Federal funds on the highest priorities. The Budget maintains funding (level with the FY 2017 CR) for the most important HIV/AIDS activities such as providing direct health care services to Americans living with HIV through the Ryan White HIV/AIDS program. Specifically, the Budget provides a total of $2.26 billion for Ryan White, including $899 million for the AIDS Drug Assistance Program (level with the FY 2017 CR) which helps States provide medications to patients who cannot afford them. The Budget eliminates funding for the AIDS Education and Training Centers and Special Projects of National Significance within the Ryan White program, which are not focused on direct health care services. Funding for provider training and demonstration projects were more needed decades ago when we knew less about models for HIV care. Today, treatment protocols are more established and funding for direct health care services must be the priority for the program.

The Budget reduces foreign assistance to refocus on the highest priorities and strategic objectives, and to bring the U.S. share of collective efforts into better balance with the global community. The United States has been the largest donor by far to global HIV/AIDS efforts, providing over half of global donor funding in recent years to combat this epidemic. The Budget reduces funding for several global health programs, including HIV/AIDS, with the expectation that other donors can and should increase their commitments to these causes. The Budget ensures sufficient funding to continue HIV/AIDS antiretroviral treatment for all current patients under the President's Emergency Plan for AIDS Relief (PEPFAR). Within the proposed budget for PEPFAR, the State Department would prioritize 12 countries in which the United States will continue to work towards epidemic control. This will allow PEPFAR to continue to achieve impact within a lower budget by reprioritizing resources and leveraging funding from other donors and host country governments.

CDC will concentrate its global HIV efforts on countries, populations, and programs where resources will have the greatest public health impact. CDC will focus on scaling up HIV treatment where possible in fast track countries to decrease new infections and AIDS-related deaths, scaling up alternative service delivery models to reduce service delivery costs, preventing sexual violence that contributes to risk of HIV, and preventing, finding and treating TB among people living with HIV.

Rep. Wasserman Schultz

Homestead Air Base

Pepper Steel

Miami Drum

Airco Plating

Continental Cleaners

Anodyne, Inc.

Petroleum Products

Florida Petroleum Reprocessors

Wingate Road Municipal Incinerator Dump

Hollingsworth Solderless, and

Flash Cleaners

These are the eleven superfund sites in Miami-Dade and Broward county the counties that comprise Florida's 23rd district. Over one thousand superfund sites in the nation, releasing hazardous toxic chemicals into our soil, groundwater, and air, are in serious need of remediation. Some of these sites have been waiting for over 20 years.

While carcinogens are being released into our communities on a daily basis, this budget cuts the EPA superfund, responsible for the cleanup, by more than $330 million.

A 2016 University of Florida study showed that people living in Florida counties with hazardous waste sites were 6 percent more likely to be diagnosed with cancer than those not living in close proximity to such sites.

Miami Dade and Broward are two of the nation's most populous counties each day we wait to remediate these sites, children and families are put at risk.

Don't you agree we can do better for American families?

OMB defers to EPA on the specific timing for the remedial activities at these sites in Miami Dade and Broward Counties. However, many Superfund site cleanups have experienced long delays. While a good portion of these sites include complex groundwater, soil, and sediment contamination, some delays are due to increasing indirect costs of administering the Superfund program. That's why the President's Budget seeks to promote efficiencies by managing administrative costs. The Budget also proposes that EPA would optimize the use of existing settlement funds to support cleanup at those sites where dedicated settlement funds exist.

Rep. Wasserman Schultz

Director Mulvaney, the President's budget completely eliminates FEMA's Emergency Food and Shelter Program. This program is a public private partnership with several of the nation's leading charitable organizations, including Catholic Charities USA, the United Way, The Jewish Federations of North America, the Salvation Army, and the American Red Cross.

It is a small, yet far reaching program, supporting the work of more than 14,000 nonprofits and agencies in more than 2,500 counties and cities. Its mission is to provide temporary homelessness and hunger prevention assistance to families and individuals who have fallen into economic crisis by virtue of an economic downturn, unexpected plant closing, illness, or other predicament. It is preventative in nature designed to be quick and flexible and keep people from falling into chronic, long-term suffering and homelessness.

Created during the 1983 Recession, it is the program of last resort for families in crisis. So I ask, what is the justification for canceling the EFSP program, which does so much, for so many, for so little?

The Budget proposes to eliminate the Emergency Food and Shelter Program (EFSP) because it is not aligned with the core mission of the Federal Emergency Management Agency (FEMA), overlaps with Federal programs administered by the Department of Housing and Urban Development (HUD), and because funding local shelters, food banks, and other related organizations is primarily a State and local responsibility.

As the EFSP does not directly support disaster survivors or their communities, it is not well-aligned with FEMA's core mission to prepare for, mitigate against, respond to, and recover from the consequences of major disasters and emergencies. The EFSP is a social service program, not a disaster or emergency management program.

In past years, FEMA proposed statutory authority that would allow it to transfer funding for the EFSP to HUD to be administered with other homeless assistance grants by the Office of Special Needs Assistance Programs. Federal expertise in homelessness assistance is largely resident at HUD, and HUD is already responsible for implementing many of the programs authorized by the McKinney-Vento Homeless Assistance Act. This includes Emergency Solutions Grants, which, similar to the EFSP, provide funds to States, cities, and counties for emergency shelters, homeless outreach, and other essential services to engage people who are living on the streets, as well as newer interventions such as rapid re-housing and homelessness prevention. However, Congress rejected proposals to transfer the program to HUD, where it could benefit from co-location with similar assistance programs.

The Budget proposed eliminating the EFSP for the reasons described above. Even with the elimination of the EFSP, FEMA will continue to support disaster food and shelter requirements under its emergency assistance authorities as described in the Stafford Act.

Rep. Wasserman Schultz

The budget proposes to shift 25 percent of the cost of nutrition assistance benefits to states. The same proposals would allow states to reduce nutrition assistance as a "cost management" tool to deal with the new benefit costs. Currently nutrition assistance is based on USDA's estimate of a very bare bones healthy diet. How much could states cut basic benefits? Is there any floor below which they can't go? If Florida wanted to cut benefits by 20, 40 or 60% would that be permissible?

The Budget proposes to re-balance the Federal/State partnership in providing SNAP benefits to low-income households by gradually establishing a State match for benefit costs. Right now, 100 percent of SNAP benefits are federally funded. States have little stake in making conservative decisions in how they operate the program, or in building paths to self-sufficiency for the able-bodied adults participating in the program. This proposal would create a more balanced incentive structure for States to consider both benefit and administrative costs when making decisions about how to use available flexibilities to manage the Program.

Under our match proposal, States would cover a portion of the cost of the benefits issued to participants. A State's share of the cost would be based on a formula that would be considerate of the number of people in poverty in a State, which is a key driver of SNAP participation, and the total taxable resources a State can draw on to support the program. Therefore, I do believe it is possible for States to meet the matching requirement without having to reduce benefit levels for participants. However, States may need to adjust benefit levels. I would welcome the opportunity to work with Congress to refine this proposal to ensure a basic benefit level.

Rep. Wasserman Schultz

Approximately 80 thousand Floridians use Planned Parenthood services each year. According to the President's Budget, Planned Parenthood will be excluded from participating in any program that receives Federal funding through the Department of Health and Human Services. This includes Medicaid, Title X, Zika virus prevention programs, HIV prevention grants, VAWA grants, maternal and child health programs, CDC cancer screening programs, and sexually transmitted disease and infertility prevention grants. Director Mulvaney, why do you believe these 80,000 women and men should be excluded from these services, and how do you respond to those of us who believe that access to preventive services should not depend on how much money you have in your wallet?

The President's Budget shows a strong commitment to women's health by funding most discretionary programs focused on women's health at current levels, including Title X and CDC's Breast and Cervical Cancer early detection activities. The Budget also increases funding for the Maternal and Child Health Block Grant (+$30 million) and the Healthy Start program (+$10 million). These programs can provide direct health care services and increase access to health services for low-income women and children, including pre-natal and post-partum care as well as parenting skills training, breastfeeding, and nutrition education. The Budget will also prohibit certain entities from receiving Federal funds under the Labor-HHS Appropriations bill, unless those entities certify that they will not perform and will not provide any Federal funds to any other entity that provides abortions. Federal funding that is no longer provided to these entities will be redirected toward other providers of women's health services.

Rep. Wasserman Schultz

Director Mulvaney, in addition to serving on the Budget Committee, I serve as the Ranking Member of the Military Construction and Veterans Affairs Appropriations subcommittee.

In our discussions with Secretary Shulkin, we've addressed the need to streamline how the VA provides veterans with the ability to receive care in the community. We currently have two accounts tasked with the same objective: one on the discretionary side and the Choice program on the mandatory side. Instead of streamlining these parallel programs, the President's budget would only extend and exacerbate the current practice.

On one hand, the President demands reforms at the VA and on the other, the President's budget proposes over $9 billion for discretionary community care funding and $2.9 billion in mandatory funding for the Choice program. Would you agree this seems inconsistent and can only hurt the VA's efforts to streamline care, improve wait times, and its delivery of services? Is the administration continuing this practice and adding funds to mandatory appropriations just to avoid the damaging discretionary budget caps your party has imposed? Additionally, if the authorizing Committees fail to pass legislation for "Choice 2.0" will the Appropriations Committee be forced to come up with the additional $2.9 billion in the Community Care account?

The 2018 President's Budget requests an additional $254 million in the Medical Community Care appropriation above the already-enacted FY 2018 advance appropriation of $9.4 billion. In addition, the Budget proposes $2.9 billion in new mandatory budget authority in FY 2018 for the Veterans Choice Program (Choice Program) to enable eligible veterans to continue receiving timely care, close to home. The Budget also proposes $3.5 billion in mandatory budget authority in FY 2019 and each year through FY 2027 to support the Choice Program or its successor. The request for mandatory funding for the Choice Program is fully offset by proposed reductions to certain veterans' benefits programs.

The Administration's objective is to put forward a carefully-designed strategic approach to the delivery of VA health care, including a streamlined and consolidated community care program, to ensure that the Department of Veterans Affairs (VA) can fully care for veterans enrolled in its health care system. To date, the Choice Program has been successful in increasing access to care for millions of veterans. To safeguard these access gains, additional fully-offset funding for the Choice Program has been included in the FY 2018 Budget, to ensure veterans' care will not be disrupted as VA transitions to a revised, streamlined community care program. Regardless of how it is funded, this redesigned community care program will not only improve access and provide greater convenience for veterans, but will also streamline how VA delivers care within its facilities.

Rep. Renacci

Director Mulvaney, thank you again for your commitment to balancing the budget within the next ten years. I appreciated your testimony and willingness to answer my questions during the May 24, 2017 hearing on the President's proposed budget. Our office had a constituent group reach out with an inquiry regarding further clarification for the elimination of the Emergency Food and Shelter Program.

Can you provide further explanation for the proposed elimination of this program?

The Budget proposes to eliminate the Emergency Food and Shelter Program (EFSP) because it is not aligned with the core mission of the Federal Emergency Management Agency (FEMA), overlaps with Federal programs administered by the Department of Housing and Urban Development (HUD), and because funding local shelters, food banks, and other related organizations is primarily a State and local responsibility.

As the EFSP does not directly support disaster survivors or their communities, it is not well-aligned with FEMA's core mission to prepare for, mitigate against, respond to, and recover from the consequences of major disasters and emergencies. The EFSP is a social service program, not a disaster or emergency management program.

In past years, FEMA proposed statutory authority that would allow it to transfer funding for the EFSP to HUD to be administered with other homeless assistance grants by the Office of Special Needs Assistance Programs. Federal expertise in homelessness assistance is largely resident at HUD, and HUD is already responsible for implementing many of the programs authorized by the McKinney-Vento Homeless Assistance Act. This includes Emergency Solutions Grants, which, similar to the EFSP, provide funds to States, cities, and counties for emergency shelters, homeless outreach, and other essential services to engage people who are living on the streets, as well as newer interventions such as rapid re-housing and homelessness prevention. However, Congress rejected proposals to transfer the program to HUD, where it could benefit from co-location with similar assistance programs.

The Budget proposed eliminating the EFSP for the reasons described above. Even with the elimination of the EFSP, FEMA will continue to support disaster food and shelter requirements under its emergency assistance authorities as described in the Stafford Act.