# NOMINATION OF THE HONORABLE MICK MULVANEY, OF SOUTH CAROLINA, TO BE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET

## HEARING & EXECUTIVE BUSINESS MEETING

BEFORE THE

## COMMITTEE ON THE BUDGET UNITED STATES SENATE

ONE HUNDRED FIFTEENTH CONGRESS

FIRST SESSION

**January 24, 2017—HEARING ON THE NOMINATION OF THE HONORABLE MICK MULVANEY, OF SOUTH CAROLINA, TO BE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET**

**February 2, 2017—EXECUTIVE BUSINESS MEETING ON THE NOMINATION OF THE HONORABLE MICK MULVANEY, OF SOUTH CAROLINA, TO BE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET**

Printed for use of the Senate Budget Committee

# NOMINATION OF THE HONORABLE MICK MULVANEY, OF SOUTH CAROLINA, TO BE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET

# NOMINATION OF THE HONORABLE MICK MULVANEY, OF SOUTH CAROLINA, TO BE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET

## HEARING & EXECUTIVE BUSINESS MEETING

BEFORE THE

## COMMITTEE ON THE BUDGET
## UNITED STATES SENATE

ONE HUNDRED FIFTEENTH CONGRESS

FIRST SESSION

**January 24, 2017—HEARING ON THE NOMINATION OF THE HONORABLE MICK MULVANEY, OF SOUTH CAROLINA, TO BE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET**

**February 2, 2017—EXECUTIVE BUSINESS MEETING ON THE NOMINATION OF THE HONORABLE MICK MULVANEY, OF SOUTH CAROLINA, TO BE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET**

Printed for use of the Senate Budget Committee

U.S. GOVERNMENT PUBLISHING OFFICE

26–024 WASHINGTON : 2017

For sale by the Superintendent of Documents, U.S. Government Publishing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

COMMITTEE ON THE BUDGET

MICHAEL B. ENZI, Wyoming, *Chairman*

| | |
|---|---|
| CHARLES E. GRASSLEY, Iowa | BERNARD SANDERS, Vermont |
| JEFF SESSIONS, Alabama | PATTY MURRAY, Washington |
| MIKE CRAPO, Idaho | RON WYDEN, Oregon |
| LINDSEY O. GRAHAM, South Carolina | DEBBIE STABENOW, Michigan |
| PATRICK TOOMEY, Pennsylvania | SHELDON WHITEHOUSE, Rhode Island |
| RON JOHNSON, Wisconsin | MARK R. WARNER, Virginia |
| BOB CORKER, Tennessee | JEFF MERKLEY, Oregon |
| DAVID A. PERDUE, Georgia | TIM KAINE, Virginia |
| CORY GARDNER, Colorado | ANGUS S. KING, JR., Maine |
| JOHN KENNEDY, Louisiana | CHRIS VAN HOLLEN, Maryland |
| JOHN BOOZMAN, Arkansas | KAMALA HARRIS, California |

ERIC UELAND, *Republican Staff Director*
WARREN GUNNELS, *Minority Staff Director*

# CONTENTS

## HEARING


| | Page |
|---|---|
| January 24, 2017—Hearing on the Nomination of The Honorable Mick Mulvaney, of South Carolina, to be Director of the Office of Management and Budget | 1 |

OPENING STATEMENTS BY COMMITTEE MEMBERS

| | |
|---|---|
| Chairman Enzi | 1 |
| Ranking Member Sanders | 2 |

WITNESSES

| | |
|---|---|
| Honorable Tom Cotton, A United States Senator from the State of Arkansas | 6 |
| Honorable Lindsey Graham, A United States Senator from the State of South Carolina | 5 |
| Honorable Mick Mulvaney, of South Carolina, Nominee to be Director of the Office of Management and Budget | 7, 10 |

MATERIALS SUBMITTED FOR THE RECORD

| | |
|---|---|
| Statement of Biographical and Financial Information Requested of Presidential Nominee Mick Mulvaney to be Director of the Office of Management and Budget | 104 |
| Pre-hearing questions from Chairman Enzi with answers by Mick Mulvaney | 133 |
| Pre-hearing questions from Ranking Member Sanders with answers by Mick Mulvaney | 137 |
| Pre-hearing questions from Senator Merkley with answers by Mick Mulvaney | 142 |
| Post-hearing questions from Ranking Member Sanders with answers by Mick Mulvaney | 160 |
| Post-hearing questions from Budget Committee members with answers by Mick Mulvaney | 145 |
| Senator Corker | 146 |
| Senator Grassley | 147 |
| Senator Merkley | 148 |
| Senator Murray | 154 |
| Senator Stabenow | 175 |
| Senator Warner | 180 |
| Senator Whitehouse | 192 |
| Senator Wyden | 208 |

EXECUTIVE BUSINESS MEETING

| | |
|---|---|
| February 2, 2017—Executive Business Meeting on the Nomination of The Honorable Mick Mulvaney, of South Carolina, to be Director of the Office of Management and Budget | 239 |
| Committee Votes | 242 |

OPENING STATEMENTS BY COMMITTEE MEMBERS

| | |
|---|---|
| Chairman Enzi | 239 |
| Ranking Member Sanders | 240 |

Page

## STATEMENTS SUBMITTED FOR THE RECORD


Senator Merkley ........................................................ 244
Senator Murray ........................................................ 245
Senator Whitehouse ........................................................ 249

# THE NOMINATION OF THE HONORABLE MICK MULVANEY, OF SOUTH CAROLINA, TO BE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET

---

**TUESDAY, JANUARY 24, 2017**

UNITED STATES SENATE,
COMMITTEE ON THE BUDGET,
*Washington, DC.*

The Committee met, pursuant to notice, at 10:31 a.m., in Room SD–608, Dirksen Senate Office Building, Hon. Michael B. Enzi, Chairman of the Committee, presiding.

Present: Senators Enzi, Grassley, Crapo, Graham, Toomey, Johnson, Corker, Perdue, Gardner, Kennedy, Boozman, Sanders, Murray, Stabenow, Whitehouse, Warner, Merkley, Kaine, King, Van Hollen, and Harris.

Staff Present: Dan Kowalski, Republican Deputy Staff Director; George Everly, Chief Counsel; for the Minority: Warren Gunnels, Minority Staff Director; Robert Etter, Minority Chief Counsel; and Joshua Smith, Budget Policy Director

## OPENING STATEMENT OF CHAIRMAN ENZI

Chairman ENZI. Good morning, and welcome to everyone here. I will call this hearing to order.

We are here today to consider the nomination of Representative Mick Mulvaney of South Carolina to be the next Director of the Office of Management and Budget. I am going to try to keep my opening remarks brief since we have a pair of Senators before us who are going to give some introductory remarks of their own concerning the nominee.

President Trump indicated his intent to nominate Representative Mulvaney for this position a little over a month ago. I think all the members of this Committee can agree that we would like to see a confirmed OMB Director in place as soon as possible, so I am happy to note that the other committee of jurisdiction over OMB, the Homeland Security and Governmental Affairs Committee, will be convening this afternoon to hold their own hearing with Representative Mulvaney.

We need an OMB Director in place with so many pressing budgetary issues requiring the attention of the new administration. Foremost among these is the staggering $20 trillion debt burden America now shoulders. Congress needs an OMB Director who we can work with to put our Nation on a responsible fiscal path. That is why I am pleased that President Trump nominated a fiscal conservative for this key post. The Representative has been a vigilant budget hawk during his 6 years in Congress, including during his tenure on the House Budget and Oversight committees. He has been a vocal contributor to the great budget debates of recent years, focused on questions of how we ultimately stop the Federal Government from overspending while continuing to fund the country's core priorities and responsibilities.

Representative Mulvaney has been a prominent voice arguing for fiscal restraint, balanced budgets, and honest budgeting that avoids the use of gimmicks such as emergency funding designation for non-emergencies. I have also discussed with Representative Mulvaney the urgent need to reform the broken budget process, which has contributed to the budgetary stalemate and recurrent continuing resolutions to which Congress now routinely resorts in order to postpone hard decisions about spending and debt.

There is an urgent need for important reforms to the process such as implementing biennial budgeting and the overhaul of outdated budget accounting concepts that have outlived their usefulness. Ultimately, my goal is to produce comprehensive and lasting budget process reforms that put our Nation on a better fiscal path.

Despite its significance, the preparation of the President's annual budget submission is only one of the responsibilities of OMB. As an entity within the Executive Office of the President, OMB has numerous government wide management responsibilities in addition to budgeting and spending that concern various activities carried out by Federal agencies. These include: agency rulemaking, contracting, grants management, financial management, information technology, program assessment, personnel policy, property management, and several others.

I am particularly interested in hearing Representative Mulvaney's view on the role played by the Office of Information and Regulatory Affairs, or OIRA, in vetting agency regulations. This Committee has been exploring the concept of a regulatory budget as one way to produce a check on the growing burden of regulations on the American economy and more so to small business.

Also, since he is the House sponsor of a companion bill to recently enacted legislation concerning improper payments, I am interested in Representative Mulvaney's view on how he believes we can reduce the growing volume of improper payments made by the Federal Government each year. The annual amount reached $144 billion in 2016, and the cumulative amount of improper payments since we started counting them in 2003 exceeds $1 trillion.

Senator Sanders.

## OPENING STATEMENT OF SENATOR SANDERS

Senator SANDERS. Mr. Chairman, thank you very much, and we welcome the discussion that we will be having with Mr. Mulvaney for this very, very important position. And I would also like to take this opportunity to welcome the new members of this Committee, Senator Van Hollen and Senator Harris on our side, and Senator Gardner, Senator Kennedy, and Senator Boozman on your side. And I look forward to working with all of you.

Mr. Chairman, you and I may not agree on too much, but I think we can all agree that President Trump ran a very unconventional campaign and that he told the American people that he would govern as a very unconventional Republican. I think that is fair. We can maybe get unanimous consent on that one.

And over and over again, in fact, the cornerstone—one of the cornerstones of his campaign was that he was not going to cut Social Security, Medicare, and Medicaid. He was not ambiguous about this. He did not say this in an ambush interview at 3 o'clock in the morning. He said this over and over and over again. And I suspect that many millions of senior citizens in this country or millions of working-class people who do not want to see Social Security, Medicare, or Medicaid cut voted for him for that reason. And I am just going to read a few of the quotes—with your permission, Mr. Chairman, I would enter into the record many of the quotes—that President Trump said on the campaign trail.

He said on May 7, 2015, "I was the first and only potential GOP candidate to state there will be no cuts to Social Security, Medicare, and Medicaid."

April 18, 2015, Trump said, "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 cannot do that. And it is not fair to the people that have been paying in for years. And now all of a sudden, they want to be cut."

August 10, 2015, Trump said, "I will save Medicare, Medicaid, and Social Security without cuts. We have to do it. People have been paying in for years, and now many of these candidates want to cut it."

Last quote, March 29, 2016, Trump said, "You know, Paul Ryan wants to knock out Social Security, knock it down, way down. He wants to knock Medicare way down. And, frankly, well, two things: number one, you are going to lose the election if you are going to do that. I am not going to cut it. And I am not going to raise ages, and I am not going to do all of the things they want to do. But they want to really cut it, and they want to cut it very substantially, the Republicans. And I am not going to do that."

Those are quotes from the President of the United States when he was on the campaign trail.

Now the election is over. Mr. Trump or President Trump still sends out a whole lot of tweets. But, surprisingly enough, I have not seen that tweet where he says, "I am going to keep my campaign promise, and I will not cut Social Security, Medicare, and Medicaid." I am waiting eagerly for that tweet, as are millions of seniors and working people in this country.

So the issue that we are discussing today is: A, will the President keep his campaign promises, and B, will he appoint people to his Cabinet who will help him keep those campaign promises?

And now we get to Congressman Mulvaney. And to Congressman Mulvaney, I want to thank him for coming into our office. We had, I thought, a very productive, interesting discussion. But his views on Social Security, Medicare, and Medicaid are exactly opposite of what Trump campaigned on. Let me quickly run through Congressman Mulvaney's record.

May 15, 2011, Congressman Mulvaney said on Fox Business News, "We have to end Medicare as we know it."

April 28, 2011, Congressman Mulvaney said, "Medicare as it exists today is finished."

August 1, 2011, Congressman Mulvaney said, "You have to raise the retirement age, lower a payout, change the reimbursement system. You simply cannot leave Social Security the way it is."

On May 17, 2011, Congressman Mulvaney said, "I honestly do not think we went far enough with the Ryan budget because it did not cut Social Security and Medicare rapidly enough."

And, in fact, just last year, Congressman Mulvaney voted against the budget proposed by House Budget Committee Chairman Tom Price and House Speaker Ryan, opting instead to vote in favor of an even more extreme budget by the Republican Study Committee.

This radical right-wing budget that Congressman Mulvaney supported cut Medicare by $69 billion more than the Price-Ryan budget. It cut Social Security by $184 billion more, and it cut Medicaid and other health programs by $255 billion more than the budget proposed by Chairman Price and Speaker Ryan.

Moreover—and this is also interesting—in May of 2009, when Congressman Mulvaney was a member of the South Carolina State Senate, he voted for an amendment declaring Social Security, Medicaid, and the U.S. Department of Education unconstitutional. And let me read the text of that amendment:

"Whereas, many Federal mandates, such as those which created the U.S. Department of Education, Medicaid, and the United States Social Security Administration, are directly in violation of the Tenth Amendment to the United States Constitution." That amendment in the South Carolina Senate was defeated by a vote of 35–6. Mr. Mulvaney was one of the six.

In my view, the opinions and ideas of Mr. Mulvaney are way out of touch with what the American people want and, more importantly, they are way, way out of touch with what President Trump campaigned on. And while we can all disagree on many issues, I would hope we can agree that if somebody campaigns—as I am sure many of my Republican colleagues have, you campaign on a set of issues—that you keep your promise. And I suspect Chairman Enzi does that. He tells people how he feels, and then he keeps his word. We disagree; he keeps his word. But it does not make sense to me to have a key adviser to the President having views directly in opposition to what the President campaigned on.

Last point: I have come to learn during the confirmation review process—we have come to learn during the nominating process here that Mr. Mulvaney failed to pay over $15,000 in taxes for a nanny that he employed from 2000 to 2004. And here is what Congressman Mulvaney wrote about this issue in response to a question that I asked him on January 11th: "I have come to learn during the confirmation review process that I failed to pay FICA and Federal and State unemployment taxes on a household employee for the years 2000 through 2004. Upon discovery of that shortfall, I paid the Federal taxes. The amount in question for Federal FICA and unemployment was $15,583.60, exclusive of penalties and interest which are not yet determined. The State amounts are not yet determined."

Mr. Chairman, this is a serious issue. As you will recall, 8 years ago Senator Daschle withdrew his nomination as Secretary of HHS after it was discovered that he failed to pay his fair share of taxes.

Mr. Chairman, on this issue I agree with Minority Leader Schumer, who said, "When other previous Cabinet nominees failed to pay their fair share in taxes, Senate Republicans forced those nominees to withdraw from consideration. If failure to pay taxes was disqualifying for Democratic nominees, then the same should be true for Republican nominees." End of Schumer quote.

In 2015, Mr. Chairman, Congressman Mulvaney voted for a bill in the House that clearly stated, and I quote, "Any individual who has a seriously delinquent tax debt should be ineligible to be appointed or to continue serving as an employee of the Federal Government."

Mr. Chairman, I look forward to asking Mr. Mulvaney questions, and thank you for the time.

Chairman ENZI. Thank you, Senator Sanders.

Before we swear in the witness and hear his testimony, we will hear today a little about the nominee from our Budget Committee colleague, Senator Graham, as well as Senator Cotton. Senator Graham and Representative Mulvaney are fellow South Carolinians, and Senator Cotton served in the House with Representative Mulvaney.

Senator Graham.

**STATEMENT OF THE HONORABLE LINDSEY GRAHAM, A UNITED STATES SENATOR FROM THE STATE OF SOUTH CAROLINA**

Senator GRAHAM. Well, thank you, Mr. Chairman. I am honored to be here to introduce Congressman Mulvaney, "Mick." He is my buddy. We do not agree on everything, but I think he is one of the most capable people I have met during my time in public service. And we have a real friendship. We play golf. He always beats me. I accept that.

He has a beautiful wife and triplets. Just remember that when you talk to him.

He is sincere. Clearly, Senator Sanders would not have chosen him for his OMB Director. I think we have established that. Why would Trump, President Trump, pick a man, according to Senator Sanders, that does not agree with anything he stands for? I would argue that he picked Congressman Mulvaney because he understands he knows the budget, he will be a good overseer of the Government, he is a practical guy, and he will follow the President's vision.

President Trump understands everything you said about Congressman Mulvaney, and he has confidence in this man's ability to do a job for his administration. I share that confidence.

To those on the defense side, he will follow the call of the President to increase defense spending. He does believe in entitlement reform, and I think he is right to do so, to save these programs. So from a personal point of view, I have never had an occasion where he would not tell me exactly what he believed even if he knew I disagreed with it. And he is able to disagree with people in an honorable fashion, and he is incredibly smart. He has made it his life's work to understand what is wrong with our Government, and he will be dedicated to fixing it.

And one final point of personal privilege. I voted, I think, for every nominee of President Obama. I think every one of them. I asked myself why I did that now. The reason I did it is I think elections have consequences. And while I disagreed with almost every nominee about the basic structure of Government, I understood that President Obama needed his team and deserved his team, if they were qualified. And here is what I would ask this Committee to consider: Give this man's life experience, his background in the public sector and the private sector, his time in Congress, do you believe he is qualified to understand how the Federal Government works and to reform it consistent with what the President will direct him to do? I believe that with all my heart and soul, and I appreciate you listening to Congressman Mulvaney. And any hard question you can ask, you are doing your job. Just realize elections have consequences for you as they did for me.

Chairman ENZI. Thank you.

Senator Cotton.

**STATEMENT OF THE HONORABLE TOM COTTON, A UNITED STATES SENATOR FROM THE STATE OF ARKANSAS**

Senator COTTON. Chairman Enzi, Senator Sanders, thank you for allowing me to appear today.

I want to add my voice in support of confirming Mick Mulvaney as the next Director of the Office of Management and Budget. Mick and I have known each other for many years now. We served together in the House of Representatives. He is a good friend of mine and a trusted confidant. So I speak from personal experience when I say he will serve our President and our Nation with distinction.

The way I see it, the Director's chief job is to give the President the unvarnished truth. He has to tell the President exactly what things cost, partly to the President's agenda, but mostly to the taxpayer. The President, of course, sets the agenda, but he deserves a clear-eyed view, not rose-colored glasses.

And for the last 6 years, Mick has been telling many hard truths: We are spending too much. Regulations are strangling our small businesses. And short-changing our military will only cost us more in the long run.

He also understands perhaps the hardest truth of all, at least for the big spenders in Washington: It is the American people who earned this money through their hard work and sacrifice. Mick will treat every taxpayer dollar as if it were his own. And trust me, that means he will watch it like a hawk.

In Arkansas, many people stop me to ask what we are doing about the national debt. It is a huge concern. So with his eagle-eyed focus on spending, Mick will be a crucial voice in the Cabinet. He will represent millions of Americans who are deeply worried about the burden we are leaving our children. And while Mick is deeply principled, he knows how to work with others and make progress wherever we can.

In short, Mick is a fine choice to run the Office of Management and Budget, so I urge you not only to advance his nomination, but to do so as soon as possible. Under the law, the President is required to submit a budget to Congress early next month, which will be very difficult without a new Director. I hope the full Senate will also confirm him promptly.

Thank you for your time today and your consideration of a passionate advocate for the taxpayer, a bold truth teller, and my friend, Mick Mulvaney.

Chairman ENZI. Thank you, Senator Graham and Senator Cotton. You have done a great job speaking about Representative Mulvaney, so I will keep my own remarks very brief.

Representative Mulvaney is now in his fourth term as a Member of the U.S. House of Representatives, representing the 5th District of South Carolina. He holds an undergraduate degree from Georgetown University and a law degree from the University of North Carolina. He is a husband, and he is the father of triplets.

We thank you for joining us today, Representative Mulvaney, and we look forward to a productive dialogue, which will begin with your own testimony. But, first, under the rules of the Committee, nominees are required to testify under oath. So would you please join me as I administer the oath? Do you swear the testimony that you will give to the Senate Budget Committee will be the truth, the whole truth, and nothing but the truth?

Mr. MULVANEY. I do.

Chairman ENZI. If asked to do so and if given reasonable notice, will you agree to appear before this Committee in the future and answer any questions that members of the Committee might have?

Mr. MULVANEY. Yes, sir.

Chairman ENZI. Thank you. Please be seated. We now have a chance to hear from you.

## TESTIMONY OF THE HONORABLE MICK MULVANEY, OF SOUTH CAROLINA, TO BE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Mr. MULVANEY. I thank the Committee, I thank the Chairman, I thank the Ranking Member. It is an honor to be here today to present my qualifications and my vision for the Office of Management and Budget.

I want to thank the President for nominating me and showing confidence in me in doing so.

I thank especially Senators Graham and Cotton, friends of mind, for their kind words.

I want to thank especially, before we get started, my family. As the members of this Committee know, the burdens of our public service so often fall on those at home, and I am—we do not get a chance to say this nearly enough, and we certainly do not get a chance to say it very often on national television: I am extraordinarily proud of the young people that my 17-year-old triplets have become. I do not know if it is because I have been away from home or despite the fact I have been away from home, but the fact that they are the young people they are is a tremendous testament to my wife, who is with me today. The children are back in school. I am extraordinarily happy and proud to have her in my life, and I could not be here today but for the support of my family.

Finally, I am grateful to the members of the Committee for taking all the time over the course of the last couple of weeks to get together and talk about the issues, as we talked about my vision for the OMB and what type of OMB Director I might be, if you see fit to confirm me. I look forward to continuing those conversations and getting your guidance and wisdom, because I think we all know that no one—no one—can do this job alone. Perhaps a Member of Congress knows that better than most. Several former Members of these bodies have served at OMB. Senator Portman, Jim Nussle, Leon Panetta—they all served with distinction, and they all set a very high bar and provided a good example of how OMB is supposed to function to serve the President and to work with Congress and the American people. If confirmed, I will use them as models. You deserve the truth about budget matters, as do the American people and the President, and it is the OMB Director's responsibility to tell you and the President the truth, even from time to time when that might be hard to hear.

One truth is this: For the first time in America's history, the next generation could be less prosperous than the previous. I know that is unacceptable to every single person in this room, as it is unacceptable to me. We can turn the economy around. We can turn the country around. But it is going to take difficult decisions today in order to avoid nearly impossible decisions tomorrow.

Our gross national debt has increased to almost $20 trillion. That is a number so large as to almost defy description. I choose to look at it in a different fashion. I choose to look at it through the lens of the ordinary American family. If you are an ordinary American family, the equivalent to you of a $20 trillion debt is a credit card bill of $260,000. American families know what that would mean to them, and it is time that this Government learns what it means to us.

I believe, as a matter of principle, that the debt is a problem that must be addressed sooner rather than later. I also know that fundamental changes are necessary in the way Washington spends and taxes if we truly want a healthy economy. This must include changing our Government's long term fiscal path, which is unsustainable.

Part of that also means taking a hard look at Government waste—and ending it. American taxpayers deserve a Government that is efficient, effective, and accountable. They earn their money honestly, and they deserve a Government that spends it in the same fashion.

But fixing the economy does not mean just taking a green eyeshade approach to the budget. Our country is more than just numbers. A strong, healthy economy also allows us to take care of our most vulnerable. My mother-in-law relied on Social Security in her retirement; she relied on Medicare to help her before she died of cancer. Pam and I were happy to have that safety net there for her. Pam and I would also like that safety net to be there for her grandchildren, our triplets.

All of that being said, I know many of the members of this Committee will want to know my positions, should I be Director, as OMB Director. I am, of course, not yet in that position and do not presume to know about decisions I might make, much less what decisions the President might make after consulting with his Cabinet and his advisers.

I do know what I believe, however, and I look forward to discussing whatever topics you consider relevant today. I have not exactly been a shy Member of Congress in my 6 years here, and I do not expect to end that today, or as Director of OMB if you see fit to confirm me.

At the same time, I recognize that good public service—whether that in the State legislature, the House, the Senate, OMB—takes both courage and wisdom, the courage to lead, and the wisdom to listen. I have learned in my time in Washington that I do not have a monopoly on good ideas. Facts—and the cogent arguments of others—matter. My commitment to you today is to take a fact-based approach and to listen to various ideas on how to get our financial house in order.

OMB also fulfills significant management responsibilities, performs a regulatory role, has a bunch of other responsibilities that I know you folks are as familiar with as anybody, and I look forward to talking about those today as well. I look forward to talking about all of those issues, my qualifications, and anything else the Committee sees fit. If confirmed, I look forward to working with Congress—and serving the President—to address all the challenges on behalf of the American people.

Again, Mr. Chairman, I thank you for your time and for the opportunity to be here.

[The prepared statement of Mr. Mulvaney follows:]

**TESTIMONY OF REPRESENTATIVE MICK MULVANEY, OF SOUTH CAROLINA, INTENDED TO BE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET BEFORE THE COMMITTEE ON THE BUDGET, UNITED STATES SENATE**

Thank you, Chairman Enzi, Ranking Member Sanders, and members of the Committee for welcoming me today. It is an honor and a privilege to be here. I am pleased to present my qualifications and my vision for the Office of Management and Budget to this committee.

Thank you to the President for nominating me, and for the confidence he showed in me by doing so.

Thank you to Senator Graham and Senator Cotton for your kind remarks.

Thank you especially to my family. As the members of this committee know better than most, the burdens of public service often fall on our families. I deeply appreciate their continued support. We don't get an opportunity to say this nearly enough, and almost never on national television, but I am very proud of the young adults my children have become, despite the fact – or maybe because of the fact? – that their dad has been away from home for much of the past several years. And that is a testament to the kind of woman my wife is. I am extraordinarily proud, and happy, to have her in my life.

Finally, I am grateful for the members of the Committee and their staff, not only for having me here today, but also for taking the time to meet with me over the last few weeks and sharing your views. Should I be confirmed, I look forward to continuing our conversations, and to getting your guidance and wisdom.

Because no one can do this job alone. Perhaps a member of Congress knows that better than most. Several former members of Congress have served at OMB – Senator Portman, Jim Nussle, Leon Panetta – they all served with distinction, set a high bar, and provided a good example of how the OMB director should interact with and serve the President, Congress, and the American people.

If confirmed, I will use them as models. You deserve the truth, as do the American people, and it is the OMB Director's responsibility to tell you – and the President – the truth, even when that might be hard to hear.

For the first time in America's history, the next generation could be less prosperous than the generation that preceded it. To me, and to the people in this room, that is simply unacceptable. We CAN turn this economy, and this country around...but it will take tough decisions today in order to avoid impossible ones tomorrow.

Our gross national debt has increased to almost $20 trillion. That number is so large as to defy description. I choose to look at it another way: to an ordinary American family, that translates to a credit card bill of $260,000. Families know what that would mean for them. It is time for government to learn the same lesson.

I believe, as a matter of principle, that the debt is a problem that must be addressed sooner, rather than later. I also know that fundamental changes are needed in the way Washington spends and taxes if we truly want a healthy economy. This must include changing our government's long-term fiscal path – which is unsustainable.

Part of fixing that problem also means taking a hard look at government waste...and then ending it. American taxpayers deserve a government that is efficient, effective, and accountable. American families earn their money honestly; they expect the government to spend it honestly. We owe them that much.

But fixing the economy doesn't mean just taking a green eyeshade approach to the budget. Our government isn't just about numbers. A strong, healthy economy allows us to protect our most vulnerable. My mother-in-law relied on social security when she retired; she relied on Medicare to see to her medical needs before she died of cancer. Pam and I were glad that the safety net was there for her. We would also like it to be there for her grandchildren, our triplets, as well.

All of that being said, I know many of the members of this committee will want to know what my positions will be as OMB Director. I am, of course, not yet in that position, and I do not presume to know about decisions I might make, much less what decisions the President might make after consulting his cabinet and advisors. I do know what I believe, however, and I look forward to discussing whatever topics you consider relevant today.

I recognize that good public service – whether in a state legislature, Congress, or OMB – takes both courage and wisdom. The courage to lead, and the wisdom to listen. I have learned that I do not have a monopoly on good ideas. Facts – and the cogent arguments of others – matter. I will be loyal to the facts, and to the American people whom I serve.

My commitment to you today is to take a fact-based approach to get our financial house in order.

OMB also fulfills significant management responsibilities, and plays a significant role in dealing with the regulatory environment – among several other important functions, as you all know.

I look forward to talking about any and all of those issues, as this committee sees fit. And if confirmed, I look forward to working with Congress – and serving the President – to address these challenges on behalf of the people we all serve.

Chairman ENZI. Thank you.

Now we will turn to questions for Representative Mulvaney. Let me take a minute to explain the process for all Committee members before we start. Each member will have 5 minutes for questions, beginning with myself and Senator Sanders. Following the two of us, I will alternate questions between the Republicans and the minority. All members who were in attendance when the hearing began will be recognized in order of seniority. For those who arrived after the hearing began, you are on the list in the order of arrival. If it is your turn to be on the list to be recognized and you are not here, you will be moved to the bottom of the list and get to ask questions at that point. When everyone else is done, you will be recognized.

Now, once all the Senators present have had an opportunity to question the nominee, I will allow a second round of questions if there is interest in doing that. Representative Mulvaney is scheduled to appear before the Homeland Security and Governmental Affairs Committee later this afternoon, so this hearing will end no later than 1:30 p.m. to accommodate that schedule.

With that, I have a few questions. I believe that significant savings could be found by eliminating duplication and waste, fraud, and overpayment across the Federal Government. You introduced the companion bill in the House to legislation signed into law last Congress as the Federal Improper Payments Coordination Act. That was a bipartisan bill that addresses a very real and growing problem that you would be in a position to help tackle as OMB Director. I even saw a recent report that the Department of Defense lost $125 billion. I do not know what "lost" means.

Do you believe that significant budgetary savings can be found by reducing duplication, waste, fraud, and overpayment? And what do you see is the role of OMB in identifying and addressing these problems?

Mr. MULVANEY. Chairman, I think you mentioned in your opening statement the recent finding that the amount of improper payments has now grown to historic levels. It is now past $100 million and on its way to—excuse me, $100 billion and on its way to $200 billion. I think it is one of the reasons that the improper payments bill, which I believe Senator Johnson and Mrs. McCaskill, Senator McCaskill, also worked on in the Senate, and passed on a bipartisan basis in the House.

I will never forget when we actually started working on that bill in the House. I was working on it with Patrick Murphy from Florida, and he is a Democrat, and we were talking about it one day. And I said, "Patrick, it is kind of unusual working on this together." He said, "Mick, what you have to understand is that I am a Democrat and I believe the Government should be doing more. You are Republican, and you probably believe that Government should be doing less. But we all hate bad Government." And I think that is right, and I think you have hit the nail on the head on an opportunity that we have on a bipartisan basis to be better stewards of the taxpayer dollars.

The Improper Payments Act, as I understand it, has gotten off to a choppy start. The report that is required by the legislation I believe is either finished or close to being finished. But in terms of actually putting the plan of action into place, it is already behind schedule. And to your point about who can help fix that, the answer is OMB. OMB could use the budget function to make sure that these agencies comply with the law. They are required by law to start using these best management practices, to start using—there are several agencies that do a great job of preventing improper payments. I will never forget when my uncle died a few years ago, I got a letter—I was the executor of his estate. I got a letter within a week of his death from the Social Security Administration saying, "When you get his next check, do not cash it, or else you will be violating Federal law."

So, clearly, there are agencies that do a good job. The question is: Why aren't those agencies sharing their best practices? That was part of the motivation behind the improper payments bill that we passed. I just think that it is time to take it a little bit more seriously, and if given the opportunity at OMB, I would certainly do that.

Chairman ENZI. Thank you, and I appreciate your service and your willingness to serve. It was mentioned in the opening remarks of the Ranking Member, and I notice that you chose to bring to the attention of this Committee an issue recently identified that resulted in you amending prior tax returns. Can you describe this issue and whether you brought it to the attention of the IRS or whether it was discovered through an audit? Have you voluntarily paid any and all additional taxes, fees, and penalties that you discovered that you owed?

Mr. MULVANEY. I have, Senator. Thank you for that, and I have been happy to discuss it with anybody who has raised it during my various meetings.

In 2000, we had triplets. When they came home, we hired someone to help my wife take care of the children. In our minds, she was a babysitter. She did not live with us. She did not spend the night there. She did not cook, she did not clean, she did not educate the children. She helped my wife with the kids. I did not consider her a household employee for purposes of withholding and did not withhold—and did not think about it again until 2 days after the President had nominated me for this position. And during the transition, I got a checklist: Have you ever had a babysitter, a nanny, an au pair, a governess, whatever? And I said yes. And then they sent me an IRS circular. It was the first time I had seen it, and I read it, and it made it immediately clear to me that I had made a mistake and that the IRS viewed our babysitter as a household employee for whom we should have withheld taxes.

I did the only thing I knew to do, which is simply tell everybody who I thought would care. I told the President, I told the transition team. I called my CPA and said, "Look, what is the best way to fix this? It is a mistake. It has been made. I now know about it. How do we fix it?"

The CPA and I went through the process of filing, I believe, Schedule H for the relevant years. We paid the taxes, also notified the IRS of what we were doing and why. And then I told everybody on this Committee—in fact, I told everybody in the Senate and apparently told the media as well. It is the only thing I knew to do, Mr. Chairman. We made a mistake in my family, and as soon as it was brought to my attention, I did the only thing I knew to do, which was to take every step to fix it. I will pay any penalties, any interest, any late fees, and abide by the law to the best of my ability.

Chairman ENZI. Thank you. And to put this in context for the Committee, in 1993, President Clinton nominated Mr. Ron Brown to be the Secretary of Commerce and Mr. Federico Pena to be the Secretary of Transportation. Both of these nominees had to pay back taxes on domestic employees, and yet both were confirmed.

President Clinton also nominated Mrs. Zoe Baird to be the Attorney General. Mrs. Baird withdrew her nomination because she had hired an illegal immigrant and failed to pay taxes. While she did not become Attorney General, Mrs. Baird did serve in the Clinton administration on the Foreign Intelligence Advisory Committee and in the Obama administration on the U.S. Secretary of Commerce's Digital Economy Board of Advisers.

In 2009, President Obama nominated Mr. Timothy Geithner to be the Secretary of the Treasury. Even though Mr. Geithner failed to pay $35,000 in Social Security and Medicare payroll taxes on his own income and was in charge of the IRS after being confirmed, he was confirmed.

Mr. Sanders.

Senator SANDERS. Thank you, Mr. Chairman.

Congressman Mulvaney, I have talked to some Members of the House whose views are very different than yours, but they say you are a straight shooter, that you are honest, and I appreciate that. That is a good quality in a Member of Congress.

Over the weekend, I happened to bump into a psychologist, and she told me that her patients are getting very nervous, those who are on disability benefits, that they might lose their benefits. And, in fact, their conditions are getting worse. I have heard that all over the country, that people now are worried that they may lose Social Security, may lose Medicare, may lose Medicaid, disability benefits.

I happen to believe that Social Security is one of the most significant and important and positive programs that the United States Government has; that Medicare, by and large, is an enormously successful health care program; and, in fact, the majority of the American people would like to see Medicare expanded to all Americans, something that I believe; and that Medicaid right now is saving the lives of millions of people. But you are on record time after time after time—and I read the quotes—as saying cut Social Security, cut Medicare, cut Medicaid.

Now, what concerns me is you are more than entitled to your views. You get elected by the people in your own district. But what does disturb me is we have a President who ran on a set of principles that he would not cut Social Security, Medicare, and Medicaid, and yet he is nominating somebody whose views are very, very different. So I have a real problem with that.

So my question to you is: What will you tell the President when he says, "I ran on a set of principles that I will not cut Social Security, Medicare, and Medicaid"? Will you tell the President of the United States, "Mr. President, keep your word, be honest with the

American people, do not cut Social Security, Medicare, and Medicaid"?

Mr. MULVANEY. Senator, your question was what would I tell the President, and I listened as Senator Cotton was giving his introduction, and I really liked what he said. I did not know what he was going to say until he said it. But he gave you the answer, which is the only thing I know to do is to tell the President the truth, and the truth is that if we do not reform these programs that are so important to your constituents in Vermont and to mine in South Carolina, I believe in 9 or 10 years the Medicaid trust fund is empty. In roughly 17 or 18 years, the Social Security trust fund is empty.

We can choose to do something about that now, or we can choose to do something about that——

Senator SANDERS. Well, there is a lot—forgive me for interrupting. I only have 5 minutes. There is a lot that we can do, including lifting the cap on income above $250,000, which would enable us to extend and expand Social Security very significantly. But the problem that I am having right now is not just your nomination but the integrity and the honesty of somebody who ran for office on one set of principles, nominating somebody else whose views are very different.

But let me ask you another question. When you were a member of the South Carolina Senate, you voted for a proposition that said Social Security is unconstitutional. Do you believe that Social Security is unconstitutional?

Mr. MULVANEY. No, sir. That was brought to my attention this morning before the hearing. I do not remember the vote, but I can assure you as I sit here today, I do not believe that Social Security or Medicare are unconstitutional.

Senator SANDERS. You were one of six members of the South Carolina State Legislature to vote on a proposition that said Social Security, the Department of Education, and Medicaid are in violation of the Tenth Amendment. You no longer hold the view that Social Security is unconstitutional?

Mr. MULVANEY. I believe you, Senator. I have no reason to disbelieve that. But, again, as I sit here, I will not be arguing to the President of the United States that Social Security and Medicare are unconstitutional.

Senator SANDERS. Mr. Mulvaney, Congressman, in July 2015, you wrote a letter stating, and I quote, "I vehemently urge House Republican leadership to use every available tool to strip Planned Parenthood of any and all taxpayer funds and take measures to prevent the group from receiving taxpayer dollars in the future."

Some 2.5 million Americans, many of them low-income women, now get their health care through Planned Parenthood. At a time when we have 28 million people who have no health insurance today, despite the gains of the Affordable Care Act, you really believe that we should tell 2.5 million Americans, many of them low-income women, who get high quality care at Planned Parenthood, that they should no longer have access to Planned Parenthood? I hear a lot of talk in this body from our Republican friends about choice, we want to give people choice. Two and a half million Americans, many low-income women, choose Planned Parenthood as their choice for health care. Why would you deny them that choice?

Mr. MULVANEY. Senator, I do not have the letter in front of me, but I do remember the debate, and I also remember what I voted for, and it may have been addressed in the letter. The proposal that the House put forward in July of 2015 would have moved the money from Planned Parenthood to the federally qualified health care clinics, which are more prevalent, more available, and actually serve more needy women than Planned——

Senator SANDERS. Congressman, I know a lot about the community health centers. I am one of the leading advocates for them here and helped increase funding for them. But 2.5 million people, mostly women, have chosen Planned Parenthood. And after all the talk about choice, that we want a health care system which allows people to go anyplace they want, your recommendation is that we should deny 2.5 million women their choice of health care.

Thank you, Mr. Chairman.

Chairman ENZI. Thank you.

Senator Graham.

Senator GRAHAM. What percent of GDP will be spent on defense if we go back into sequestration by 2021?

Mr. MULVANEY. Let me see. If we go back into sequestration by twenty—it is going to be down, Lindsey—excuse me, Senator Graham, it is going to be well below 4 percent. It may be closer to 2. But it is between 2 and 4 percent.

Senator GRAHAM. 2.3 percent.

Mr. MULVANEY. Okay.

Senator GRAHAM. Okay. What is the historical average of defense spending since World War II?

Mr. MULVANEY. 4-ish?

Senator GRAHAM. Closer to 5.

Mr. MULVANEY. Okay.

Senator GRAHAM. Do you support President Trump's initiative to increase defense spending?

Mr. MULVANEY. I do.

Senator GRAHAM. Are you aware that almost 50 percent of defense spending involves personnel costs?

Mr. MULVANEY. I do.

Senator GRAHAM. So if you want a bigger army, you are going to have more personnel costs. If you want a bigger navy, you are going to have personnel costs.

Mr. MULVANEY. That is what the numbers would tell you, yes.

Senator GRAHAM. Are you willing to reform personnel programs to make it more sustainable, generous but sustainable?

Mr. MULVANEY. I am looking forward to having the opportunity to do just that.

Senator GRAHAM. Entitlement reform: What drives the debt? What is the chief driver of the debt?

Mr. MULVANEY. The entitlement programs—Medicare, Medicaid, and Social Security.

Senator GRAHAM. Okay. The deficit and the debt are different things. Explain it very quickly, the difference between the deficit and the debt.

Mr. MULVANEY. The deficit is this year's shortfalls between revenues and expenditures. The debt is the accumulation of deficits over the years.

Senator GRAHAM. The baby-boom generation will be retiring en masse here. What happens to Medicare and Social Security over the next 25 years?

Mr. MULVANEY. They go up.

Senator GRAHAM. Okay. In 1950, how many workers were there for every Social Security recipient?

Mr. MULVANEY. 15, 16 at some point.

Senator GRAHAM. 16. How many are there today?

Mr. MULVANEY. Three.

Senator GRAHAM. How many will there be in 20 years?

Mr. MULVANEY. Two.

Senator GRAHAM. How can two people do what 16 people used to do?

Mr. MULVANEY. The short answer is that they cannot.

Senator GRAHAM. Are we living longer or shorter?

Mr. MULVANEY. Longer.

Senator GRAHAM. So we are living longer, there are fewer workers, and more people are retiring.

Mr. MULVANEY. Those are the hard facts, yes, sir.

Senator GRAHAM. Will you tell President Trump that if he ignores that, he can never get us out of debt?

Mr. MULVANEY. Yes, sir.

Senator GRAHAM. Will you tell him that the promise you made about Medicare and Social Security is going to lead to their demise if you do not change that promise?

Mr. MULVANEY. Yes, sir.

Senator GRAHAM. Will you tell him that there is a bipartisan way to do this that has been studied extensively without gutting the program but saving the program?

Mr. MULVANEY. I am familiar with that, yes, sir.

Senator GRAHAM. Would you agree with me that for younger workers, they may have to work longer before they enter the program to save the program?

Mr. MULVANEY. I have already told my children to prepare for exactly that.

Senator GRAHAM. Ronald Reagan and Tip O'Neill adjusted the age of retirement from 65 to 67 to save Social Security. Is that accurate?

Mr. MULVANEY. That is true.

Senator GRAHAM. Do you think we need to look at adjusting the age yet again because we live longer?

Mr. MULVANEY. I do, yes, sir.

Senator GRAHAM. Do you think people in my income level should get a subsidy to pay their Medicare bill?

Mr. MULVANEY. I believe that Medicare benefits should and could be means-tested.

Senator GRAHAM. What percentage of Medicare comes from the general treasury?

Mr. MULVANEY. Senator, that is one I do not know.

Senator GRAHAM. I think it is over 60 percent. Isn't it true that if we do not change that, Medicare, Medicaid, and Social Security combined will consume all the revenue that the American people send in taxes by 2042?

Mr. MULVANEY. Yes, sir. In fact, I think this year it will be close to 75 percent for just those three major programs alone.

Senator GRAHAM. Isn't it true that if we do nothing, we are going to have to either dramatically increase taxes or cut benefits in the next decade to 15 years?

Mr. MULVANEY. If we do nothing, then by the time I retire, there will be an across-the-board 22-percent cut to Social Security benefits.

Senator GRAHAM. Are you in a situation where you could give up some of your promised benefits from Social Security if you had to?

Mr. MULVANEY. Senator, if I may—and I enjoy the rapid fire because this is what we do when we talk, right? But I would want to take a second to tell a story. I talked about the ideas to save Social Security at a Sun City Retirement Community in my district. You have been there several times. And I talked about slowly raising the retirement age. And there was a gentleman there who was 59—you have to be 55 to live there—and he goes, "Well, I do not want to work until I am 70." And I said, "Well, no, our proposal"—at the time in the House—"would require you to work an extra 2 months." And he was flabbergasted. He said, "Wait a second. You mean I can help fix this by working 2 more months?" And I said yeah. And he was angry that it was actually that easy to do. And I said, "Well, if you want to really be angry, if we had fixed it 20 years ago, it might be 2 extra weeks. But if we wait another 10 years, it might be 2 years." So we do have the chance to fix these programs now.

Senator GRAHAM. Very well said. Senator Sanders says that one way to save Social Security is to increase—lift the cap on people that make over $250,000. Can you repair the gap between Medicare and the unfunded liability by doing that?

Mr. MULVANEY. No, sir. As I have told people and as I have shared with——

Senator GRAHAM. You cannot even come close.

Mr. MULVANEY. No, sir. Social Security——

Senator GRAHAM. So if you took the entire wealth of the 1 percent, everything including their dogs, could you repair the gap?

Mr. MULVANEY. You can confiscate everything they have, and the answer to your question would be no.

Senator GRAHAM. Could you grow the economy at 8 percent and close the gap?

Mr. MULVANEY. No, sir.

Senator GRAHAM. Thank you.

Chairman ENZI. Senator Stabenow.

Senator STABENOW. Well, thank you very much, Mr. Chairman. And welcome, Congressman Mulvaney, to you and your family. I have to say after that interchange, I think folks on Social Security and Medicare ought to be really worried, and it just demonstrated the difference between what President Trump has indicated he would do and what, in fact, you will be advising him, Congressman Mulvaney, if, in fact, as you indicated and Senator Cotton indicated, you would give him the unvarnished truth.

So I believe people sitting on this side of the aisle believe Medicare and Social Security are great American success stories that have lifted a generation of seniors out of poverty and created health care certainty for many, many Americans. And I am thinking after that exchange that for the 57 million seniors and people with disabilities and surviving spouses and children who receive Social Security benefits, the alarm bells should be going off right now.

But let me go back. As a straight shooter, which I certainly respect, you did indicate that Social Security is a Ponzi scheme. Is that something that you will say to the President? And you did indicate that both Social Security and Medicaid and the Department of Education were unconstitutional. So just keeping it to Social Security, do you intend to indicate to the President that you believe Social Security is a Ponzi scheme?

Mr. MULVANEY. Thank you for that, Senator, and I had a very similar conversation on this exact same topic with Senator Sanders in his office when he asked me about that.

And I said, "Well, what I described it as was a plan that takes money from people now in order to give money to people now." And he explained—and I think he was accurate in doing so—that Social Security has always been like that. So I would not read too much into the description of it as a "Ponzi scheme." It is simply describing to people how the cash flows. And the difficulty that we face was contained in what Mr. Graham just laid through, which is 50 years ago, 15 people were paying in and 1 person was taking out. And by the time my kids are paying for my retirement, two of them will be paying in for every one that is taking out.

Senator STABENOW. And is it also true, though—you and I talked in the office about the fact the cap was set in 1983, awhile ago, at 90 percent of wage income. And it goes up a little bit. But one significant way to take a burden off of Social Security and keep it going strong for those who rely on it—and, by the way, about a third of seniors basically live on the money solely from Social Security, maybe a little bit of a pension, but those pensions are being challenged right now as well.

So do you think the cap should be increased as a basic sense of fairness in terms of the fact that the last cap was set in 1983?

Mr. MULVANEY. Thank you for that. If the Senate sees fit to confirm me, Senator—and I believe I had this conversation with just about everybody from both parties that I met with, including the Independent, who is not from any party—there are really five levers in Social Security that you can pull——

Senator STABENOW. No, I understand all five, and I am sorry, because I have one more question I want to ask after this.

Mr. MULVANEY. Sure.

Senator STABENOW. I know there are five. I am asking you about one.

Mr. MULVANEY. And you have mentioned one, and I think if you pull one lever, you have to pull it a long way. And if you pulled three or four or five levers, you do not have to pull them nearly as far.

Senator STABENOW. Okay. Thank you. And I want to completely change to something that I may be the only one to raise, although a couple of colleagues on the other side may as well, and that is, a very important part of the budget called “the farm bill,” which is less than 2 percent of Federal spending and affects every small town in Michigan, every farmer, as well as all of our food assistance programs. And in the last go-around, we were very proud on a bipartisan basis to be the only Committee to actually cut spending in our own jurisdiction of $23 billion. And we are now coming into another time where we fully expect to work together on a bipartisan basis to invest in rural economy, small towns, agriculture, food programs, and so on. We are in a better position in the sense that food program spending has actually gone down because of the economy getting better. But do you intend to propose reductions to farm bill investments in rural America in your budget, despite the fact that farmers and families already contributed significant savings towards deficit reduction?

Mr. MULVANEY. Senator, I know that the farm bill is absolutely critical to you, as it is to many other members, including Mr. Grassley, and he and I spoke about this. I apologize. It has been several years now, I think, since the House has taken it up, so I am not in a position to give you an intelligent answer to the question, but would look forward to talking to members of all parties about how to both maintain and to improve and make more efficient the farm bill.

Senator STABENOW. Thank you.

Chairman ENZI. Senator Toomey.

Senator TOOMEY. Thanks very much, Mr. Chairman. And, Congressman Mulvaney, welcome. Thanks for being here. Thank you for your willingness to serve, and thanks for the great work you have done in the House of Representatives.

Let me follow up on a couple of the subject matters that have been raised. First of all, is it your understanding that historically the reason that we have had a cap on the wages subject to the Social Security tax is because we also have a cap on the benefits that are paid out to somebody? Is that your understanding?

Mr. MULVANEY. It is my understanding, yes, Senator.

Senator TOOMEY. And that remains the case?

Mr. MULVANEY. Yes, sir.

Senator TOOMEY. And, in addition, if we eliminated the cap, we would not solve the problem.

Mr. MULVANEY. Correct.

Senator TOOMEY. Right. Getting back to the bigger budget picture, it is my understanding that today the revenue the Federal Government takes in as a percentage of GDP is greater than its post-war historical average. Is that your understanding?

Mr. MULVANEY. Correct. I think it will be about 18.5, 19 percent this year.

Senator TOOMEY. And an average of like 17.9. So we are taking in more revenue than we historically have done. Discretionary spending has been declining as a percentage of GDP—in fact, even in some recent years, in absolute terms. Is that your understanding?

Mr. MULVANEY. That is correct.

Senator TOOMEY. So revenue is higher than it has historically been. Discretionary spending is lower than it has historically been.

And yet we have got large deficits, and the projection is that they will get worse.

Isn't it pretty unavoidable to look at the entitlement programs and acknowledge that this is the problem?

Mr. MULVANEY. It is the problem, and I think Congress has done a pretty good job over the course of the last couple of years to deal with the discretionary part of the budget.

Senator TOOMEY. So one of my colleagues suggested that people on Social Security should be concerned about the things you have said. So if you are a Pennsylvanian who is in his or her, I do not know, early 70s and has a modest income and depends on Social Security, are you advocating cuts to their benefits?

Mr. MULVANEY. No, sir.

Senator TOOMEY. You are not advocating cuts to their——

Mr. MULVANEY. No.

Senator TOOMEY. What about somebody who is 69 and receiving Social Security? Are you advocating that their benefits be cut?

Mr. MULVANEY. I do not think that any proposal that the House has come up and certainly no proposal that I would take to the President, should I be confirmed, would suggest that we touch folks anywhere who are already—I am not making my parents go back to work. They are 74 years old. That is not what this is about. This is about trying to preserve those programs. Those folks—Senator Stabenow has stepped out. The folks who are 75 years old and relying on Social Security, be it in Pennsylvania or in Michigan, they do not have to worry about——

Senator TOOMEY. Is there anybody of any age on Social Security where you want to cut their benefits?

Mr. MULVANEY. I am sorry, sir?

Senator TOOMEY. Is there anybody of any age on Social Security where you want to cut their benefits that they are receiving now?

Mr. MULVANEY. No, sir.

Senator TOOMEY. You do not want to cut any existing benefits?

Mr. MULVANEY. Absolutely not. I would not recommend that to the President.

Senator TOOMEY. So then it is not at all clear to me why someone who is currently on Social Security needs to be afraid of this.

How about somebody who is 40 years old and is expected to work for another, I do not know, 25 or 30 years? Can we deliver on the promise that Social Security currently makes to that person? Is there any way that, without change to the structure of the program, we are going to be able to follow through on that commitment?

Mr. MULVANEY. Without changing the current Social Security program, a 40-year-old today will receive roughly 77 percent of what they have been promised for their adult life.

Senator TOOMEY. So to continue to suggest that we do not have to do anything here is just being dishonest to the young people, and if I understand correctly, the changes that you would advocate would be for people who have many years left in their working lives to plan accordingly and to prepare for the eventuality. Is that fair?

Mr. MULVANEY. Correct. It would require—I think one of the proposals would require me to work an extra couple of months before I retire. It would require my children to work until they are 70.

Senator TOOMEY. And you are how old?

Mr. MULVANEY. I am—I am still 49.

Senator TOOMEY. I think it is public information.

Mr. MULVANEY. I am 49.

Senator TOOMEY. Okay. Let me switch real quickly to the regulatory side. When I have met with small business owners and other people who are working across Pennsylvania, they have been stunned by the avalanche of new regulations and the cumulative weight of all of these regulations, whether it is Obamacare, Dodd-Frank, and EPA, the entire alphabet soup of agencies. In my view—and I have heard this from them—it is having a devastating effect on economic growth.

The OMB Director is responsible for the Office of Information and Regulatory Affairs, and in that capacity you have a lot of say about new regulations.

So, number one, do you support the REINS Act, which would hold that any major new regulation has to be approved by Congress before it goes into effect?

Mr. MULVANEY. I do, sir, and I have voted for that in the House.

Senator TOOMEY. How do you feel about a regulatory PAYGO system where, before we impose new regulations, we look at outdated, excessive, counterproductive regulations and repeal them before we impose new ones?

Mr. MULVANEY. Actually, I think the law currently requires OMB to do a retrospective analysis of regulations, and it has probably been falling short on that. So I would approve of such a system and think it is actually already the law.

Senator TOOMEY. And just lastly, how high a priority do you think the administration should assign to rolling back the current level of regulation? And do you have any other procedures or analyses that you would intend to use to achieve that?

Mr. MULVANEY. Thank you, Senator. My very distinct impression from working with the transition team is that regulatory reform is going to be an absolute priority for this President. In fact, I think you saw him mention yesterday that he wants to cut 75 percent of the regulations. He is absolutely dead serious about this. I believe he is the first person to campaign for President on regulatory reform since Ronald Reagan.

I have some plans or ideas of how OMB could help to do that, but I absolutely believe that you will see this be a priority for President Trump.

Senator TOOMEY. Thank you very much.

Thank you, Mr. Chairman.

Chairman ENZI. Senator Whitehouse.

Senator WHITEHOUSE. Let me lead with an observation, Mr. Chairman, and that is that in the time that I have been in the Senate, I do not think I have actually ever seen a sincere effort at regulatory reform or relief. What I have seen is a really good game of talk about regulatory reform. But every time it rears its ugly head, it is for one of two special interests: Wall Street or polluters. Period. And sure enough, the two examples that the Senator from

Pennsylvania just used were—guess what?—Dodd-Frank on Wall Street and the EPA on polluters.

I would suggest to you that on our side of the aisle, there may be a much broader appetite for regulatory reform if it were not simply a device, a curtain to put over helping Wall Street and big polluters, and I urge you to explore that.

Second, you indicated in response to the question regarding lifting the Social Security contribution cap so that really, really high earners are not capped from contributing to Social Security, the question was if we raised the cap, we would not solve the problem, and you answered a simple yes. But isn't it true that that would sure contribute significantly to solving the problem? It is one of the levers that should be on the table?

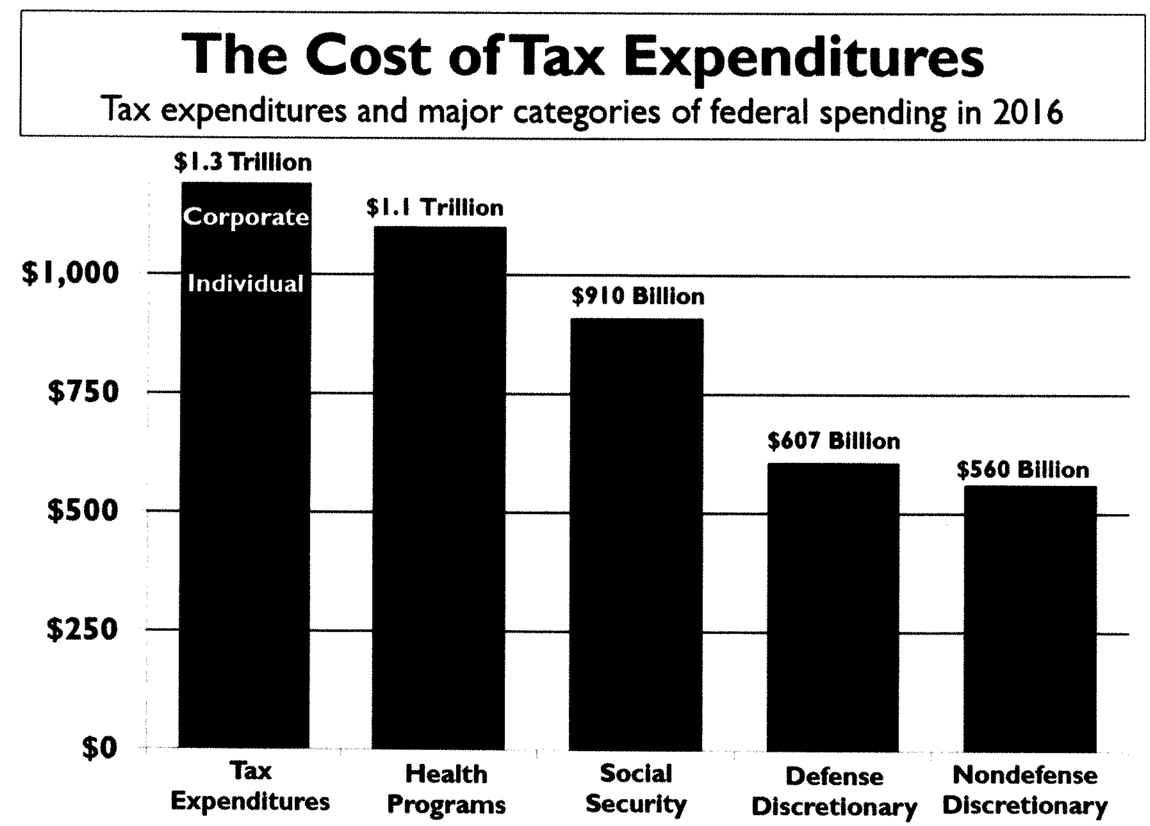
Mr. MULVANEY. Sure. As I mentioned, Senator—and, again, I think when we talked—you could raise the retirement age to 100, and that would solve the problems in Social Security. You can pull every lever a long way and fix it. I guess you could take the tax rate to 75 percent. I do not know what the number would be.

Senator WHITEHOUSE. I just want to make sure you do not dismiss that particular lever simply because it affects high-income people.

Mr. MULVANEY. No, sir. Again, my intention is to lay exactly what you and I have discussed—and I have discussed this—out for the President and say, "Mr. President, if you want to look at Social Security, here are your five levers. Where would you like us to focus?"

Senator WHITEHOUSE. One of the issues that we focus on in this Committee is the question of how you balance the budget. And what we have here is different levels of expenditure for different kind of things. Over on the far right is $560 billion in 2016 for non-defense discretionary, the entire non-defense appropriated budget; $607 billion for defense discretionary, our entire military operation; $910 billion out the door in Social Security, not counting what comes in; and $1.1 trillion in all the Federal health care programs together—Medicare, Medicaid, veterans' benefits, the works.

What is here is tax expenditures, and we have had your former Speaker say that tax expenditures are just another way of spending money for people. We have had Ronald Reagan's Budget adviser say if you want to get after the budget problem, you have got to get after tax expenditures; it is just another way of spending money. It is a particularly tricky way of spending money, though, because it tends to help people who pay big taxes so that they can get big benefits through the tax code, corporations, billionaires, and so forth. And it tends to be baked into the tax code. So unlike an appropriation you have got to fight for year after year and it gets reviewed by the Appropriations Committee year after year, there it is, there it sits, there it stays.



Source: CRS, CBO

The problem that I have with some of my colleagues on the other side of the aisle is they talk a really big game about the debt and the deficit. But when it comes to the biggest expenditure, the tax expenditures, we cannot get them to budge on anything—not the carried interest exception that lets billionaires pay lower tax rates than their chauffeurs, than brick masons, than truck drivers. That is just, I think, an outrage from simple fairness. Cannot get it touched.

Fossil fuel companies make more money than any other companies on the face of the planet. They get big subsidies from the taxpayer. Makes no sense.

Private jet owners can depreciate their jets faster than the airlines that fly regular people around. Makes no sense.

We cannot get one piece of that through the other side of the aisle. They will go to the mat to defend every special interest, in my experience. We have never been able to do it.

So if you want to put something together on this, I would urge that this administration, which says it is different from everything else before and is not just purely allied to Republican special interests, really take a hard look at these tax expenditures. More money goes out the back door of the tax code than goes out through any of these individual programs. A one-word answer.

Mr. MULVANEY. Yes, sir, it may be that you and the President get to the same place through a different avenue, but you may have just made a very effective case for why we need tax reform in this country.

That being said, if I can borrow your graph, that would be great.

Senator WHITEHOUSE. You got it.

Mr. MULVANEY. Thanks.

Chairman ENZI. Senator Corker.

Senator CORKER. Thank you, Mr. Chairman. And, Mr. Mulvaney, thank you for being here. You told me in the office that being OMB Director was your dream job, I think that's slightly odd, but I thank you for your——

[Laughter.]

Senator CORKER [continuing]. Desire to want to do this.

I was looking at the forecasts that were laid out today. We are $20.355 trillion in debt, and over the next 10 years, we are going to add $9.7 trillion. And in spite of some of the comments, I think there is actually a large group of people here that realize the immorality of that. People speak a great deal about jerking the rug out from under seniors. I do not think anybody has ever proposed anything like that. But we all, I think, are disgusted at ourselves with the immorality of living in comfort here today in the United States Senate and Congress and not dealing with these issues which we know will be hugely problematic.

Do you believe that this is one of the greatest threats to our Nation today?

Mr. MULVANEY. I do, and that really sank in for me, Senator, my very first week here. When I arrived in 2011, I was fortunate enough to get on the Budget Committee over in the House, and we had a presentation, and one of the—I cannot remember if he was there or if someone was talking about his presentation, but the Chairman of the Joint Chiefs of Staff, Admiral Mullen, had recently made a comment that he thought that the national debt was the greatest threat to the national security of the United States. And as a new Member of Congress, that put the fear of God in me in a hurry.

Senator CORKER. Only 31 percent of our expenditures are discretionary spending. I find actually what you said earlier about the five levers—I certainly would not want to focus on any of my friends on the other side of the aisle, but my guess is there are numbers of them that would be willing to look at all five of those levers to solve problems. And so I actually find your views today to be very much in the mainstream, that these are the kinds of things that we all know we need to deal with, knowing we face two workers down the road for every one person retired. I think most of us fear that we are not going to deal with this issue until we are in crisis mode.

My question is: Mr. Trump did say some things during the campaign that I wish he had not said. They are totally unrealistic, make no sense whatsoever. And I just wonder, is it your sense when you talk with him about the five levers and when you talk with him about the fact that it is impossible for us to balance the budget with 31 percent of our spending being discretionary without dealing with these other programs, do you think he understands that?

Mr. MULVANEY. Senator, I think Senator Graham made this comment during his opening statement, which is that—and as I mentioned, I have not been quiet and shy since I have been here. It is fairly easy to find quotations from me and so forth.

I have to imagine that the President knew what he was getting when he asked me to fill this role, so I look forward——

Senator CORKER. So you think he understands that we have to deal with all of these issues to solve——

Mr. MULVANEY. I would like to think it is why he hired me—or wanted to hire me.

Senator CORKER. Let me ask you this: All of us love and greatly respect the men and women in uniform, people like Tim Kaine's son and the two people who introduced you. When people serve in our military, we just have the utmost respect and admiration. But do you think OCO funding is an intelligent way of building a budget using overseas contingency operations ad infinitum, year after year, as a way of solving our budget problems?

Mr. MULVANEY. No, sir, I do not. In fact, I think it is beyond not being intelligent. I think it is——

Senator CORKER. It is dishonest, isn't it?

Mr. MULVANEY. That is the word I was going to use.

Senator CORKER. Okay. Let me ask you this, and in spite of the fact that we love our men and women in uniform who serve on our behalf, do you think the Pentagon is well run?

Mr. MULVANEY. I do. I think it does a tremendous job of defending the Nation.

Senator CORKER. In acquisitions programs, do you think it is a well-run organization?

Mr. MULVANEY. I look forward to doing more investigation and possibly reforming there when possible.

Senator CORKER. What bothers me is we, in the name of patriotism, get to the end of a budget, and just about the time we are pressing the Pentagon to do some things that it should do, we let the pressure off with OCO. And to me, it is irresponsible, and I hope you are going to correct that.

I know that my time is almost up. You and I talked about Freddie and Fannie, the two organizations that have to do with housing reform. It is your belief, as I understand it, that anything related to reforming our housing finance system and to the conservatorship that Fannie and Freddie, should be legislated by Congress and not done by the executive branch through the flick of a pen. Is that correct?

Mr. MULVANEY. I think the law needs to be changed, yes, sir.

Senator CORKER. Thank you so much.

Chairman ENZI. Senator Warner.

Senator WARNER. Thank you, Mr. Chairman. And I have a series of areas I want to go into, Mr. Mulvaney. I enjoyed our conversation, but I first want to follow up on Senator Corker's last comment.

As someone on this issue of Fannie and Freddie, I was gravely concerned about legislation that you introduced that allowed basically a recap and release. Mr. Mnuchin last week in his hearing also agreed that we needed to do this through legislation. That recap and release that would, frankly, greatly have enhanced the financial position of a lot of the hedge funds who bought in at very cheap rates would not—if they recap and release, would leave a system in place that would allow private sector gain when things are going well and the taxpayer holding the bag when things happened as they did in 2008; we had to put up $188 billion. My hope would be you would work with Congress on reform and not simply advocate to the President the recap-and-release approach.

Mr. MULVANEY. Thank you, Senator. I think that various members of both the House and Senate have different ideas on Fannie and Freddie. I am heartened by the fact that I think we are all trying to get to the same end, which is to protect the taxpayer, to make sure what happened before does not happen again.

Senator WARNER. Again, this is not the time—we do not have enough time to go through it, but I believe that the legislation you had introduced would not address that.

I have got a couple other areas I want to get cleared up with you. Again, last week, with Mr. Mnuchin, one of the things I did like about what he said was, you know, the United States is the reserve currency; the United States debt obligations are absolutely sacrosanct. We should never jeopardize the full faith and credit of the United States.

Mr. Mnuchin said that the U.S. Government should absolutely not have the ability to prioritize our payments and there should be no uncertainty when it comes to paying our bills, although in the House you voted for prioritization, which in effect would say we are going to repay bond holders at a higher level than perhaps payments to States or payments to FBI or CIA employees. I think that would dramatically undermine the full faith and credit, and I think most experts have said that prioritization scheme would be a disaster.

Do you still share that view that prioritization of our debts is a reasonable approach? And would that not jeopardize the full faith and credit of the United States?

Mr. MULVANEY. Well, I think it is undesirable to get to a situation, Senator, where this is a relevant conversation. But if we are simply talking about the principles involved, I do believe that the GAO letter from 1985 is still—it is not law, but it is good guidance.

Senator WARNER. I sincerely disagree with you, and we will again have a chance perhaps to continue this.

Mr. MULVANEY. Sure.

Senator WARNER. Also, I appreciate your comments about Social Security. I would take exception to what the Senator from Pennsylvania said. It is true that Federal revenues are slightly above the 50-year average. I would point out, over that 50-year average, we have run deficits every year that we have run at that average. And as a matter of fact, the United States, when you consider Federal, State, and local taxes combined, is actually 31st out of 34 OECD nations in terms of total revenues. Now, we can argue—I do not want us to go to those European areas, but you have also signed the Grover Norquist no-tax pledge. If you are going to be willing to take a look at revenues on Social Security or revenues in terms of tax reform, are you going to be able to remain faithful to that taxpayer protection pledge? Don't you think having all things on the table would be a more appropriate role if you were accepted as OMB Director?

Mr. MULVANEY. Senator, very briefly, because I know your time is limited, and we can go into it longer if you would like to. But the pledge I think applies to candidates for office, which I am giving up, if you all see fit to confirm me. So I will not be bound by that. What I would be bound to is telling the President the truth and telling him what I believe his options to be.

Senator WARNER. Well, I hope that would mean, as you have said here today, that that would look at both sides of the balance sheet, and clearly, as you list the various levers in Social Security, one of those would be looking at additional revenues.

When we met, I am concerned about the administration's current position on Federal workers. Many of these Federal workers serve their country, and they do jobs with enormous passion and pride. They view it as a calling. I know the President-elect—or the President has put in place a Federal employee hiring freeze. He says that was to address the dramatic expansion of the Federal workforce in recent years. But, Mr. Mulvaney, are you aware that the size of the Federal civilian workforce relative to the country's population has actually declined dramatically over the last number of decades and that it is actually smaller now than it was under President Reagan?

Mr. MULVANEY. I was not aware of that piece of data.

Senator WARNER. I would hope you would relay that. Are you aware that, according to the GAO, nearly one-third of the Federal workforce is eligible for retirement between now and 2019?

Mr. MULVANEY. I was not aware of that, but that does not surprise me.

Senator WARNER. Do you agree that if we are going to recruit and retain the best workers—and they are going to have to do a job that continues there are going to be challenges as we all look at ways that we can get our budget into balance. How are we going to do that when we have got disparity between public and private sector payment, when we send these kind of messages about the value of Federal workers on a going-forward basis? How will you reinforce that value statement to a workforce that right now is very concerned?

Mr. MULVANEY. Senator, as I think you and I discussed, I think the Federal Government probably could do better in dealing with employees who are exemplary and better with dealing with employees who fall below our expectations. And all I can say to you is I look forward to figuring out a way to solve both ends of that problem.

Senator WARNER. Thank you, Mr. Chairman.

Chairman ENZI. Senator Kennedy.

Senator KENNEDY. Congressman, I am new here, which means I have lived in America longer than I have lived in Washington, and I want to share a perspective. A lot of Americans are very frustrated about what goes on here. Not all of them, but many of them. They believe that our country was founded by geniuses but it is being run by idiots. They look around, and they see incredible things happening in our country. Our people can unravel the human genome. They can take a diseased human heart and replace it with a new one and make it beat. They can send a person to the moon. But their representatives cannot balance a budget like they have to do at home or in their small business.

Now, here is what I would like to know. I do not have enough time for you to give me an elaborate answer, but if you could give me the high points. If you were king for a day, how would you balance our budget?

Mr. MULVANEY. That is a very tempting question, Senator, to ask any elected official, and I am trying to remind myself that my goal—my role at OMB is to advise the President. So maybe——

Senator KENNEDY. I understand, but I am asking you.

Mr. MULVANEY. What would we do? We would grow the economy first, Senator. In fact, that is probably the only way that we ever balance the budget, truly, given the political situation that exists in Washington, D.C. There are folks amongst us who would want to take a bigger slice of the existing pie. I do not think that is a formula for healthy economic growth or success, and certainly not——

Senator KENNEDY. Okay. Grow the economy is one. What else?

Mr. MULVANEY. Well, if you grow the economy, if you end up with 10 years of 3- or 4-percent growth, you are talking about doubling the size of the economy, which doubles the size of Federal receipts, which allows you to balance the budget. In fact, I believe it was Mr. Warner or maybe Mr. Whitehouse who correctly pointed out that one of the times that we have been able to balance the budget was when the economy was growing so rapidly.

Senator KENNEDY. I do not mean to interrupt you, but I have only got 5 minutes. Anything else?

Mr. MULVANEY. I would like to figure out a way to end waste in Government. If you even assume it is 10 percent within the discretionary budget, that is almost $100 billion this year.

Senator KENNEDY. Okay. Let me ask you about waste.

Mr. MULVANEY. Yes, sir.

Senator KENNEDY. In 2012, Dr. Donald Berwick, a very accomplished physician, Harvard trained, he ran CMS for President Obama. He testified before Congress that 10 percent of our Medicaid spending is fraud.

Mr. MULVANEY. Okay.

Senator KENNEDY. Not just fraud by patients. Fraud by providers. In some States, they get $2 of Federal money for $1 of State money. So for some, not all, there is not an incentive to combat fraud. Is there any way you can use the power at OMB to incent States to try to combat Medicaid fraud?

Mr. MULVANEY. Sir, I do not know off the top of my head. I would be happy to take a look at that. And, again, I think I will get specific instructions from the President to explore doing exactly that, because I think if you say one thing about this President, it is that he will not tolerate the type of waste and fraud that you have mentioned.

Senator KENNEDY. Okay. I hear from a lot of Louisianians and other Americans, not all but many. They believe that—and I want to ask you if you agree with this. They believe that part of the problem in American society today and with our economy and with our culture is that we have too many undeserving—I want to emphasize "undeserving," because I do not want to paint with too broad a brush. We have too many undeserving people at the top getting bailouts, as Sheldon pointed out, and we have too many undeserving, not all but too many undeserving people at the bottom getting handouts. And the people in the middle get stuck with the bill, and they cannot pay it anymore, because their health insurance has gone up and their taxes have gone up and their kids' tuition has gone up. Do you agree with that?

Mr. MULVANEY. Senator, I think those folks would be heartened by what they saw out of the President on Saturday, because I believe that was the theme of the inaugural speech that he gave, that those folks who have been forgotten for so long will not be forgotten anymore, and that he will listen to them. And if I get the opportunity to work at OMB, I will do whatever I can to help him do just that.

Senator KENNEDY. Thank you, Congressman. I think you will do a great job at OMB.

Mr. MULVANEY. Thank you, Senator. Welcome here.

Chairman ENZI. Senator Kaine.

Senator KAINE. Thank you, Congressman. Great meeting in my office.

In announcing as a candidate in October that he would do a Federal hiring freeze, Candidate Trump said that it was necessary to reduce "corruption and special interest collusion." If you know, why is the administration pitching the false view that Federal workers are corrupt or beholden to special interests?

Mr. MULVANEY. I am not familiar with the statement, Senator Kaine, so I am not really comfortable commenting on it.

Senator KAINE. Okay. A freeze has a lot of effects. The most direct effect would be on people seeking to work with the Trump administration. Why would there be an assumption that people coming to work with the Trump administration would come with corruption or special interest collusion problems?

Mr. MULVANEY. Again, I do not think there is an assumption hard-wired in to any system that the Federal workers are corrupt. I think you and I both know as——

Senator KAINE. I am happy to hear you do not share what the President stated was the reason for this. Let me ask you this——

Mr. MULVANEY. There are—yes, sir.

Senator KAINE. You had legislation on hiring freezes that said if three people left by attrition or got other jobs, you could hire one in. My understanding of the hiring freeze that was announced yesterday, it is even more strict than that. Isn't that your understanding, no new hires?

Mr. MULVANEY. I am not familiar with the details of what they laid out yesterday. I am happy to talk about my own bill, if you like.

Senator KAINE. Many applicants for Federal employment are veterans because of a significant veteran's preference. It seems like a bad idea to me to do a freeze that would have the effect of putting roadblocks up to veterans seeking Federal employment.

Do you worry, like I do, about backlogs in processing of Social Security disability claims, veterans' benefit claims, backlogs in getting drugs permitted, potentially lifesaving drugs permitted to go on the market?

Mr. MULVANEY. I worry about inefficiencies at many levels of Government.

Senator KAINE. And I am concerned that hiring freezes in some of these areas where we are already seeing backlogs could have the effect of even making it harder for citizens to get the service they need. Am I wrong to be concerned about that?

Mr. MULVANEY. I do not think you are wrong to be concerned about it, Senator. I do not think it automatically follows that hiring more people will create more efficiency.

Senator KAINE. Have you read the GAO studies of blanket hiring freezes under earlier administrations, Democratic and Republican, that suggest that they are ineffective, that they hurt service to citizens and they may cost more money than they save?

Mr. MULVANEY. I have not seen those, sir.

Senator KAINE. Do you know whether the administration reviewed those before announcing the hiring freeze?

Mr. MULVANEY. I do not know.

Senator KAINE. The House resurrected the Holman rule, allowing Congress the power to slash individual Federal workers' salaries as low as $1 per year. Did you vote for that?

Mr. MULVANEY. I believe I did, yes, sir.

Senator KAINE. There have been reports about the incoming administration——

Mr. MULVANEY. Excuse me. I am sorry. Senator, let me correct that. I believe that may have been contained in our rules package this year, and if that is the case, then I did not vote on it. I apologize.

Senator KAINE. Okay. We will check the record. Thanks for that clarification. Did you support it?

Mr. MULVANEY. As you and I have discussed, I do support some application of the Holman rule in some circumstances.

Senator KAINE. Okay. There have been reports that the incoming administration has been trying to gather intelligence about whether employees worked on priorities that they do not like, for example, Department of Energy employees that worked on climate activities. Were you aware of those reports?

Mr. MULVANEY. I am not; no, sir.

Senator KAINE. So you were not aware that they have been widely perceived as sort of being intimidating of employees that worked on priorities that the President does not share?

Mr. MULVANEY. Again, I am not familiar with them.

Senator KAINE. Do you want a high-morale, high performance Federal workforce or a low-morale, low performance Federal workforce?

Mr. MULVANEY. High morale, high performance.

Senator KAINE. How is calling Federal employees "corrupt" and "beholden to special interests," freezing any new hiring into Federal employment, gathering information about employees who have worked on priorities that the new President does not share, and supporting a role that could target individual employees for massive salary reductions likely to build a high-morale, high-performance organization?

Mr. MULVANEY. I think that rhetoric taps into a concern, shared by many, including yourself, that there are Federal workers who do not live up to our expectations, and it is hard——

Senator KAINE. But we should not paint them with a broad brush, should we, Congressman?

Mr. MULVANEY. Anytime you paint with a broad brush, Senator, you run the risk of going outside the lines.

Senator KAINE. In your prepared testimony, you state, "I have learned that I do not have a monopoly on good ideas. Facts—and the cogent arguments of others—matter. I will be loyal to the facts and to the American people . . . I serve." Let me ask you some questions about facts.

Mr. MULVANEY. Sure.

Senator KAINE. Agree or disagree. A full repeal of the ACA with no replacement will cause many people to lose health insurance. Agree or——

Mr. MULVANEY. With no replacement, that is a true statement.

Senator KAINE. A full repeal of the ACA with no replacement will be a massive tax break for wealthy Americans because of two high-earner taxes in the law. Agree or disagree?

Mr. MULVANEY. Again, I have seen these lists, Senator, but I do not think anybody is proposing that we repeal without replacing. So the answer to your question is yes.

Senator KAINE. A full repeal of the ACA with no replacement will increase the deficit. Agree or disagree?

Mr. MULVANEY. Again, if you assume that there is no replacement, I think that—no, actually, I think the CBO report says that a full repeal with no replacement actually decreases the deficit.

Senator KAINE. No. The CBO says it increases the deficit by $137 billion a year in 10 years if you assume dynamic scoring, $350 billion a year if you do not, over 10 years.

Mr. MULVANEY. I saw the report that I think Mr. Enzi asked for in 2015 that gave a different conclusion, but I would be happy to look at the one you——

Senator KAINE. All right. Thank you. A full repeal of the ACA with no replacement would once again allow insurance companies to discriminate against women and those with preexisting health conditions.

Mr. MULVANEY. Again, I have not seen reports on that, but——

Senator KAINE. With no replacement.

Mr. MULVANEY. But no one is proposing no replacement.

Senator KAINE. A full repeal of the ACA with no replacement would raise prescription drug costs for seniors under Medicare Part D because of reopening the donut hole.

Mr. MULVANEY. I am not sure about that one.

Senator KAINE. Okay. Climate change, driven partly by human-generated $CO_2$ emissions, is a huge risk. Agree or disagree?

Mr. MULVANEY. Again, you and I have talked about this. I have talked about this with Mr. Sanders. I am not really sure of the nexus between the OMB operation——

Senator KAINE. I am not asking about OMB. I am off OMB now.

Mr. MULVANEY. Okay.

Senator KAINE. Just a statement of fact, agree or disagree. You are going to follow the facts. Climate change, driven partly by human-generated $CO_2$ emissions, is a huge risk. Agree or disagree?

Mr. MULVANEY. I am not convinced we are at the point where we have to—start to require American citizens to pay high prices——

Senator KAINE. I am just asking do you agree with the fact. Is climate change, driven by human-generated $CO_2$ emissions, a huge risk?

Mr. MULVANEY. Yeah, I challenge the premise of your fact.

Senator KAINE. You do not agree with—and, finally, the Federal workforce is at its lowest as a percentage of the total workforce in 70 years. Agree or disagree?

Mr. MULVANEY. Mr. Warner mentioned that, and I have no reason to believe he was not telling me the truth.

Senator KAINE. Okay. Thank you.

Thank you, Mr. Chair.

Chairman ENZI. Senator Johnson.

Senator JOHNSON. Thank you, Mr. Chairman.

Congressman Mulvaney, Mrs. Mulvaney, I really want to thank both you and your family for your willingness to serve. I know Senator Corker used the word "odd." I think when we met, I said "crazy."

Mr. MULVANEY. I have been called worse.

Senator JOHNSON. I hope you are enjoying this.

As an accountant, as a business person, what drives me nuts in the Federal Government is lack of information, cherrypicking of information. I think we have seen some of that already today. I would say, as Chairman of Homeland Security, I am often asked: What is the greatest threat facing this country right now? And it is not climate change. I have been answering, and sometimes I am usually saying the denial of reality. We simply are not facing up to these enormous problems.

I want to talk to you a little bit about real information, what is really going to drive this, but I want to go back to Senator Kennedy talking from my standpoint, the number one component of the solution, which is growth. And let us talk about actual information in terms of how effective that would be. If we go from 2 to 3 percent, that is another $14 trillion added to our economy over 10 years; 2 to 4 percent is $29 trillion. Even with the meager economic growth we have had since 2009, revenues flowing into the Federal Government have increased by $1.1 trillion. So, clearly, focusing on economic growth is the number one component to the solution.

For me, there are four elements, and I want to talk about two because it is going to completely fall in your bailiwick as OMB Director. The first one, though, is energy, and it looks like this administration is dedicated to utilizing our energy resource, which is a good thing. We have to reform our tax code. It is a disaster, costs somewhere $200 to $300 billion to comply with, which is part of that regulatory burden, which is in your bailiwick. We have numerous studies saying it is coming close to $2 trillion per year to comply with Federal regulations.

You have debt per household, $260,000 per household. The regulatory burden is $14,800 per household. That is an enormous burden.

Then we can talk about debt, but let us focus a little bit just on providing information so we can actually start managing the Federal Government properly. Social Security—no, let us talk about debt, deficit. Over the next 30 years, the deficit, according to CBO, will accumulate $103 trillion. That is tacked onto our $20 trillion. Now, that is clearly unsustainable. We were talking about Social Security earlier. Of that $103 trillion, $14 trillion is in Social Security, $34 trillion is in Medicare, over $50 trillion is in interest on the debt. So if we do not want to pay creditors over the next 30 years, $50 trillion interest on the debt, we have to address Social Security and Medicare.

And, again, I want to talk a little—again, we use the demagoguery. We can talk about, you know, hey, just raise the retirement age. According to the Social Security trustees, increasing the retirement age from 67 to 70, over 4 years, fills $1 trillion of that $14 trillion deficit of Social Security. So, again, I agree with you. You have got multiple levers. You are going to have to pull all of them.

Just talk to me about your dedication as OMB Director to provide Congress and, even more importantly, the American people with real information on a macro basis so we can actually address these problems.

Mr. MULVANEY. Senator, you left off one, at the risk of trying to correct a Senator in the middle of a Senate hearing.

Senator JOHNSON. Be my guest.

Mr. MULVANEY. And we have not talked about it today. There is a CBO report out—and I cannot remember if it is 2054 or 2044—where under the current baseline, the assumptions that things stay the way that we are, 100 percent—by the mid-2050s, 100 percent of what we take in goes to one item and one item only, and that is interest payments on the debt. No money for Social Security, none for Medicare, none for Medicaid, none for national defense, none for any of the things we have talked about here today. That frightens me. I do not want to be alarmist, but the point of the matter is we have allowed things to get in a bad situation, and now it will fall to us to make some very difficult decisions.

What do I see as my job? And why do I think I might be good at it? I see my job as giving some really, really hard facts to some really, really important people under very difficult circumstances. I think I have the ability to do that. It is not easy to go into a retirement community and tell people, "Look, we have to talk about ways to fix Social Security." I think that probably pales in comparison to walking into the Oval Office and saying, "Now, Mr. President, here is where we stand on Social Security, here is where we stand on Medicare, here is where we stand on all of the other items." That is not easy to do. So maybe you are right and I am crazy to want to have this job, but somebody has to do it, because we cannot get to a point 20 years from now where people throw their hands up and say, "Well, I did not know this was going to happen." We know it is going to happen, and the time to start trying to fix it is now.

Senator JOHNSON. So my only question is: Are you dedicated to providing us the information, the facts, so we can start ending the denial of reality and start addressing these enormous challenges? Because this is clearly unsustainable.

Mr. MULVANEY. It is one of the few things that would allow me to leave my family for the next several years, as long as the President would have me, so that I could do just that. I could look at my kids 20 years from now and say the time that I was away from you, from age 11 to age whatever, was worth it because I was able to do exactly what you just said.

Senator JOHNSON. Thank you for your willingness to do that.

Thank you, Mr. Chairman.

Mr. MULVANEY. Thank you, Senator.

Chairman ENZI. Senator Van Hollen.

Senator VAN HOLLEN. Thank you, Mr. Chairman.

Mr. Mulvaney, great to see you. It was good to serve with you in the House and on the Budget Committee, and I have told my colleagues who asked that you were a straight shooter and that you had a consistent set of views—I would argue in many cases consistently wrong, but, clearly, you have held to your positions and you have been straight in your communications with members in this Committee.

One area where I think you have got it exactly right—and I think this came out in the questioning by Senator Corker—was with respect to the fact that Congress has tried to use the overseas contingency account, the war savings account, as a slush fund in order to escape the budget agreement. Do you still hold the view that that is a runaround on the budget agreement, and that if we are going to address those issues, we should address them in a straightforward manner rather than what was referred to by Senator Corker, I think, as a dishonest manner?

Mr. MULVANEY. And I think this has become fairly an orthodox position in both parties, is that everyone admits now that the overseas contingency operations budget, the war budget, is used for that specific purpose. In fact, I think it was part of the omnibus agreement last year to use OCO for items that were not war related.

Senator VAN HOLLEN. And do you agree that that is a wrong—that is an abuse of the budget process?

Mr. MULVANEY. I do. It is not emergency spending. It puts us in a situation—imagine, Mr. Van Hollen, if the budget was balanced——

Senator VAN HOLLEN. I have limited time.

Mr. MULVANEY. Yes. The answer is yes.

Senator VAN HOLLEN. You agree it is an abuse of the process, and as OMB Director, if you are confirmed, you will not pursue——

Mr. MULVANEY. I will look forward to having an opportunity to explain to the President why I think it is not a good way to spend American taxpayer dollars.

Senator VAN HOLLEN. Okay. My concern relates largely to some of the judgments you have made on issues, and some of them were raised earlier by Senator Warner and others. One incident was around the whole issue of the debt ceiling, because we were introduced over the weekend to the phrase, the expression "alternative facts." And I think as OMB Director and as a country, we have got to be very rooted in reality and not in alternative reality.

Here is what the former chief Republican economist of this Budget Committee said about getting too close to the debt ceiling—too close, not even going over it: "New research from academics and the GAO strongly indicates that the movement toward expiration is accompanied by an increase in the Government's cost of issuing new debt." Translation: Taxpayers pay more.

Douglas Holtz-Eakin, former CBO Director appointed by Republicans: "Failure to raise the debt ceiling leads to very bad economic outcomes and chaos in the financial markets." Translation: It hurts the economy, it hurts working people.

You have been part of legislation in the past to suggest that the Federal Government could violate its obligations, and so long as it was not an obligation to bond holders, like the Chinese Government and others, that that would be somehow acceptable.

As OMB Director, will you abandon that view, or are you going to continue to pursue that view?

Mr. MULVANEY. Certainly bumping up against the debt ceiling is an undesired situation. We know what is going to happen. There are additional facts, however, which you left off, which is the fact is that historically—and this goes back to the Roosevelt administration—the debt ceiling was always used and has regularly been used as the opportunity for us to sit back and say, "Now, wait a second. Why do we have to raise the debt ceiling again?" So it is a fact that it has regularly been used to try and pass reform legislation to help solve some of the issues that are driving the debt in the first place.

Senator VAN HOLLEN. Do you dispute the GAO finding that it cost the taxpayers over $1 billion the last time we had a real showdown on this issue? Do you dispute—I am just asking a question. Do you dispute the GAO finding? You cited them for other—in positive ways. Do you dispute that finding?

Mr. MULVANEY. I do not dispute there was a short-term cost. I do not know if I agree with the exact billion dollar figure.

Senator VAN HOLLEN. Yeah, and that was—we did not even breach it, right? And so, obviously, if you actually breach it, you are going to have a huge cost to taxpayers.

Let me ask you a question, to pursue Senator Whitehouse's earlier chart. It is absolutely true the Congressional Budget Office says the tax expenditure category is far greater than what we pay on Social Security.

In other words, if you add up all the tax breaks, all the tax loopholes, on an annual basis that is a greater number than we spend on Social Security, a greater number than we spend on discretionary spending.

Simple question: The President has said that he wants to close the carried interest tax break. Will you agree to close that tax break for the purpose of reducing the deficit and the debt?

Mr. MULVANEY. I have not had the opportunity to talk with the President about that. I look forward to having that conversation. I will tell you that I have seen various tax reform proposals that do that along with——

Senator VAN HOLLEN. Well, it is a simple question, because it goes to your statements about how important it is to reduce the deficit and the debt. I agree we have a long-term challenge. You have signed in the past the Grover Norquist pledge that says you will not reduce one tax break for the purpose of reducing the deficit, that every contribution from closing the carried interest tax loophole, for example, has to go into reducing tax rates for somebody else.

If we are going to address the deficit and the debt, aren't we going to have to look at new tax revenue, including closing down special interest tax breaks for that purpose?

Mr. MULVANEY. You have raised a couple different issues. One short answer would be that one way to get new tax revenues would be to grow the size of the economy. But to the specific point about the role going forward—and I think I have mentioned this before—I fully recognize and accept and welcome the fact I am changing from being a Representative of 750,000 people back home to advising the President of the United States.

Senator VAN HOLLEN. Thank you.

Thank you, Mr. Chairman.

Chairman ENZI. Senator Grassley.

Senator GRASSLEY. In our office meeting, we discussed the continued inability of the Defense Department to get its books in order so that a clean financial audit can be justified. Without accurate and complete financial information, the leadership does not know how the money is being spent and what things cost. Bad information leads to bad decisions.

It is important that you as OMB Director take a personal interest in helping get the Defense Department's audit readiness initiative back on track. Unfortunately, the upcoming statutory deadline of September 30th this year that was actually set 6 years ago to be audit ready is becoming a sham. It is time to either deploy a finance and accounting system that can generate reliable information or clean house in DOD's chief financial office.

So I hope you are willing to hold the Defense Department's feet to the fire and see that they are taking meaningful action to be audit ready. That is a question.

Mr. MULVANEY. Yes, sir, and I have been more than a little pleased about my very brief discussion so far with General, now Secretary Mattis, who I believe shares your, my, and apparently the President's commitment to driving efficiencies in to the operations at the Defense Department.

Senator GRASSLEY. The next question leads to the point that your work as Management Director as opposed to Budget Director may actually do more good for our country. I do not have a question, but I would like you to hear me out and commit to consider my point of view on pending regulations relating to EB–5 Immigrant Visa Program. The program was intended to bring much needed jobs and capital to rural and economically distressed areas. But as we have proven over and over, the EB–5 Regional Center Program has been plagued by fraud and abuse. The Obama administration produced regulations, thank God, to improve the EB–5 Immigrant Visa Program. The regulations would clean up the program by stopping gerrymandering and increasing investment levels for the first time since this program was created in 1991.

I bring this up because right now these regulations were published last week and need to be finalized and need to be kept by the Trump administration. This is a bipartisan and bicameral issue, and all Judiciary leadership in both the House and Senate, Republican and Democrat, support the regulations. So I hope you will take our support for these regulations seriously.

Mr. MULVANEY. I will, and I was pleased to have the opportunity for you to inform me about some of the things I was not aware of, for example, the gerrymandering issue. And you have my commitment that I will take that directly to the President if given the opportunity.

Senator GRASSLEY. Okay. The Chairman brought this issue up. I want to bring it up in a little different way. I have worked for years to tackle abuse of Federal charge cards. In 2012, Congress passed my legislation to establish a set of controls for each agency that they must have in place to prevent misuse of Government-issued charge cards. Of course, your agency is in charge of issuing guidance and ensuring agency compliance. While there have been reductions in abuse, agencies must remain vigilant. OMB needs to make sure the agencies continue to comply. I know you were an active Member in Congress to reduce improper payments. Will you commit that OMB under your leadership will remain vigilant in ensuring agencies do everything they can to prevent misuse of Government-issued charge cards?

Mr. MULVANEY. Senator, this President will not tolerate the type of abuse that you just referenced, and you have my absolute commitment to do just as you request.

Senator GRASSLEY. Okay. Last question. The previous administration believed in deficit spending in order to invest in Government initiatives to help the middle class. CBO has analyzed in great detail the long-term consequences of deficit spending. They have found that in future years, a growing portion of people's savings would go towards buying Government debt rather than productive capital investment. That is crowding out, as you know. The smaller capital stock would result in lower wages and incomes, making future generations worse off.

Now, this may sound like a softball question, but it is very basic. What is your view on the impact of deficits and debt on future generations?

Mr. MULVANEY. The crowding out is real. The numbers I have seen in the academic research would indicate that, give or take, when debt approaches 85 percent of GDP, you start to see real effects of crowding out. And there is a correlation between the size of the debt and the reduction in the growth of GDP and the reduction in the growth of employment.

I think the current CBO projections are that—the way they measure the debt will be at 85 percent roughly by 2024 or 2025. This is a very real and pressing issue. It affects your family; it affects my children, their ability to get a job going forward, and I take it deadly seriously, sir.

Senator GRASSLEY. Thank you for your good answers.

Chairman ENZI. Senator King.

Senator KING. Thank you, Mr. Chairman.

Congressman Mulvaney, welcome. First, I want to associate myself with the comments of Senator Corker and yourself on OCO. OCO is too easy, and it is really not an honest way to deal with the defense budget, which has real needs, but it should not be done through the borrowing and not paying for it.

Also, I completely share your view that the debt and the deficit are a grave issue facing this country. My particular concern is about interest rates. Interest rates, as you know, are at a historic low right now, and it is pretty easy to calculate. For every 1 percent an interest rate goes up, we are out 100—well, now $200 billion. And that can very rapidly eat up almost the entire current discretionary budget in a hurry, just by forces over which we have no control. So absolutely right to be concerned about that.

Let me talk a bit about the issue of management. The title of your job is the Office of Management and Budget. Most of today has been talking about budget. The Chairman at the beginning talked about overpayments in the Federal Government, something like $144 billion. Another piece of that is undercollection of revenues by the IRS, which is estimated as high as $500 to $600 billion. Most of us pay our taxes that are owed. Some people do not. Those who do not are not paying their fair share. If you put those two together, $600 billion a year, that would eliminate the current deficit just through better management.

Now, the problem is it is going to take more people to provide that management. You cannot expect the IRS to improve their collection with fewer people. So I hope that you will take seriously these opportunities, but you cannot move in two directions at once by reducing the Federal workforce and still expecting more results in terms of monitoring overpayments or collecting more efficiently through the IRS.

Mr. MULVANEY. I recognize that, and that is an excellent point, Senator. I would encourage you at the same time to consider that another way to increase collection without having to hire more people is to have a simpler tax code, and that one of the reasons—certainly there are people who choose not to pay. They are devious. They do not want to follow the law. They get all that. But there are a lot of folks who do not pay just because it is really, really hard to do. And it might make it actually easier to collect if we had a tax code that was easier for folks to comply with.

Senator KING. I remember once when I worked here many years ago, there was a proposal that Members of Congress should have to prepare their own tax returns. That might solve a lot of these complexity problems.

Should tax cuts be revenue neutral?

Mr. MULVANEY. If I have a chance to sit and talk to the President about this, I would encourage him to look first and foremost on the effects on the overall economy, on the effects of growth of any tax cuts, because as I have mentioned here a couple times today, given the political situation we face in this country, I think the best chance you have to reduce the deficit or balance the budget is to accomplish economic growth. That should be the first-

Senator KING. I would agree with that, but there is this theology out there that lowering taxes equals greater economic growth. I have tried seriously to find economic studies that substantiate that. I have not been able to find them. For the record, I would appreciate your supplying whatever data you have or studies that have indicated that that is the case. The Bush tax cuts in the middle of the last decade did not have that effect. My understanding of the experiment going on in Kansas is that it has not had that effect.

So I think we need to be careful with a cavalier assumption that tax cuts will indeed stimulate growth and, therefore, be self-funding. That is an idea that kicks around here. But I do not think there is much data to support it, and the problem is if it does not work, you have only dug the hole deeper. And if you add the proposed tax cuts, $450, $500 billion a year, to increased defense spending, to the current deficit, you are talking about a $1 trillion a year further deficits.

Mr. MULVANEY. And I would like, Senator, for you to share that information as well. My commitment to you in the opening statement stands. In fact, it is how I look at the job, very seriously, which I want to take a fact-based approach when advising the President. So if there is data that you would like me to see on that point, I would welcome it.

Senator KING. Well, and on the question of tax cuts, I had a friend, a guy in a hardware store, a clerk, tell me that there is no such thing as a tax cut when you are in a deficit situation because if you cut taxes and borrow the money to fill the hole, all you are really doing is shifting those taxes to your kids. And I think that is an important point. So we have to be really careful about this, that we not simply give ourselves a tax cut and then lay it on our kids who are going to have to eventually pay it with interest.

Mr. MULVANEY. It is amazing sometimes how much sage advice you can get in a rural hardware store. I have had the same experience.

Senator KING. Particularly in Maine. [Laughter.]

Mr. MULVANEY. I like the ones in South Carolina, but I take you at your word.

Senator KING. A final quick question. There has been some discussion about the debt ceiling, and you voted against it, and you feel this is an opportunity for a conversation. Will you counsel the President that violating the debt ceiling is not a big deal?

Mr. MULVANEY. I will counsel the President as to the ramifications of raising the debt ceiling and of not raising the debt ceiling. I feel like I have a grasp of both sides of that issue and look forward to conveying both—all of the arguments to him so that he can make the best decision possible. And then I will——

Senator KING. I hope you will——

Mr. MULVANEY [continuing]. Defend his position.

Senator KING. I hope you will take that very seriously, because I have never seen any particular data or studies that indicate that violating the debt ceiling would be good for the American economy. Thank you, Congressman Mulvaney.

Mr. MULVANEY. Thank you, Senator.

Senator KING. Thank you, Mr. Chairman.

Chairman ENZI. Senator Boozman.

Senator BOOZMAN. Thank you, Mr. Chairman. And thank you for being here. We have talked a lot about the fact that we are $20 trillion in debt, looking at significant indebtedness in the next 10 years. The point that Senator King brought up about the interest rate, I would like to follow up on that in the sense that—what is the interest rate that we are paying now on the national debt? Not as far as dollars, but the percent.

Mr. MULVANEY. I think your effective rate is probably right around 2 percent. You are going to pay about $400 billion of interest this year.

Senator BOOZMAN. And we talk about the economy heating up, which we desperately want, and yet that is going to cause interest rates to go up.

Is it true that traditionally the debt is serviced at 5 to 6 percent?

Mr. MULVANEY. I think the historical 40-year average, which is roughly my adult lifetime, is about 6 percent, yes, sir. And it has been as high as 16 or 18 in the 1970s and 1980s.

Senator BOOZMAN. But 5 or 6 percent is a conservative number——

Mr. MULVANEY. Yes, sir.

Senator BOOZMAN [continuing]. That we could all agree on. What does it cost for every 1 percent increase in the——

Mr. MULVANEY. A good rule of thumb right now is $200 billion.

Senator BOOZMAN. $200 billion per year?

Mr. MULVANEY. Yes.

Senator BOOZMAN. Okay. Very good. So you are talking about a tremendous amount of money over a 10-year period.

Mr. MULVANEY. Yes, sir.

Senator BOOZMAN. And as Senator King pointed out, you get in a situation, just like individuals get, where you simply cannot service the debt. So $200 billion, that is a third of our defense budget.

Mr. MULVANEY. That is correct. Yes, sir. It is almost exactly that.

Senator BOOZMAN. So, again, I think it really highlights the importance of getting these things under control, as my constituents understand.

Mr. MULVANEY. Yes, sir.

Senator BOOZMAN. One of the things I think we can all agree here is that the budget process, the appropriations process, is broken. Here we are into almost February. The fiscal year started in October, and we are not going to have this thing resolved for another couple months as far as fiscal year 2017, much less fiscal year 2018. So how do our agencies, how can they spend efficiently? We talk a lot about Government waste. How can you be efficient when you are facing that kind of scenario?

Senator Enzi, myself, I talked to you when you were in the office about biennial budgeting, things like that. Do you have any ideas as to how we can, again, as a Congress, attack the situation that we have so that we can make the process more efficient and ultimately save a lot of money?

Mr. MULVANEY. You are exactly right, Senator. The Government agencies, most specifically the Defense Department, struggle to operate efficiently under a continuing resolution, which is typically what we have done here for the last several years. And as I have discussed with you and many members of this Committee, reinvigorating the ordinary regular appropriations process should be not only a priority of Congress, but I hope to help make it a priority for the administration and have the opportunity to explain to the President why it is important that appropriations work, not only for political purposes but for actual practical purposes and why having an appropriations bill allows the Department of Defense, for example, to operate more efficiently.

So I am hopeful that you will have whatever support you need from the White House in order to reinvigorate the appropriations process.

Senator BOOZMAN. Very good. On the issue of improper payments, which we have talked about, during your time on the House Oversight Committee, you sponsored legislation to empower States to access Treasury's Do Not Pay database. Despite similar legislation actually being signed into law, it appears OMB has yet to give States the access. Can we look forward to seeing these resources being made available to the States for their use?

Mr. MULVANEY. Yes, sir. I think one of the advantages of having one of the co-authors of an improper payments bill running OMB is that you can pretty much count on the fact that we will take that very, very seriously.

Senator BOOZMAN. Very good. Under President George W. Bush, OMB instituted an administrative PAYGO rule requiring any rules or other administrative actions which increase the deficit be offset by other actions that would reduce the deficit. President Obama opted not to use this ability. Will you go back to enforcing this rule as OMB Director?

Mr. MULVANEY. Yeah, I would like to point out I believe that rule was actually originally attached to a debt ceiling debate. That is one of the specific examples of how we do take that opportunity to step back and try and reform our spending system. I look forward to advocating to the President that it would be fiscally sound for this administration to encourage PAYGO.

Senator BOOZMAN. One of the problems we have had not only in the past administrations but administrations in general is, as we ask for things from OMB, ask for things from the various agencies, sometimes those are not given to us in a timely fashion. I know you have been frustrated with this as a Member of Congress. I think everybody in this room has been frustrated.

Will you tell us that you will be very responsible in doing that so that we can get the information that we request?

Mr. MULVANEY. As I believe I mentioned in my opening statement, I have been on the other side of that. Having been a Member of Congress and seeing what it does to the way we operate when we do not talk to each other, do not communicate, and one side hides information from another, it is not helpful to anybody, and it is certainly not helpful to the people that we represent. So I do look forward to helping the information flow again and to having a good relationship with all parties on both sides of the Hill.

Senator BOOZMAN. Good. Thank you, Mr. Chairman.

Chairman ENZI. Senator Merkley.

Senator MERKLEY. Thank you very much, Mr. Chairman. We have a lot of hearings in different parts of the building, in this case in the Capitol, and I wanted to start with where Senator Cotton was when he was introducing you, which he referred to you as a "bold truth teller."

I have behind me two pictures that were taken at about the same time of day in 2009 and 2017. Which crowd is larger—the 2009 crowd or the 2017 crowd?

Mr. MULVANEY. Senator, if you will allow me to give the disclaimer that I am not really sure how this ties to OMB, I will be happy to answer your question, which is: From that picture, it does appear that the crowd on the left-hand side is bigger than the crowd on the right-hand side.

Senator MERKLEY. Thank you. The President disagreed about this in his news report. He said, "It is a lie. We caught them. We caught them in a beauty," referring to the press reporting. He said, "It looked like a million, a million and a half people."

The reason I am raising this is because budgets often contain buried deceptions. You and I talked in my office about the magic asterisks. This is an example of where the President's team on something very simple and straightforward wants to embrace a fantasy rather than a reality. In fact, it has come up a lot because Sean Spicer, the Press Secretary, said that the photographers framed their photos to minimize the enormous support on The Mall—in other words, a conspiracy thesis—and went on to say it was "the largest audience to witness an inauguration, period." I gather you would disagree with the Press Secretary.

Mr. MULVANEY. Again, I would be happy to comment on the photograph——

Senator MERKLEY. With your caveat.

Mr. MULVANEY. I am not familiar with the statements. I do agree that the photographs were as you represented them.

Senator MERKLEY. Thank you. Chuck Todd noted in his conversation with Kellyanne Conway that you had just had a Press Secretary at the start of his time in his office present a falsehood to the press and to the American people. And Kellyanne Conway responded, "You are saying it is a falsehood. Sean Spicer gave alternative facts."

Are you comfortable, as you proceed as a key budget adviser, presenting falsehoods as simply an alternative fact?

Mr. MULVANEY. As you and I discussed in your office, I have every intent and believe that I have shown up to this point in my time in Congress that I am deadly serious about giving you hard numbers, and I intend to follow through on that.

Senator MERKLEY. One of the false facts that has been repeated in previous budgets is to say that tax cuts for corporations and tax cuts for the rich in America will increase revenue. I have gone through the numbers from 1981, from 2001, and 2003. I am sure you are familiar with this. Did President Reagan's 1981 tax cut increase or decrease revenue?

Mr. MULVANEY. Senator, we just had a chance to discuss that with Senator King, and I will invite him to do—you to do the same thing I invited him to do, which is, as I commit to you to take a fact-based approach to the budget, I would welcome any information you have on those types of matters.

Senator MERKLEY. Are you unfamiliar with the 1981 tax cut?

Mr. MULVANEY. I am familiar with it generally. I was 14 years old.

Senator MERKLEY. Did revenue go up or down in the 2 or 3 years following that?

Mr. MULVANEY. I honestly do not remember, sir.

Senator MERKLEY. Okay. It went down. In 2001, President Bush's tax cut, did it increase or decrease revenue?

Mr. MULVANEY. I do not know.

Senator MERKLEY. It went down substantially. In his 2003 tax cut, did it increase or decrease revenue?

Mr. MULVANEY. I am not familiar with the numbers.

Senator MERKLEY. So if you review the numbers and you see that this is a falsehood, this argument, this kind of magic gift, if we can cut taxes for the rich and powerful but somehow it will increase revenue, if you find that that is false, will you take that truth, the falsity of that often repeated claim, and make sure the President knows what is true and what is false?

Mr. MULVANEY. Senator, let me say—let me answer your question this way, and I will try to be as straightforward as I can. In order to do the best possible job for the President, I think it is incumbent upon me to present him with all possible cogent arguments on both sides. And if there is data that—and I have no reason to think you are lying to me. I actually believe you to be telling the truth. But if there is data that backs that up, if there are academic studies, I would tend to use those, just as I would if there are academic studies on the other side of that argument.

Senator MERKLEY. Often this strategy is used to say—and this is particularly true, unfortunately, in Republican administrations—that this is a way we can claim to be fiscally responsible while doing a lot of favors for very powerful people we like, and not talking about the many giveaways that are already in the tax code for the very rich and powerful.

There is a CBO study that lays out an extensive—I think it was a 2011 study. I will be happy to—I will not put it in the record because it is so long, but I will be happy to make sure you have a copy that goes through multitudinous strategies for improving the deficit, decreasing the deficit. But a lot of those things that would improve the deficit are the result of tax code positions taken that are making the affluent more affluent and increasing income inequality.

Will you take a serious look at these opportunities and not just be in the mode of let us cut taxes on the rich and decrease services for struggling American families?

Mr. MULVANEY. And I think it was Senator Whitehouse and I who discussed this earlier, but I told him that I think that maybe he and the President were getting to the same conclusion by different roads, which is that the tax code needs to be reformed so that it is fairer and simpler.

Senator MERKLEY. But a strategy that decreases taxes on the rich while decreasing programs for struggling families, would you oppose or support that?

Mr. MULVANEY. Again, my job will be to advise the President of the economic ramifications of all of the options that are presented to him.

Senator MERKLEY. Your sense of internal justice, though, is that just? Decreasing taxes on the rich, decreasing programs for struggling American families?

Mr. MULVANEY. Again, Senator, I am not in a position to give a comment on a tax plan I have not seen yet. If you are asking my sense of justice of robbing from the rich and giving to the poor——

Senator MERKLEY. No, that was not what I was asking.

Mr. MULVANEY. Okay.

Senator MERKLEY. But tax fairness for the rich and program fairness for struggling families.

Mr. MULVANEY. I agree with you on tax fairness, yes, sir.

Chairman ENZI. Senator Perdue.

Senator PERDUE. You do not really want to call on me right now, Mr. Chairman. I am thoroughly disgusted. It is amazing to me. This is what is wrong—and I apologize to you, Congressman. I have sat in here for the better part of this meeting, and I have to tell you, this is probably one of the most blatant partisan committees that I sit on, and, unfortunately, it deals with the financial future of our kids and grandkids, as you well point out.

Would you agree, sir, that our budget process is broken? You have been on the House Budget Committee for 6 years, as I understand it.

Mr. MULVANEY. No, sir. I have served 2 years, but I did additional work on budget matters after that.

Senator PERDUE. Would you agree or disagree that the overall budget process is broken in Congress?

Mr. MULVANEY. Yes, sir.

Senator PERDUE. In my opinion—and let me just offer some observations. I fully support your nomination. We had a great opportunity in my office to go through my questions. I have a statement, Mr. Chairman, that I would like to submit for the record.

Chairman ENZI. Without objection.

[The prepared statement of Senator Perdue follows:]

(Signature)

Statement for the Record
From Senator Perdue
Nomination of the Honorable Mick Mulvaney to be OMB Director
January 24, 2017
Senate Budget Committee

**Statement for the Record:**

Congressman, thank you for your service and your willingness to continue to serve our country. While many of my colleagues have raised concerns or issues with the actions of the past administration or sought reassurance from you about the incoming administration, I want to discuss an issue that I raised with you in our recent meeting. Over the past century, across both Republican and Democrat administrations, we have seen a slow, steady erosion of Article I powers, as Congress has steadily ceded the "powers of the purse" over to the Executive branch. Over the next few months, we will develop, debate, and pass a Congressional budget resolution, a document that outlines the spending priorities of this Congress. However, most of the country is focused on the President's budget request because they understand the true spending powers are now resting with the Executive Branch.

Starting with the Budget and Accounting Act of 1921, which created the Bureau of the Budget, we have seen spending decisions shift from elected officials to a department staffed entirely by career bureaucrats answerable first and usually only, to the President and not to Congress. Cession of Congressional power was worsened by passage of the Congressional Budget and Impoundment Act of 1974 that, ironically, was enacted to curb excessive powers of the executive branch. Since that time, Congress's record on funding the government as prescribed by the '74 Act has been dismal. In fact Congress has only funded the Federal government according to plan four times. Let me repeat this, only four times in the past 42 years have all 13 appropriations bills been passed by both houses and signed by the President. Instead, the running average for the last 42 years has been 2.65 appropriations bills passed per year. In the past decade, Congress has averaged only .5 appropriations bills per year. In the absence of regular order where 13 appropriation bills are debated and voted upon by Congress, we have used 175 Continuing Resolutions to fund the operations of the federal government. With each Continuing Resolution, the President through OMB has more influence in the spending priorities for the nation rather than Congress.

I have already pledged to bring this problem to the attention of the American people and to spend my time in Congress fixing this. It is my hope that you will work from within the administration to curb the excesses of executive power and constitutional overreach that has fragmented the funding process and concentrated power in the handles of far too few people in Washington D.C.

Senator PERDUE. In 2000, under Bill Clinton, President Clinton, our Federal Government spent $2.4 trillion running itself, total, all in. That is all mandatory, all discretionary, everything, 2.4. Last year, we spent 3.7. So one Democratic administration, one Republican administration. We have exploded the Federal Government from $2.4 to $3.7 trillion. And that is not military expense.

At the same time, we grew revenue from $2.4 trillion to $3.4 trillion. Those are constant 2015 dollars. So I would submit that the process is broken. As a matter of fact, the evidence is there. Since 1974, when the Budget Act was created, we have only funded the Government the way that Budget Act calls for in its law, we have only done that as a Congress four times. As a matter of fact, in those 42 years, we have used 175 continuing resolutions to fund the Government.

As a matter of fact, over those 42 years, now up until 2000 we had 13 appropriation bills. Post 2000, we had 12 appropriation bills that we have to appropriate and pass in order to fund the Federal Government. It shocked me to find out that the average number of appropriation bills is only two and a half, the average, per year of actually being passed into law.

You made a comment earlier that you wanted the President of the United States to rely on that process. I would submit, sir, that it is broken process, it will not ever work. It contributes to this debt. We are going to—in the last 10 years—or in the last 8 years, we have borrowed 35 percent of what we spent as a Federal Government. Over the next 10 years, we are going to borrow—under the baseline, as you said, we are going to borrow another 30 percent, which will add about $9.5 trillion to a $20 trillion debt.

Today, if interest rates were just at their 30-year average of about 5 percent—we can do the math—it is untenable. There is no way that we can fund $1 trillion of interest.

So all the conversations we have here, all the polarizations you see in here, is because fundamentally the budget process is broken. It does not give us a politically neutral platform upon which to have the debate about tax expenditures, about tax cuts, about spending cuts, about all the things that both sides think are important in terms of solving the debt crisis.

My question to you, sir, this morning is very simple. At OMB, you have looked—I presume you will or have looked at the 1921 act that created the Office of Management and Budget.

Mr. MULVANEY. Yes.

Senator PERDUE. I have two concerns. One is we need help breaking through this gridlock here in Congress. Can you do that from OMB? And, two, does the office of OMB today, because of the legislative total dysfunction, total fraudulent dishonesty that this Congress and every Congress since 1974 has perpetrated on the American people—because of that withdrawal from its responsibility in Congress, OMB in my opinion has overstepped what was outlined in the 1921 act and certainly in Article II. Are you concerned that with this dysfunction in Congress that OMB is, in fact, overstepping its Article II restrictions?

Mr. MULVANEY. I am not familiar with the specific mandate of Article II. I can——

Senator PERDUE. Would you look at that some time as you get your feet on the ground? That is one that I would love to engage on.

Mr. MULVANEY. On your first point about what we could do to help break the gridlock, your point is well made, which is that it is going to be something that Congress will have to drive the process on because it is a congressional appropriations process. But, again, I will be encouraging the President to do everything he can to allow that appropriations process to work. What does that mean? For the last several Congresses, I am of the opinion that various elements in the Congress have used the defense appropriations bill as a hostage, that we probably could have passed a defense appropriations bill and one that I voted for from time to time and that could have been signed by the President but was held up intentionally in order to leverage items on other appropriations bills, and it created a logjam and part of that gridlock that you create—that you correctly reference.

And so one of the things that I would be encouraging the President to do is, "Mr. President, not only should you allow the appropriations process to flow, but you should actively engage to encourage it to happen, because it is the best way to spend taxpayer dollars."

Senator PERDUE. Thank you.

Thank you, Mr. Chairman.

Chairman ENZI. Senator Harris.

Senator HARRIS. I think you are nearing the end. I think I am number 98 among all the Senators. [Laughter.]

Mr. MULVANEY. But number one in my heart, Senator.

Senator HARRIS. Oh, oh. You must have a very big heart. So, Congressman, in January of 2013, you opposed Federal relief for families and businesses in New Jersey and New York that were hit by Hurricane Sandy, and at the time you said it was because it was not paid for. But in 2015, South Carolina benefitted from Federal relief for flooding even though it was not paid for.

In advocating for that relief, you said there will "be a time for a discussion about aid and how to pay for it, but that time is not now."

As you probably know, California has had its share of natural disasters, whether it be drought or forest fires or earthquakes or severe storms, which result in safety hazards for millions of people and millions of dollars of damage to infrastructure and in some cases death.

For me to consider your nomination as the Director of OMB, the main person, of course, who would be in charge of assessing governmental spending, can you assure me that when natural disasters hit various parts of the country like California, that you will be willing to put the immediate interests of people in need as the first priority for you? Or will you insist that the budget cuts be made before agreeing to provide critical assistance to those victims?

Mr. MULVANEY. Thank you, Senator. A couple different answers to your question, or ways to answer your question.

First of all, I do believe that there is a proper Federal role in dealing with natural disaster relief. Sandy is a tremendous example. It is something that is simply so large, it is too large for one

State or local government to deal with. It is an appropriate function of the Federal Government.

Senator HARRIS. And you would agree that the need is immediate after a disaster?

Mr. MULVANEY. I did, and that is why I want to point out your quotation, because I believe your quotation—I believe it to be accurate, but I believe the circumstance for this was that I believe I was asked by the media on the day of the event how I was going to pay for this, and that gave rise to my response. There will be a discussion about how to pay for it, but the time is not now because the event was actually happening. It was not at the time that we appropriated the relief.

On the appropriated relief for South Carolina, I believe that my position was entirely consistent. My position on Sandy was that I wanted to help the folks who had been injured——

Senator HARRIS. So can you assure me that if a natural disaster hits other States, like California, for example, that you will not hold up relief for the State waiting to determine whether there are going to be budget cuts or cuts in order to provide that relief? Or are you going to sit back and crunch the numbers while people are waiting for help?

Mr. MULVANEY. I see my role in that particular circumstance as advising the President: "Mr. President, here is what we have done in the past. Here is how it has worked out. Here is how I think we should proceed in this circumstance, and here is why." And then whatever the President says to do, I will enforce.

Senator HARRIS. Even if the Governor of those various States suggests to you that people may be harmed because of that delay?

Mr. MULVANEY. I can only imagine that that would carry a great deal of weight with the President, but it would not be up to me to respond to the Governors. My responsibility would be to the President of the United States.

Senator HARRIS. Okay. In September of 2016, you voted against funding for the Zika outbreak, and then on Facebook you said, "Do we really need Government-funded research at all?" I assume you must be in favor of supporting American innovation and new industries. Is that correct?

Mr. MULVANEY. Yes, ma'am. Generally, on the Zika matter, I do recall that.

Senator HARRIS. So let me—I am not finished.

Mr. MULVANEY. Sure.

Senator HARRIS. And I am sure you agree that scientific innovation and breakthroughs can create entirely new industries, which, of course, will spur growth and economic development.

Mr. MULVANEY. I think our American history shows that to be true.

Senator HARRIS. So let me read you what a globally leading scientist says about this issue: "America has made big scientific breakthroughs for decades because Federal funding allows scientists to pursue research that businesses would not fund because they have no immediate commercial application. Breakthroughs from federally funded curiosity-driven research have not only created new business, but entire new industries." That is a quote from a woman who happens to be at the University of California and won the Breakthrough Prize for advances in genetics. Do you agree with that statement that she made?

Mr. MULVANEY. Again, I do not recall the entire statement, but generally——

Senator HARRIS. Shall I read it to you again?

Mr. MULVANEY. No. Generally, yes. Generally, I do believe that there is a proper role for the Federal Government in research, but I think you hit the nail on the head in that quote when they said that where the private sector would not go in because of the circumstances and time. And I have actually supported that, Senator.

Senator HARRIS. Fantastic. And so, in fact, NSF and NIH spent more than $4.4 billion in research grants for California in 2016. This money has dealt with some of our Nation's most difficult diseases, and scientists are trying to discover, of course, new ways to provide food, water, and energy for our Nation's growing population.

Do you believe that Government-funded research should be a priority?

Mr. MULVANEY. I believe that when we look at grant programs, like the one that you just mentioned, the key is not the amount of the grant to begin with but what we are getting for the taxpayer dollars.

Senator HARRIS. So you are not opposed——

Mr. MULVANEY. I have hopefully answered the question.

Senator HARRIS [continuing]. To the notion of Government funding research for scientific purposes?

Mr. MULVANEY. I have actually supported funding what they call "orphan diseases." You and I may have a chance to talk about that more.

Senator HARRIS. I would like that.

Mr. MULVANEY. Thank you.

Senator HARRIS. Thank you.

Chairman ENZI. Patient Senator Gardner.

Senator GARDNER. Thank you, Mr. Enzi.

Mr. Mulvaney, Congressman Mulvaney, thank you for your willingness to serve. To your family, thank you very much for your willingness to serve as well. This is a public service commitment.

When we came into Congress together in 2010, I remember hearing your thought process on budget, talking to you about the way we could make this Government be a better Government, more effective, more efficient for the people of this country. And I commend you for your time in the House and the work that you have done, and I thank you for it. And while not always agreeing with everyone, while not always agreeing with leadership, sometimes being accused perhaps of being a thorn in the side of some, you have never been one who just prides himself in being that thorn but has found a way to work forward to find a solution. And I think that is what this place needs, somebody who is not just go-along, get-along, but somebody who is going to try to figure out a way forward given the resources and the challenges that this country faces.

Mr. MULVANEY. Thank you, Senator.

Senator GARDNER. When we have difficult days like today, where you have a Commerce Committee hearing and we confirmed a couple of nominees out of the Commerce Committee today, and the Foreign Relations Committee that I also serve on, we had Nikki Haley's nomination today, and I am bouncing back and forth between this Committee and those other two hearings, I only get to hear parts and pieces of the questions. And coming into this Committee at times, I heard several different questions that you were asked which can only lead me to conclude that some must believe that you only think that we are a better country if the poor get poorer. That is absolutely incorrect. And I think that this—what I have heard from some people here who believe that if we simply raised taxes, then the inequalities of this country will disappear.

What has happened over the past 8 years has actually increased the challenges in this country, and I would just ask you a question. Have the wealthy become wealthier over the last 8 years?

Mr. MULVANEY. Yes, sir.

Senator GARDNER. And so it is not the policies of increasing taxes that we can look—that were the problem, because that happened over the last 8 years in some respects. And so actually if we decrease taxes, decrease regulation, it is going to lift everyone up. Is that correct?

Mr. MULVANEY. There used to be a Democrat around here who said that a rising tide raises all ships.

Senator GARDNER. And so just a couple basic questions.

Does overregulation hurt our economy?

Mr. MULVANEY. It does.

Senator GARDNER. Is there any doubt that overregulation hurts the economy?

Mr. MULVANEY. No, sir.

Senator GARDNER. Left or right, liberal economists, do they believe that overregulation is bad?

Mr. MULVANEY. No, and it has actually been encouraging to me as I have talked to members of both parties, that there does seem to be some common ground and some bipartisan work in favor of regulatory relief because we see it from our constituents in these offices every single day.

Senator GARDNER. Does economic growth help the budget?

Mr. MULVANEY. It helps everybody.

Senator GARDNER. And so if you have overregulation, then it hurts the budget. Is that correct?

Mr. MULVANEY. Correct.

Senator GARDNER. So by eliminating overregulation, then you can help the budget, correct?

Mr. MULVANEY. There is some really good academic literature——

Senator GARDNER. Is there any debate on that?

Mr. MULVANEY [continuing]. That suggests that regulatory cost is actually one of the most regressive taxes that we have, that it falls most heavily on the poor.

Senator GARDNER. And there is no university think tank out there that says we will grow our way out of this budget problem through overregulation.

Mr. MULVANEY. I have never seen that.

Senator GARDNER. Do you agree that we are in a state of overregulation at this point?

Mr. MULVANEY. I do. I have seen it firsthand.

Senator GARDNER. Now, it seems like that is the entire premise that I have listened to, at least in the times that I have come in and out of this Committee today, talk of very different approaches to our budget and our economy. But I think everybody, as you just identified agrees with that basic point, that overregulation is bad, growth of the economy is good, and that helps the budget. We have a significant debt. What are our outstanding liabilities on our balance sheet today?

Mr. MULVANEY. Almost $20 trillion.

Senator GARDNER. Almost $20 trillion.

Mr. MULVANEY. That is what is reported. I think if you wanted to actually project, it could be closer to 100. But the actual on—the ones we report right now. $20 trillion.

Senator GARDNER. And there is no way under our current economic growth that we have a way to pay for that, those obligations that we have spent?

Mr. MULVANEY. I do not believe so. No, sir.

Senator GARDNER. And one of the ways, I think, that we could grow this economy is legislation that Senator Lee and I have introduced. It is called the "Reducing Excessive Government Act," or the REG Act. This is an idea that if we increase the debt limit—which this place has done. If we increase the debt limit, then we also ought to decrease the amount of regulations that are in—on the economy at some degree in order to help grow the economy, as you have identified, which helps the budget. So our idea is for every $1 in debt limit increase, then you reduce regulations by a commensurate 15 percent. Is that something that we could work with you on?

Mr. MULVANEY. I would love to see something about that, because I believe, as I think you do, that probably the best thing we can do immediately to help the economy would be to reform the regulatory climate.

Senator GARDNER. And the other thing that I think we have to talk about when it comes to budget is finding ways that the private sector can help reduce spending. One of the things that you and I have talked about, you have been very effective in, is energy savings performance contracts. If you think about what we can do with the private sector, without spending a single dime in taxpayer funding, we have the potential to save $20 billion in taxpayer spending, simply by making our Government buildings, the millions and millions of square feet in office space that this Government has right now, more energy efficient. Will you pledge to continue working with this administration and me on energy efficiency?

Mr. MULVANEY. It would be easy for me to make that commitment. One of the first bills I wrote was with my friend Peter Welch from Vermont on that exact topic.

Senator GARDNER. Mr. Mulvaney, thank you for your patience and perseverance today, the grace with which you have handled this, and I look forward to working with you to grow and expand our economy.

Mr. MULVANEY. Thank you, Senator.

Chairman ENZI. And now the senior person on the Committee and very patient Senator Murray.

Senator MURRAY. Well, thank you very much, Chairman Enzi. Welcome, Congressman Mulvaney. I know we have not found time in our schedules to do a one-on-one meeting. I look forward to hopefully being able to do that.

I do want to be very up front. I have serious concerns with your nomination. I am, of course, troubled by your failure to pay taxes and comply with the law over a period of several years, and it is simply not credible to me it never crossed your mind before now that you might owe taxes on behalf of your household employee. And I do think the failure to pay taxes just kind of underlines the need for all committees to require tax reforms from our nominees as Democrats are asking in the HELP Committee that I am on and committees that do not currently receive taxes.

Unpaid taxes, however, are not my only concern with your fitness for this job. I am a former Chairman of this Committee. I am very proud of the work that we have been able to do to reach across the aisle and move away from the constant budget crises. We were able to do that because we set aside some serious differences and worked to find common ground. And, frankly, I do not see a similar willingness to do that in your background.

You were a member of the Tea Party, correct?

Mr. MULVANEY. I was a member of the Tea Party Caucus, yes, ma'am, in the previous Congress.

Senator MURRAY. You supported shutting down the Government in the fall of 2013, correct?

Mr. MULVANEY. I think that is, in all fairness, Senator, an oversimplification. I did believe that the House bill that passed was a good bill that would have delayed the individual mandate for a year. The Senate refused to take that up, and as a result, there was a lapse in appropriations, which the media now called "a Government shutdown."

Senator MURRAY. Well, it was a support of getting to that. And you opposed, my understanding is, the subsequent bipartisan deal that I reached with now-Speaker Ryan later that year to keep the Government open, correct?

Mr. MULVANEY. I opposed the approval of the deal and then voted for the omnibus spending bill that grew out of it.

Senator MURRAY. Well, I understand, in fact, you also opposed the Budget Control Act in the 2015 bipartisan deal, correct?

Mr. MULVANEY. That is a true statement.

Senator MURRAY. Okay. Do you acknowledge that you will have to work with Democrats in the next round of budget and debt limit deals?

Mr. MULVANEY. Oh, sure, and I have worked with Democrats many, many times in the past, so I have no difficulties and no concerns about my ability to do that in the job, should the Senate confirm me.

Senator MURRAY. So will you commit to pushing back against the Tea Party if they pressure you to not work on a bipartisan basis?

Mr. MULVANEY. My commitment, if you confirm me, is to the President of the United States. My commitment right now, Senator, is to the 750,000 people that I represent in South Carolina, a very conservative place. They seem to like the job that I have been doing. But my boss would change upon confirmation, and my commitment would be to represent the President of the United States to the best of my ability.

Senator MURRAY. Okay. Well, let me just say there are reports that the transition team is preparing a first Trump budget with $10.5 trillion in spending cuts within that, and I sort of put those two things together. And, clearly, we, to me, are headed right back to more Tea Party extremism and ideological purity and dysfunction and brinkmanship and partisanship, all that went with that. And that approach is going to have very harmful consequences.

I want to just give one small example. I was really honored to participate in the Women's March on Saturday, and I want those that are watching this to know that I stand ready to do whatever it takes to protect the health and safety of women. So I was outraged actually to read that the $10.5 trillion in cuts is built from a blueprint that, among other massive cuts that we can all talk about, would eliminate the funding for the Violence Against Women Act that actually helps support survivors of sexual assault and violence. Is that really the message that this new administration wants to send to women?

Mr. MULVANEY. Senator, I have read some of the same newspaper reports you have, but I am not familiar with the details of the budget. In fact, my understanding is that—and there are some strange rules that I am not familiar with on transitions. I have not been allowed to see the details of that budget, so I am not comfortable commenting on them.

Senator MURRAY. I will just say I just still am outraged at the comments that were recorded by President Trump where he was bragging about kissing and groping and having sex with women without their consent. Those kind of cuts would double down on that type of behavior, and I would just say I hope one of the first actions of this President is not to eliminate the very funding that protects women against violence.

So let me just ask you this, Mr. Mulvaney. Have you previously supported eliminating funding for VAWA?

Mr. MULVANEY. I voted against a lot of funding bills, Senator Murray. I am not familiar if there was a specific one on funding for VAWA.

Senator MURRAY. Well, let me just say, if confirmed, would you commit today to oppose eliminating or cutting funding that protects women from violence?

Mr. MULVANEY. My commitment has been as it has been all day today, is to try to advise the President to the best of my ability and then enforce the policies that he sets.

Senator MURRAY. Well, Mr. Chairman, as someone who has sat in that chair and knows the numbers, I do not believe that you can cut $10.5 trillion without having serious impact, as Senator Sanders talks to us about all the time, on Medicare and Medicaid and Social Security, but also on programs that are extremely important to protecting people in this country, many of them who were out on the streets last Saturday.

Chairman ENZI. Thank you.

That, I think, completes the first round. We will begin a second round. Again, we have a deadline of 1:30 for completing this round so that he can get ready for the Homeland Security questions at

2:30. So I will begin the second round I hope with a little easier question than some of them. How does this hearing compare with the bar exam? [Laughter.]

Mr. MULVANEY. In fact, a good friend of mine and my law school roommate is here. We took the bar exam together.

He came up to give me moral support, and I pointed out to him it was very similar to taking the bar exam, except it is on television and my mom and dad are watching this. So that does make it a little different. [Laughter.]

Chairman ENZI. Yes. Well, again, we appreciate your willingness to serve. And one of the things that this Committee has been working on is trying to come up with a budget process that will actually make a difference. One of the problems that we noted was that the President's budget is not the same as the congressional budget, which is not the same as the appropriations spending, which is not the same in some of the departments to any of those. And after we looked at it, we kind of came up with the impression that maybe that was intentional so that nobody could follow the dollars.

So I hope that you would agree that it would be helpful to harmonize the format of the President's budget submission with the congressional budget, with the appropriations budget, and particularly with the Department of Defense so that—they have not been able to have a clean audit yet, and I hope you would agree with that.

Mr. MULVANEY. It goes deeper than that, actually, Mr. Chairman, I think. We did not get a chance to talk today about the DATA Act and some of the reforms that we tried to be put in place on a bipartisan basis. It is almost as if the computer systems in the agencies are set up to not even allow the men and women working there to understand how the money is getting spent. So you are right, there will be a lot of structural reforms that we could put in place that OMB could drive in order to make it easier to understand how the Government works.

We are living in an age of big data, and then here we are as the Federal Government, and we probably have some of the best big data available anywhere, but we cannot use it because no one can share it or read it.

Chairman ENZI. Another one of the things that we have talked about is having a capital budget. What we found out was that we do not even know what the Federal Government owns, let alone how long it will last and when we need to replace it. And, of course, we replace everything out of cash. So what do you think about having a capital budget?

Mr. MULVANEY. I remember when I got here, Senator, and I had been familiar with budgets in one of my businesses, and remember remarking, "There is no capital budget. There is no budget versus actual. There is no this year versus last year." I think ultimately you can find them deep, deep down in the appendices.

But one of the things I struggled to sort of explain to my friends who were still in the private sector that the Government budget process is similar to the private sector budgeting that many of us were familiar with before we got here in the word only. They both use the word "budget" but the system they describe is entirely different. Not to say that you could entirely run the Government like a business or that you could budget for it like a business, but there are some structural inefficiencies into the way our budget and appropriations system run that could benefit from more exposure to outside forces.

Chairman ENZI. I look forward to working with you on that. We have talked a little bit about having a debt-to GDP number as some guardrails to work into the future to get to that balanced budget and to keep our Government afloat. And Senator Kaine has been a strong advocate on that. We had a lot of bipartisan things that we thought could help to straighten things out.

Another thing was biennial budgeting. Since we do not seem to be able to make it through the process every year, maybe we could make it through once every 2 years. And, of course, one of the provisions that I put out there was one of having the budgets divided into—the 12 budgets into two halves so that we do the six tough ones right after an election and the six easy ones just before an election.

Do you have any ideas on things that we might do with the budget?

Mr. MULVANEY. Yes, sir, I will always remember that conversation because you put a House Member in the very, very difficult situation of having to admit that the Senate bill might be better than the House bill.

I was a cosponsor of the biennial bill in the House and was very intrigued by your comments and your ideas about taking that 2-year budget and bifurcating it so you had rolling appropriations bills of six each year for 2 years and allowing the appropriations process to function, giving the appropriations process the deference and the respect that it deserves, at the same time doing what biennial budgets do, which is to increase the horsepower available to do oversight on the budget process and on the appropriations process. So I was very enthusiastic about that and look forward to extolling the praises of that to the President, if given the chance.

Chairman ENZI. Well, when you are confirmed, I look forward to working with you on all of these things and hope that we can pull the Committee together for some good bipartisan suggestions for ways that will help to improve knowing where we are and where we are going.

Senator Sanders.

Senator SANDERS. Thank you, Mr. Chairman.

Congressman, my friends in the House have said that you are honest and a straight shooter, and I think that is how you have presented yourself today, and I appreciate that.

Mr. MULVANEY. Thank you, Senator.

Senator SANDERS. Let me ask you a philosophical question because, if selected, if appointed, you will be a key adviser to the President. As I mentioned earlier, the President made a cornerstone of his campaign his belief that Social Security, Medicare, and Medicaid should not be cut in any way. He said it over and over again, and I suspect he won the election based on that promise.

You disagree with him, and that is certainly your right. You believe we should raise the retirement age. You have voted over and over again to cut Social Security in one way or another.

When you talk to the President about Social Security, Medicare, and Medicaid, do you tell the President that it is more important that he keep faith with democracy, keep faith with what he told the American people, or should he acknowledge that he lied and then change his views and cut Social Security? What is——

Mr. MULVANEY. Senator, I have no reason to believe that the President has changed his mind from the statements he made during the campaign. As we have talked about here today, though, my job is to do exactly what you just said in your very kind introduction, which is to be completely and brutally honest with him about——

Senator SANDERS. Do you believe then that the President will keep his word and not cut Social Security,

Medicare, and Medicaid?

Mr. MULVANEY. I have no basis right now for telling you what the President of the United States is thinking. I know what I want to be able to do as the OMB chairman, which is lay out the facts——

Senator SANDERS. But my question was—and it is an interesting question, because you do advise the President on budget. But it is a deeper sense. You know and I know and everybody here knows, no matter what our politics may be, there is a lot of disgust with politics in America today.

People run for office, they say one thing; they get elected, they do something else.

Would you tell the President that it is more important to keep his word, keep faith with the American people, or do what you think is better policy? That is my question.

Mr. MULVANEY. It is a fair question, Senator. I think you are probably asking the wrong person. I do not think it is the role of the Director of the Office of Management and Budget to advise the President on that. My role would be to advise him on the financial and economic ramifications of the decisions he makes.

Senator SANDERS. I think close advisers to the President will advise him on many things.

All right. Let me ask you this. You know, we have talked a lot today about the deficit and the debt. Important issues. What we have not talked about is the grotesque level of income and wealth inequality in America. What we have not talked about is that from 1985 to 2013 there has been a massive transfer of wealth from the middle class to the top one-tenth of 1 percent. Okay?

My question is: When we talk about the budget, we have multibillionaires like Donald Trump who proudly tell the American people he has not paid a nickel in Federal taxes. And yet we have people talking about cutting Social Security, Medicare, and Medicaid. Do you think it is more important that we tell billionaires like President Trump and others, that we tell large multinational corporations like General Electric and others, who in a given year did not pay a nickel in Federal taxes because they harbor their money in the Cayman Islands and elsewhere, do you think it is more important to tell the rich and the powerful that maybe they should start paying their fair share of taxes before we cut Social Security, Medicare, and Medicaid or the Violence Against Women Act or defund Planned Parenthood?

Mr. MULVANEY. Senator, I think the most important thing to tell people is the truth, which is what I see my role being.

Senator SANDERS. Is it true, Congressman, that over the last 30 years we have seen a massive shift in wealth from the middle class to the top one-tenth of 1 percent? Is that true?

Mr. MULVANEY. I will not split hairs with you on what the term "massive" means, but if you give me a chance, I will agree with you and say that I do believe that income inequality is growing and it is unhealthy——

Senator SANDERS. Well, there has been—well, right, we can argue about what "massive" means. It is trillions of dollars. Right now you have the top one-tenth of 1 percent owning almost as much wealth as the bottom 90 percent. So my question is: Given that massive, grotesque level of income and wealth inequality, and having people like President Trump not paying a nickel in Federal taxes, and then having people wanting to cut programs for the elderly or the sick and the poor, don't you think maybe we would want to go to the very, very wealthy, the top one-tenth of 1 percent, and maybe to large corporations that do not pay a nickel in taxes?

Mr. MULVANEY. Senator, I welcome the philosophical conversation. I did enjoy the conversation in your office and look forward to doing it again. If you ask me about the disparities between the most wealthy and the worst off, I am more concerned in the wealth that is controlled by the folks who do not have——

Senator SANDERS. But that has shrunk—the middle-class wealth has shrunk. In fact, from 1985 to 2013, the bottom 90 percent has seen its share of wealth go down from 35 percent to 22.8 percent. That is a huge contraction of wealth for the middle class, is it not?

Mr. MULVANEY. And I think what you saw on Saturday is President Trump's ideas on how to fix that problem.

Senator SANDERS. No. What I saw on Sunday were millions of people saying that we do not want more tax breaks for billionaires.

Mr. MULVANEY. I said Saturday. I meant Friday. I apologize.

Senator SANDERS. Okay. Thank you very much.

Mr. MULVANEY. Thank you, Senator.

Chairman ENZI. Senator Whitehouse.

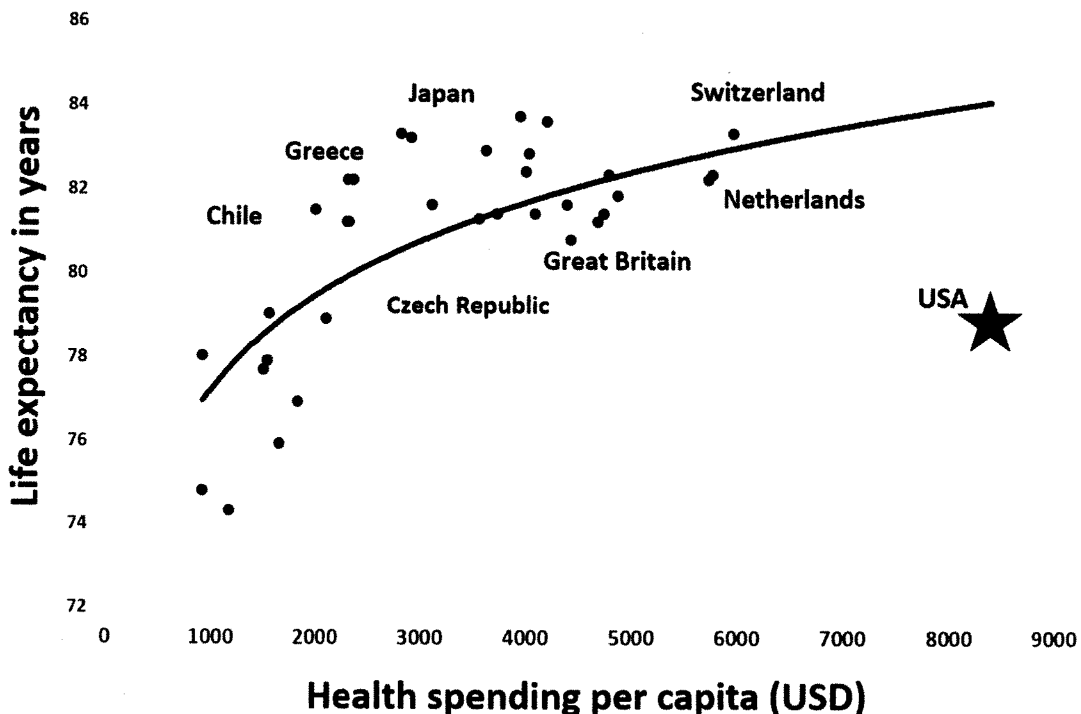
Senator WHITEHOUSE.. Thank you, Chairman.

Congressman, let me show you——

Mr. MULVANEY. You have another chart for me?

Senator WHITEHOUSE [continuing]. Another chart, in the grand traditions of Kent Conrad, who used to be a chart-master here. So this is a fairly self-explanatory chart. Going up this axis is life expectancy, starting at 72 years of life up to 86 years of life. And across the bottom is the amount that the society spends on health care, going from zero dollars per year per capita to $9,000 per year per capita. And the thing that I take away—this is OECD data from 2014. It is the latest we have. What I see in this graph is these boxes right here, the ones that I have shaded lightly just now with my handy-dandy little pen, that covers—if you are in that box, you have a country whose life expectancy is between 80 and 84 years. And if you are in that box, your per capita expenditure on health care is $3,000 to $5,000. And as you can see, the bulk of our economic competitors are in that box. And here we are, way the heck out there.

**Life expectancy at birth and health spending per capita, 2014 (or nearest year)**




Source: OECD

Now, I am a believer in American exceptionalism, but not in this way, because our life expectancy is equivalent to like Czechoslovakia and Croatia. That is not where it should be compared to all of our competitor economies. And our spending is worse than Switzerland and the Netherlands, which are the least efficient and most expensive per capita health care systems among those OECD nations.

So it seems to me that it should not be asking too much of us to try to get into a place where we are competitive with England and France and Germany and Australia and Austria and so many other countries who manage to provide good health care to their populations at a reasonable cost.

So with that background, I think what I am trying to urge you here is that when you go back to our other graph, everybody is super excited on the Republican side about figuring out how you cut the health programs, block grant in Medicaid so you can cut it, let fewer people on Medicare so you can cut it, reduce benefits so you can cut it. But it seems to me that if this is really going to be your focus, even though it is a small number than all the tax stuff going out the back door that we already talked about to special interests mostly, or largely, then in addressing that number, trying to figure out how we get to be more like what so many other civilized and economically developed societies have figured out how to do, which is to improve our Nation's life expectancy and reducing the cost of care, should be a prime mechanism in making that adjustment with that number.

And, you know, the whole prospect of delivery system reform is making progress. The two largest primary care providers in Rhode Island have reduced their per capita expenditure for their patients, one by $4 million in a year, the other by $24 million over 3 years. That is not big money for an OMB guy, but in a small State, that is real money, and those are real reductions in cost. And they were accompanied by better service to the patients. They were accompanied by having nurse managers on at night to take phone calls. They were accompanied by being engaged more with the patient and making sure that they stayed healthy—a little bit like the article in the recent New Yorker by Atul Gawande, that primary care stuff works if people are compensated in the right way and have the right flexibility to actually treat their patients as human beings and not just as ways to grind the machine for money, and everybody is better off.

So I am urging you very, very strongly that in your position you focus on that. I know our friends want to have all this political brouhaha about repealing Obamacare. That is a fine fight. If you want to have it, great, good luck to you. You have not got an alternative. Everything is a complete wreck, as I can tell, on your side of the aisle in terms of trying to generate an alternative. If you want to drive into that wreck, great. But I think if you pay attention to delivery system reform, pay attention to increasing the ways we improve the quality of care and report the quality of care, increasing information in the health care space, and increasing the way in which we compensate doctors for keeping their people healthy, not only will you make a big difference on that graph, not only will you bring down what you say is the biggest cost in the out-years, which is our health care expenditure, but you will also find an open lane with all of us, because there really is room for progress there.

Could you comment?

Mr. MULVANEY. I could make a lot of comments. It is always nice to find another graph fanatic, and I can tell I am going to look forward to working with you, should you confirm me. You and I may disagree on the conclusions, but I would enjoy going through the process.

If I was going to agree or disagree with something, I would like to take the graph down to the President, along with the other one, to show him. But I would hope you would understand that your graph does have some weaknesses in it. It assumes a direct causal effect between the two components on the graph, and I think you might agree that there are other things that may contribute to life expectancy at birth in the United States of America other than just health care.

Chairman ENZI. Senator Kaine.

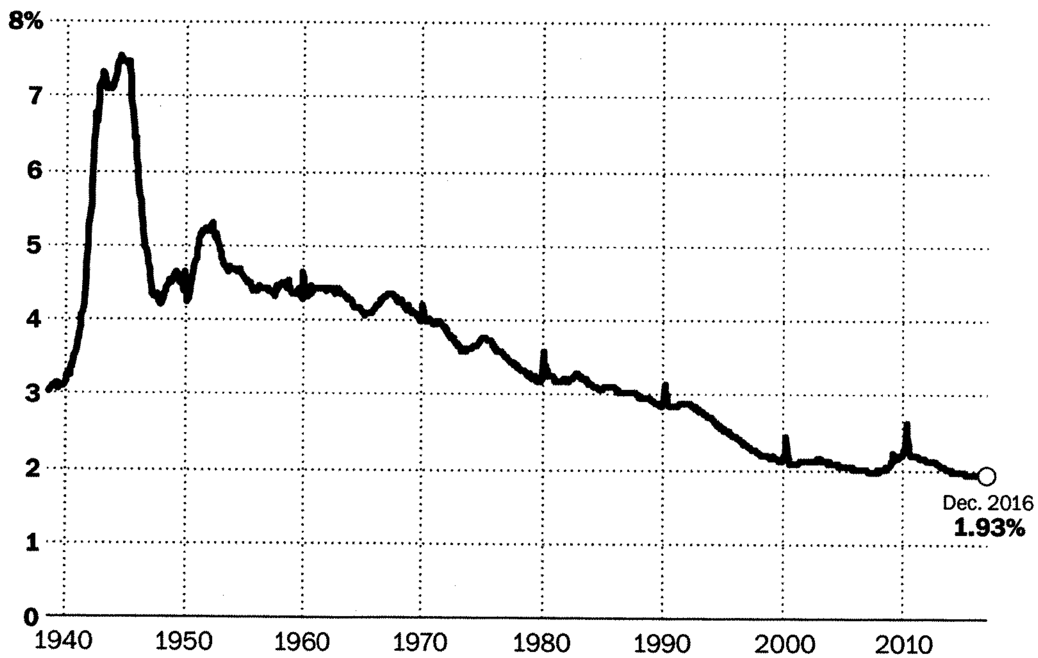
Senator KAINE. Thank you, Mr. Chair. First, two items for the record. I would like to put into the record a chart from—it was published in the Washington Post, but the source is the Federal Reserve Bank of St. Louis showing that the Federal workforce is at its lowest as a percentage of the total non-farm workforce in 70 years.

Chairman ENZI. Without objection.

[The chart follows:]

# A shrinking federal government

Federal civilian workforce as share as total civilian non-farm workforce




WAPO.ST/**WONKBLOG**

Source: Federal Reserve Bank of St. Louis

Senator KAINE. And, second, a CBO report, Budgetary and Economic Effects of Repealing the Affordable Care Act.

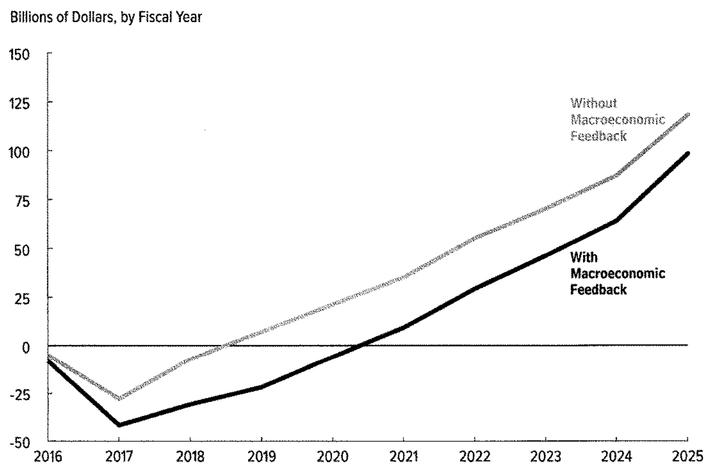
Chairman ENZI. Without objection.

[The report follows:]

CONGRESS OF THE UNITED STATES
CONGRESSIONAL BUDGET OFFICE

# CBO

# Budgetary and Economic Effects of Repealing the Affordable Care Act




Annual Effects on Deficits of Repealing the ACA

JUNE 2015

# Notes

Unless otherwise indicated, all years are federal fiscal years, which run from October 1 to September 30 and are designated by the calendar year in which they end.

Numbers in the text and tables may not add up to totals because of rounding.

As referred to in this report, the Affordable Care Act comprises the Patient Protection and Affordable Care Act (Public Law 111-148); the health care provisions of the Health Care and Education Reconciliation Act of 2010 (P.L. 111-152); and the effects of subsequent judicial decisions, administrative actions, and certain statutory changes. Some statutory changes that have been made subsequently have superseded provisions of the ACA and thus affect the estimated impact of repealing the ACA.

Estimates of insurance coverage reflect average enrollment over the course of a calendar year and include spouses and dependents covered under family policies; people with multiple sources of coverage are assigned to a single category on the basis of their primary coverage.

Additional data—specifically, those underlying the figures in this report—are posted along with the report on CBO's website (www.cbo.gov/publication/50252).

# Contents


| | |
|---|---|
| **Summary** | 1 |
| What Would Be the Major Effects of Repealing the ACA? | 1 |
| How Would a Repeal Affect the Budget and the Economy Over the Next 10 Years? | 2 |
| How Would a Repeal Affect the Budget and the Economy Beyond 2025? | 5 |
| Why Are These Estimates Uncertain? | 5 |
| **Estimating the Effects of Repeal Legislation** | 6 |
| Factors Affecting Implementation | 6 |
| How CBO and JCT Developed the Estimates | 6 |
| Differences From an Estimate of the ACA's Effects Since Its Enactment | 7 |
| **Effects of a Repeal Over the Next 10 Years, Excluding Macroeconomic Feedback** | 7 |
| Effects on Insurance Coverage | 8 |
| Effects on Direct Spending and Revenues Related to Insurance Coverage | 8 |
| Effects on Direct Spending for Medicare, Medicaid, and Other Programs | 10 |
| Effects on Discretionary Spending | 12 |
| Effects on Revenues Not Related to Coverage | 12 |
| Comparison With a Prior Estimate | 12 |
| **The Macroeconomic Feedback Effects of a Repeal and Their Impact on the Federal Budget** | 15 |
| Macroeconomic Effects from 2021 Through 2025 | 15 |
| Macroeconomic Effects From 2016 Through 2020 | 17 |
| Budgetary Feedback From Macroeconomic Effects | 17 |
| Other Potential Effects on Output | 18 |
| **Impact on the Economy and the Federal Budget Beyond 2025** | 19 |
| Effects Excluding Macroeconomic Feedback | 19 |
| Effects Including Macroeconomic Feedback | 20 |
| **Uncertainty Surrounding the Estimates** | 20 |
| The Supreme Court's Ruling | 20 |
| Providers' Responses to Changes in Payment Rates | 21 |
| Trends in Health Care Spending | 21 |
| Responses in Labor Markets | 22 |
| Overall Magnitude of the Uncertainty | 22 |
| **List of Tables and Figures** | 23 |
| **About This Document** | 24 |

# Budgetary and Economic Effects of Repealing the Affordable Care Act

## Summary

Over the past several years, a number of proposals have been advanced for repealing the Affordable Care Act (ACA), which became law in March 2010. In this report, the Congressional Budget Office and the staff of the Joint Committee on Taxation (JCT) analyze the main budgetary and economic consequences that would arise from repealing that law.

To conduct the analysis, CBO and JCT first considered the effects of the ACA's repeal on health insurance coverage and on the federal budget over the next 10 years, holding gross domestic product (GDP) and other macroeconomic variables (such as interest rates) constant—assumptions that underlie most cost estimates used in the Congressional budget process. The agencies then examined the macroeconomic effects of repealing the ACA and estimated the consequences of the resulting feedback for the federal budget over the next decade (involving changes in tax revenue, for example, that stem from changes in GDP). Finally, CBO and JCT considered the budgetary and economic effects of repealing the ACA for the period beyond 2025.

As has been the practice for past analyses of the ACA, CBO and JCT estimated the budgetary implications of a repeal in two broad categories: the effects of repealing the act's provisions concerning insurance coverage—including subsidies provided through the insurance exchanges, added costs for Medicaid, revenues from certain penalties and taxes, and related effects—and the effects of repealing other provisions of the act, which would mostly be related to Medicare spending and tax revenues. For the purposes of this analysis, CBO and JCT assumed that a repeal would take effect on January 1, 2016, and would not change federal law retroactively. As discussed below, all of the resulting estimates are subject to substantial uncertainty.

### What Would Be the Major Effects of Repealing the ACA?

CBO and JCT estimate that repealing the ACA would have several major effects, relative to the projections under current law:

- Including the budgetary effects of macroeconomic feedback, repealing the ACA would increase federal budget deficits by $137 billion over the 2016–2025 period (see Table 1). That estimate takes into account the proposal's impact on federal revenues and direct (or mandatory) spending, incorporating the net effects of two components:
  - Excluding the effects of macroeconomic feedback—as has been done for previous estimates related to the ACA (and most other CBO cost estimates)—CBO and JCT estimate that federal deficits would increase by $353 billion over the 2016–2025 period if the ACA was repealed.
  - Repeal of the ACA would raise economic output, mainly by boosting the supply of labor; the resulting increase in GDP is projected to average about 0.7 percent over the 2021–2025 period. Alone, those effects would reduce federal deficits by $216 billion over the 2016–2025 period, CBO and JCT estimate, mostly because of increased federal revenues.
- For many reasons, the budgetary and economic effects of repealing the ACA could differ substantially in either direction from the central estimates presented in this report. The uncertainty is sufficiently great that repealing the ACA could reduce deficits over the 2016–2025 period—or could increase deficits by a substantially larger margin than the agencies have estimated. However, CBO and JCT's best estimate is that repealing the ACA would increase federal budget deficits by $137 billion over that 10-year period.

Table 1.

## Summary of Estimated Effects on Direct Spending and Revenues of Repealing the Affordable Care Act

Billions of Dollars, by Fiscal Year

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Total, 2016-2020 | Total, 2016-2025 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Estimated Changes Without Macroeconomic Feedback | | | | | | | |
| Effects on Outlays | -71 | -107 | -106 | -100 | -93 | -88 | -77 | -71 | -65 | -43 | -477 | -821 |
| Effects on Revenues | -66 | -79 | -99 | -107 | -115 | -123 | -132 | -142 | -152 | -161 | -466 | -1,174 |
| Effects on the Deficit[a] | -5 | -28 | -7 | 7 | 21 | 35 | 55 | 70 | 87 | 118 | -12 | 353 |
| | | | | | Estimated Budgetary Impact of Macroeconomic Feedback | | | | | | | |
| Effects on Outlays | * | -2 | -3 | -2 | -1 | 1 | 2 | 4 | 5 | 6 | -8 | 9 |
| Effects on Revenues | 3 | 11 | 21 | 26 | 27 | 27 | 28 | 28 | 27 | 26 | 88 | 225 |
| Effects on the Deficit[a] | -4 | -13 | -24 | -29 | -28 | -26 | -26 | -24 | -23 | -20 | -97 | -216 |
| | | | | | Estimated Changes With Macroeconomic Feedback | | | | | | | |
| Effects on Outlays | -71 | -109 | -109 | -103 | -94 | -87 | -75 | -68 | -60 | -37 | -486 | -812 |
| Effects on Revenues | -63 | -67 | -78 | -81 | -88 | -96 | -104 | -114 | -124 | -135 | -377 | -949 |
| Effects on the Deficit[a] | -8 | -42 | -31 | -22 | -6 | 9 | 29 | 46 | 64 | 98 | -108 | 137 |

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

Notes: Repealing the Affordable Care Act (ACA) would reduce the amounts of future appropriations needed by the agencies responsible for implementing the ACA and would eliminate the authorizations of certain other appropriations; such effects on discretionary spending are not included in this table and would depend on future legislative action. In addition, the results shown here do not include effects on discretionary spending that stem from macroeconomic feedback, which are estimated to be minimal.

Direct spending is the budget authority provided by laws other than appropriations acts and the outlays that result from that budget authority.

* = between zero and -$0.5 billion.

a. Positive numbers indicate increases in the deficit, and negative numbers indicate reductions in the deficit.

- Repealing the ACA would cause federal budget deficits to increase by growing amounts after 2025, whether or not the budgetary effects of macroeconomic feedback are included. That would occur because the net savings attributable to a repeal of the law's insurance coverage provisions would grow more slowly than would the estimated costs of repealing the ACA's other provisions—in particular, those provisions that reduce updates to Medicare's payments. The estimated effects on deficits of repealing the ACA are so large in the decade after 2025 as to make it unlikely that a repeal would reduce deficits during that period, even after considering the great uncertainties involved.

- Repealing the ACA also would affect the number of people with health insurance and their sources of coverage. CBO and JCT estimate that the number of nonelderly people who are uninsured would increase by about 19 million in 2016; by 22 million or 23 million in 2017, 2018, and 2019; and by about 24 million in all subsequent years through 2025, compared with the number who are projected to be uninsured under the ACA. In most of those years, the number of people with employment-based coverage would increase by about 8 million, and the number with coverage purchased individually or obtained through Medicaid would decrease by between 30 million and 32 million.

### How Would a Repeal Affect the Budget and the Economy Over the Next 10 Years?

CBO and JCT's estimate that repealing the ACA would increase deficits by $353 billion over the 2016–2025 period, excluding the budgetary impact of macroeconomic feedback, has four major components (see Table 2):

- An end to the ACA's subsidies for health insurance coverage would generate gross savings for the government of $1,658 billion over the 2016–2025 period, CBO and JCT estimate. Those savings would stem primarily from eliminating federal subsidies for insurance purchased through exchanges and from reducing outlays for Medicaid.

Table 2.

## Estimate of the Direct Spending and Revenue Effects of Repealing the Affordable Care Act, Without Macroeconomic Feedback

Billions of Dollars, by Fiscal Year

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Total, 2016-2020 | Total, 2016-2025 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Net Changes in the Deficit From Repealing Insurance Coverage Provisions | | | | | | | | | | | |
| Exchange Subsidies[a] | -41 | -69 | -78 | -82 | -83 | -86 | -91 | -94 | -98 | -101 | -353 | -822 |
| Medicaid and CHIP Outlays | -44 | -66 | -71 | -75 | -82 | -88 | -93 | -97 | -102 | -106 | -339 | -824 |
| Small-Employer Tax Credits[b] | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -5 | -11 |
| Subtotal | -86 | -136 | -150 | -158 | -166 | -175 | -184 | -193 | -201 | -208 | -697 | -1,656 |
| Penalty Payments by Uninsured People | 4 | 4 | 4 | 4 | 4 | 4 | 5 | 5 | 5 | 5 | 19 | 43 |
| Penalty Payments by Employers[b] | 9 | 13 | 15 | 16 | 16 | 17 | 18 | 20 | 21 | 22 | 69 | 167 |
| Excise Tax on High-Premium Insurance Plans[b] | 0 | 0 | 3 | 6 | 7 | 9 | 11 | 14 | 17 | 21 | 16 | 87 |
| Other Effects on Revenues and Outlays[c] | 7 | 15 | 19 | 20 | 21 | 22 | 23 | 25 | 26 | 27 | 81 | 204 |
| Subtotal | 19 | 32 | 40 | 45 | 48 | 52 | 58 | 63 | 69 | 75 | 185 | 502 |
| Net Decrease in the Deficit From Repealing Coverage Provisions | -67 | -104 | -110 | -113 | -118 | -123 | -127 | -130 | -132 | -133 | -512 | -1,156 |
| | Net Increase in the Deficit From Repealing Other Provisions Affecting Direct Spending and Revenues | | | | | | | | | | | |
| Increase in the Deficit From Changes in Outlays[d] | 24 | 35 | 46 | 61 | 77 | 91 | 111 | 125 | 140 | 168 | 243 | 879 |
| Increase in the Deficit From Changes in Revenues | 39 | 40 | 57 | 59 | 62 | 66 | 70 | 75 | 79 | 83 | 258 | 631 |
| | Net Increase or Decrease (-) in the Deficit | | | | | | | | | | | |
| Net Effect on the Deficit | -5 | -28 | -7 | 7 | 21 | 35 | 55 | 70 | 87 | 118 | -12 | 353 |
| On-budget | -8 | -34 | -14 | -1 | 13 | 26 | 45 | 59 | 75 | 104 | -44 | 265 |
| Off-budget[e] | 3 | 6 | 7 | 7 | 8 | 9 | 10 | 11 | 12 | 14 | 32 | 88 |

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

Notes: Positive numbers indicate increases in the deficit, and negative numbers indicate reductions in the deficit.

CHIP = Children's Health Insurance Program.

a. Includes spending for exchange grants to states and net spending and revenues for risk adjustment and reinsurance.

b. Includes the associated effects on revenues of changes in taxable compensation.

c. Consists mainly of the effects on revenues of changes in taxable compensation. CBO estimates that repealing the coverage provisions would reduce outlays for Social Security benefits by about $9 billion over the 2016–2025 period and would have negligible effects on outlays for other federal programs.

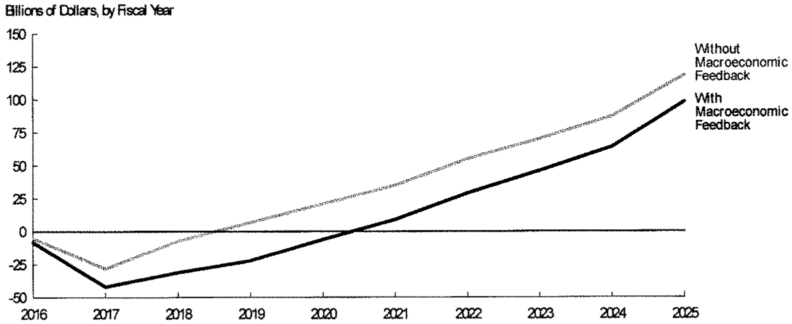
d. These estimates reflect the effects of provisions affecting Medicare, Medicaid, and other federal health programs, and they include the effects of interactions between insurance coverage provisions and those programs.

e. Off-budget effects include changes in Social Security spending and revenues as well as in spending by the U.S. Postal Service.

- Those gross savings would be partially offset by the effects of eliminating several ACA provisions related to insurance coverage that are projected to reduce federal deficits—including the provisions that impose penalties on some employers and uninsured people and that impose an excise tax on certain high-premium insurance plans. In addition, increases in employment-based coverage stemming from a repeal would reduce revenues because most payments for that coverage are exempt from income and payroll taxes. In sum, those effects of repealing the ACA would increase federal deficits by $502 billion over the 2016–2025 period, CBO and JCT estimate, and the net savings from repealing the ACA's coverage provisions would thus be $1,156 billion.

Figure 1.

**Estimated Effects on Deficits of Repealing the Affordable Care Act**




Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

Note: The term "macroeconomic feedback" refers to the estimated effects on the federal budget that would arise from changes in economic output or other macroeconomic variables—such as changes in the number of hours that people work and in their aggregate compensation, which would change revenues, or changes in interest rates, which would change interest payments.

- The ACA also includes many other provisions related to health care that are estimated to reduce net federal outlays, primarily for Medicare. The provisions with the largest effects reduced payments to hospitals, to other providers of care, and to private insurance plans delivering Medicare's benefits, relative to what they would have been under prior law. Repealing all of those provisions would increase direct spending in the next decade by $879 billion, CBO estimates.

- The ACA also includes many provisions that are estimated to increase federal revenues (apart from the effect of the provisions related to insurance coverage). Those with the most significant budgetary effects increased the Hospital Insurance payroll tax rate for high-income taxpayers, added a surtax on those taxpayers' net investment income, and imposed annual fees on health insurers. JCT estimates that repealing all of those provisions would reduce revenues by a $631 billion over the 2016–2025 period.

CBO and JCT also analyzed the macroeconomic effects of repealing the ACA and then estimated the impact of their feedback to the federal budget. According to the agencies' estimates, repealing the ACA would increase GDP by about 0.7 percent in the 2021–2025 period, mostly because provisions of the law that are expected to reduce the supply of labor would be repealed. Over the next few years, however, repealing the ACA would have smaller estimated effects on output—partly because responses to a repeal would be expected to occur gradually and partly because the effects would be muted while the economy is operating below its potential (maximum sustainable) output. Over the 2016–2025 period, that macroeconomic feedback would reduce federal deficits by $216 billion, CBO and JCT estimate, largely because of the additional revenues attributable to the increases in the supply of labor (which would in turn increase employment and taxable income).

All told, CBO and JCT estimate that repealing the ACA would raise federal deficits by $137 billion over the 2016–2025 period through its impact on direct spending and on revenues. A repeal would reduce deficits during the first half of the decade but would increase them by steadily rising amounts from 2021 through 2025. Including the effects of macroeconomic feedback, a repeal of the ACA would increase the federal budget deficit by $9 billion in 2021, rising to $98 billion in 2025 (see Figure 1).

That growth in projected increases in deficits from repealing the ACA reflects the agencies' estimates that, toward the end of the 10-year budget window, the net savings from repealing the law's coverage provisions would increase more slowly than the net costs of repealing the act's other provisions. Although many factors would affect the rate of growth of the savings from repealing the coverage provisions, one reason they would grow slowly is that the annual updates to exchange subsidies are structured in a way that slows their growth, which limits the savings from eliminating them; another is that the revenue loss from repealing the excise tax on certain high-premium insurance plans would grow very rapidly as more plans were affected each year. However, the revenue losses and spending increases that would result from repealing the act's other provisions would grow more rapidly than the net savings from repealing the coverage provisions. Most significantly, the costs of repealing the ACA's reductions in updates to Medicare's payment rates would compound over the next decade because those reductions lower the growth rate of Medicare's costs.

### How Would a Repeal Affect the Budget and the Economy Beyond 2025?

CBO and JCT expect that the trend projected for the latter part of the coming decade would probably continue after 2025, whether or not the effects of macroeconomic feedback are incorporated into the analysis. To generate rough estimates for the decade beyond 2025, CBO and JCT extrapolated the budgetary effects that a repeal of the ACA would have in the years before 2025. According to that analysis, and excluding the budgetary effects of macroeconomic feedback, a repeal would increase annual deficits over the 2026–2035 period by amounts that lie within a broad range around one percent of GDP. Although the macroeconomic feedback stemming from a repeal would continue to reduce deficits after 2025, the effects would shrink over time because the increase in government borrowing resulting from the larger budget deficits would reduce private investment and thus would partially offset the other positive effects that a repeal would have on economic growth. Consequently, taking that feedback into account would not substantially alter the increases estimated for federal deficits that would occur over that period. A repeal of the ACA would probably increase deficits in subsequent decades as well, whether or not the effects of macroeconomic feedback are included.

### Why Are These Estimates Uncertain?

Estimates of the effects of repealing the ACA are subject to substantial uncertainty, which stems at least in part from the difficulty in projecting the effects of the ACA itself. Although initial data are available about some particular effects, the ways in which individuals, employers, states, insurers, doctors, hospitals, and other affected parties will respond to the changes made by the ACA—and the ways in which those same people and organizations would respond to its repeal—are all difficult to predict, and the responses could deviate in either direction from CBO and JCT's estimates. It also is a difficult task—and one subject to considerable uncertainty—to predict how repealing a law as complex as the ACA would be interpreted and implemented by executive branch agencies without some specific statutory guidance.

The Supreme Court's forthcoming ruling about subsidies provided through insurance exchanges constitutes another major source of uncertainty. CBO and JCT's baseline projections and the estimates in this report reflect the way the law is currently being implemented, with subsidies available through all exchanges, but the Court could rule that the law does not authorize subsidies in some states. If that happened, CBO and JCT would reduce their projections of spending on those subsidies under current law and would reduce their estimates of the savings generated by repealing the ACA's coverage provisions—although the magnitude of those reductions is uncertain and would depend in part on the specific details of the Court's opinion.

Over the longer term, there is particular uncertainty about the ways that providers of health care will respond to the ACA's reductions in the updates to Medicare's payment rates and about whether repealing the ACA would weaken pressures for cost control that may have contributed to a broad slowdown in spending growth for health care. The effects on labor markets, GDP, and other macroeconomic variables—and the resulting budgetary feedback—also could be smaller or larger than the agencies have estimated.

On balance, CBO and JCT estimate that the most likely outcome of repealing the ACA would be to increase budget deficits over the 2016–2025 period, but that estimate is designed to represent the middle of a broad range of possible outcomes. In light of the myriad uncertainties involved, it is possible that repealing the ACA could reduce deficits over that period or could increase them by substantially more than the agencies have estimated.

## Estimating the Effects of Repeal Legislation

Implementing a repeal of the ACA would present major challenges. In the five years since its enactment, nearly every key provision of the law has taken effect and has been incorporated into final rules and other administrative actions. Undoing the ACA would thus be quite complicated. As a result, CBO and JCT's budgetary and economic analyses have had to incorporate many assumptions about the ways in which legislation to repeal the ACA would be interpreted and implemented. For several reasons, the budgetary effects of a repeal would not simply be the opposite of the budgetary effects of the ACA itself.

### Factors Affecting Implementation

Although the proposals for repealing the ACA have varied slightly, they have shared many key elements. Generally, they have specified that the provisions of prior law would be "restored or revised as if such Act had not been enacted," but they have not detailed how that would be accomplished.[1] As a result, executive branch agencies would have considerable discretion in determining how to implement a repeal. Some proposals have specified that the repeal would be effective as of the original enactment date of the ACA, indicating that the revisions would be applied retroactively.[2] Others have set effective dates in the future. For purposes of this analysis, CBO and JCT assumed that the repeal of the ACA would take effect on January 1, 2016, and that it would not affect federal spending incurred or federal revenues collected in prior years.

CBO and JCT cannot anticipate with any certainty what choices federal agencies would make to implement such legislation to repeal the ACA. Medicare, for example, would be affected in several fairly complicated ways. In many cases, the program's payment rates reflect base payment amounts that are increased or updated each year according to formulas specified in law. The ACA reduced those updates, and repealing the relevant provisions would clearly cancel the reductions that are currently scheduled to take place in future years. The complication that arises is that the base payment amounts to which the updates will apply are currently lower than they would have been had the ACA never been enacted. If the ACA was repealed, it is unclear whether those base amounts would be adjusted upward so that future payments would not be affected by past update reductions. In other cases, repealing the ACA would require payment mechanisms for Medicare to revert to those used under prior law, but the Department of Health and Human Services (HHS) would need to decide how to calculate those payments once the law was repealed. (Legislation to repeal the ACA could reduce the scope of such discretion, however, by specifying the manner of restoration or revival of the provisions of prior law.)

### How CBO and JCT Developed the Estimates

The analysis presented in this report is based on the spending and revenue projections contained in CBO's March 2015 baseline, as adjusted for subsequently enacted legislation (in particular, Public Law 114-10, the Medicare Access and CHIP Reauthorization Act of 2015).[3] The estimates thus reflect all of the previous administrative actions, judicial decisions, and enacted legislation modifying the ACA's provisions or affecting its implementation that were incorporated into that baseline.

In some cases, provisions of the ACA have been superseded by subsequent legislation, so repealing those provisions would not have a budgetary impact. For example, the ACA extended funding for the Children's Health Insurance Program (CHIP) through 2015. However, P.L. 114-10 extended that funding through 2017, so repealing the ACA would not reverse the extension of CHIP that was enacted as part of the ACA. Similarly, P.L. 114-10 modified provisions governing the premiums that enrollees with higher income must pay for Part B of Medicare, superseding changes to those premiums made by the ACA. Several tax provisions that were enacted as

1. For example, see H.R. 596, a bill to repeal the Patient Protection and Affordable Care Act and health care-related provisions in the Health Care and Education Reconciliation Act of 2010, and for other purposes, 114th Cong. (2015), www.congress.gov/bill/114th-congress/house-bill/596.

2. For example, see H.R. 6079, Repeal of Obamacare Act, 112th Cong. (2012), www.congress.gov/bill/112th-congress/house-bill/6079. For a discussion of the challenges involved in repealing the ACA retroactively, see Congressional Budget Office, letter to the Honorable John Boehner providing an estimate for H.R. 6079, the Repeal of Obamacare Act (July 24, 2012), www.cbo.gov/publication/43471.

3. See Congressional Budget Office, *Updated Budget Projections: 2015 to 2025* (March 2015), www.cbo.gov/publication/49973, and cost estimate for H.R. 2, the Medicare Access and CHIP Reauthorization Act of 2015 (March 25, 2015), www.cbo.gov/publication/50053.

part of the ACA also have been repealed or modified, thus reducing some of the revenue consequences of repealing the ACA.

Furthermore, CBO and JCT anticipate that some changes induced by the ACA would be sustained in the event of its repeal, at least for some period. For example, the ACA established deadlines that accelerated implementation of Medicare's bidding program for durable medical equipment, and CBO expects that if the ACA was repealed, that program would not revert to the slower schedule anticipated under prior law. Similarly, some of the people projected to enroll in Medicaid as a result of the ACA were eligible for the program under prior law and thus would remain eligible in the event of a repeal; CBO and JCT estimate that rates of enrollment among those previously eligible people would remain elevated for a few years. Whether a repeal of the ACA would have broader effects on the rate of cost growth in health care—beyond the effects already captured in CBO and JCT's estimates—is discussed further below.

Because the ACA was a large, complex piece of legislation, estimating the effects of its repeal also is complicated, although the degree of difficulty varies somewhat depending on the provision. For example, estimating the effects of repealing the ACA's insurance coverage provisions is simplified by the fact that those provisions created many new flows of funds that CBO and JCT can distinguish and estimate separately from one another—in particular, the subsidies for insurance purchased through exchanges and federal payments for Medicaid beneficiaries made newly eligible by the law—in constructing baseline budget projections. In those cases, the effect of repeal can be readily estimated by reversing the signs of those amounts as projected in CBO's baseline (with some adjustments, described elsewhere in this report).

However, some of those provisions and many others in the ACA modified existing programs or existing tax law or affected other spending or revenues indirectly. Those budgetary effects are not projected separately in CBO's baseline and must be newly estimated for each repeal proposal, relative to current baseline projections of spending and revenues. For example, Medicare's total payments to hospitals change from year to year for various reasons, and there is no identifiable stream of payments or savings that is specifically attributable to the ACA's provisions—so those savings must be estimated anew. The ACA includes dozens of such provisions that affect payments to different types of providers. Likewise, various provisions of the ACA governing revenues affect the ways that households and businesses arrange their finances and thus alter income or payroll tax revenues. However, the effects of the ACA on those continuing revenue streams cannot be easily identified and are not projected separately, so they must be newly estimated in any analysis of repeal legislation.

### Differences From an Estimate of the ACA's Effects Since Its Enactment

A related question that sometimes arises is whether CBO and JCT could provide an updated estimate of the ACA's budgetary impact from its inception that would be similar to the analyses that the agencies provided when the law was enacted. A retrospective analysis of the effects of a current law is quite different from a cost estimate for proposed legislation because such an analysis requires the formulation of a counterfactual benchmark to represent what would have happened over the past few years if the law had not been enacted; that would be a challenging undertaking that is beyond the scope of CBO and JCT's usual analytic methods. The agencies therefore cannot readily provide a retrospective analysis of the ACA that is analogous to the cost estimate that was provided in 2010. That problem is not unique to the ACA—it is common to most legislation that affects preexisting federal programs and taxes.[4]

## Effects of a Repeal Over the Next 10 Years, Excluding Macroeconomic Feedback

To estimate the budgetary effects of the ACA's repeal, CBO and JCT first examined the impact on health insurance coverage and on the federal budget over the next decade, holding GDP and other macroeconomic variables constant—which is the only approach that the agencies take for most cost estimates. As with past analyses of the ACA, the current budgetary analysis involved grouping the ACA's provisions into two broad categories: The provisions concerning insurance coverage, including subsidies provided through the insurance exchanges, increased outlays for Medicaid, revenues from certain penalties and taxes, and related budgetary effects; and the various noncoverage provisions, mostly affecting direct

4. For additional discussion, see Congressional Budget Office, answers to questions for the record following a hearing on the budget and economic outlook for 2014 to 2024 conducted by the Senate Committee on the Budget (June 10, 2014), pp. 14–19, www.cbo.gov/publication/45396.

spending for Medicare and making changes in the tax code that are not directly related to insurance coverage.

Taking into account the effects on federal revenues and direct spending but excluding the budgetary effects of macroeconomic feedback, CBO and JCT estimate that a repeal of the ACA would increase federal deficits by $353 billion over the 2016–2025 period.[5] That figure reflects an estimated reduction in outlays of $821 billion that is more than offset by an estimated reduction in revenues of $1,174 billion. The resulting estimate of the effects on deficits is substantially larger than the one CBO and JCT issued in July 2012 for a similar proposal to repeal the ACA—a difference that mostly reflects a shift in the budget window to encompass later years in which repealing the ACA would increase budget deficits sharply. As with past analyses of the ACA, the estimates in this report do not include any savings or costs associated with changes in discretionary spending—even though future appropriations to administer the ACA's provisions would no longer be needed if that law was repealed.[6]

### Effects on Insurance Coverage

A repeal of the ACA would include a repeal of various provisions that, under current law, are projected to increase the number of nonelderly people who have health insurance. Those provisions include an expansion of eligibility for Medicaid, subsidies for nongroup coverage purchased through health insurance exchanges, a requirement that most U.S. residents obtain insurance coverage or pay a penalty, and a penalty on certain employers that do not offer their full-time workers health insurance that meets specified standards for coverage and affordability. In addition, an excise tax on certain employment-based health plans with relatively high premiums will take effect starting in 2018. The ACA also contains a range of provisions that affect the types and prices of insurance policies that can be sold. Those—and many other provisions affecting insurance coverage—also would be repealed.

If the ACA was repealed, many people would obtain their coverage from a source that differs from current projections, and many others who are projected to retain or gain insurance coverage in the future would instead be uninsured (see Table 3). On average, over the 2021–2025 period, the following changes would occur, relative to CBO and JCT's current-law projections:

- About 14 million fewer people would be enrolled in Medicaid.
- About 18 million fewer people would have nongroup coverage. That reduction is the net effect of a projected decline of about 22 million in nongroup coverage purchased through exchanges (which would no longer serve as a conduit for federal subsidies and might not exist at all) and a projected increase of about 4 million enrollees in nongroup coverage purchased directly from insurers.
- About 8 million more people, on net, would have employment-based coverage—roughly mirroring the agencies' estimate of the extent to which the ACA will reduce employment-based coverage in future years.
- About 24 million more nonelderly U.S. residents would be uninsured.[7]

The effects on sources of insurance coverage in earlier years would generally be similar or slightly smaller, but the effects of repealing the ACA are estimated to be noticeably smaller in 2016—partly because the ACA is not projected to increase insurance coverage as much in that year. For reasons that are discussed below, the effects of repealing the ACA on people's sources of insurance coverage differ slightly from the estimated effects of implementing the coverage provisions that are shown in the agencies' most recent baseline projections.

### Effects on Direct Spending and Revenues Related to Insurance Coverage

CBO and JCT estimate that repealing the provisions of the ACA affecting health insurance coverage would yield a net decrease in federal deficits of $1,156 billion over

5. Direct, or mandatory, spending is the budget authority provided by laws other than appropriation acts and the outlays that result from that budget authority. CBO and JCT estimate that on-budget deficits would increase by $265 billion over the 2016–2025 period and that off-budget deficits would increase by $88 billion over that period. Off-budget effects include changes in Social Security spending and revenues as well as spending by the U.S. Postal Service.

6. Discretionary spending is the budget authority provided and controlled by appropriation acts and the outlays that result from that budget authority.

7. As a result, the overall share of the nonelderly population with health insurance would drop from about 90 percent under current law to about 82 percent if the ACA was repealed.

Table 3.

## Estimate of the Effects on Health Insurance Coverage of Repealing the Affordable Care Act

Millions of Nonelderly People, by Calendar Year

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Insurance Coverage Under Current Law[a] | | | | | | | | | | |
| Insurance exchanges | 20 | 23 | 23 | 23 | 23 | 23 | 23 | 22 | 22 | 22 |
| Medicaid and CHIP | 51 | 52 | 52 | 52 | 53 | 53 | 54 | 54 | 54 | 55 |
| Employment-based coverage | 149 | 149 | 150 | 151 | 152 | 153 | 153 | 153 | 154 | 155 |
| Nongroup and other coverage[b] | 22 | 22 | 22 | 23 | 23 | 23 | 23 | 23 | 24 | 24 |
| Uninsured | 29 | 27 | 27 | 26 | 26 | 26 | 26 | 27 | 27 | 27 |
| Total | 271 | 272 | 274 | 275 | 276 | 277 | 278 | 280 | 281 | 282 |
| Change in Insurance Coverage With Repeal of the ACA | | | | | | | | | | |
| Insurance exchanges | -20 | -23 | -23 | -23 | -23 | -23 | -23 | -22 | -22 | -22 |
| Medicaid and CHIP | -8 | -11 | -11 | -12 | -14 | -14 | -14 | -14 | -14 | -14 |
| Employment-based coverage[c] | 6 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Nongroup and other coverage[b] | 4 | 4 | 4 | 4 | 4 | 5 | 4 | 5 | 4 | 4 |
| Uninsured | 19 | 22 | 22 | 23 | 24 | 24 | 24 | 24 | 24 | 24 |
| Number of Uninsured Nonelderly People With Repeal of the ACA | 48 | 49 | 49 | 49 | 50 | 50 | 50 | 50 | 50 | 50 |

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

Notes: Estimates of the nonelderly population include residents of the 50 states and the District of Columbia who are younger than 65.

ACA = Affordable Care Act; CHIP = Children's Health Insurance Program.

a. Amounts reflect average annual enrollment over the course of a year and include spouses and dependents covered under family policies; people reporting multiple sources of coverage are assigned a primary source. Amounts represent CBO's March 2015 baseline, adjusted for enactment of Public Law 114-10, the Medicare Access and CHIP Reauthorization Act of 2015.

b. "Other coverage" includes Medicare; the changes from repealing the ACA would be almost entirely for nongroup coverage.

c. The change in employment-based coverage is the net result of projected increases and decreases in offers of health insurance from employers and changes in enrollment by workers and their families.

fiscal years 2016 through 2025 because of those provisions' effects on direct spending and revenues (see Table 2 on page 3). That amount includes the following:

- A total of $822 billion in savings resulting from eliminating exchange subsidies,
- A net reduction of $824 billion in federal outlays for Medicaid and CHIP, and
- Additional savings totaling $11 billion from the repeal of a tax credit for certain small employers that provide health insurance to their employees.[8]

Those gross savings of $1,658 billion over the 2016–2025 period would be partly offset by costs totaling $502 billion stemming from four sources related to insurance coverage:

- A reduction in revenues of $43 billion from eliminating penalty payments by uninsured people,
- A decline in revenues of $167 billion from eliminating penalty payments by employers,
- A reduction in revenues of $87 billion from eliminating the excise tax on certain high-premium insurance plans, and

8. The ACA's premium subsidies for health insurance purchased through exchanges are structured as refundable tax credits; CBO and JCT treat the portions of such credits that exceed taxpayers' other income tax liabilities as outlays and the portions that reduce tax payments as reductions in revenues—just as other refundable tax credits are treated. Subsidies to reduce enrollees' cost-sharing liabilities are classified as outlays. A small portion of the cost of the tax credit for certain small employers (and the savings that would arise from its repeal) reflects its effects on outlays.

- Other budgetary effects, mostly involving revenues, associated with shifts in the mix of taxable and nontaxable compensation resulting from net increases in employment-based health insurance coverage—which would, on net, increase deficits by $204 billion.[9]

Those figures differ by about $51 billion from the estimated effects of the ACA's coverage provisions that are reflected in CBO's March 2015 baseline, for three main reasons.[10] First, the costs for exchange subsidies and additional Medicaid payments over the first three months of fiscal year 2016 will be incurred during calendar year 2015 and thus would not be eliminated by a repeal (which, for the purposes of this analysis, is assumed to take effect on January 1, 2016). Second, for the next few years, some proportion of the people who have enrolled or are expected to enroll in Medicaid as a result of the ACA—and who would have been eligible even if the ACA had never been enacted—probably would still enroll in Medicaid if the ACA was repealed, and the savings attributable to the repeal would be reduced as a result. Third, enactment of P.L. 114-10 increased the projections of enrollment in Medicaid and CHIP, relative to the March 2015 baseline, and correspondingly reduced the costs of coverage obtained through exchanges and employment-based plans. On net, those changes also reduced the savings that would be generated by repealing the ACA. (Those factors largely explain why the estimated effects that a repeal would have on the number of people with various types of insurance coverage differ slightly in magnitude from CBO and JCT's baseline projections of the ACA's effects.)

### Effects on Direct Spending for Medicare, Medicaid, and Other Programs

The ACA made numerous changes to payment rules and rates for Medicare and Medicaid, and it made other changes to certain other federal health programs as well. On net, CBO estimates, repealing those provisions would increase direct federal spending by $879 billion over the 2016–2025 period, mostly because of changes in spending for Medicare, which would rise by an estimated $802 billion (see Table 4). Repealing the provisions of the ACA that are not related to insurance coverage would increase federal spending for Medicaid by about $66 billion over that period, mostly because of increases in payments for prescription drugs and payments to hospitals that treat a disproportionate share of uninsured or low-income patients.[11] On net, direct spending for other health programs would increase by about $10 billion, CBO estimates.

Nearly all of the net increase estimated for direct spending for Medicare—about $715 billion of the estimated $802 billion—would stem from repealing provisions of the ACA that imposed reductions in payment rates or slowed increases in payment rates (relative to prior law) for services covered under Parts A and B of Medicare; those benefits are provided either through the traditional fee-for-service sector of the Medicare program or through private insurance plans.[12] (Those private plans are generally known as Medicare Advantage plans; they receive payments under Medicare's Part C.) Roughly one-half of that net increase in spending would stem from repealing provisions that changed payment rates in the fee-for-service sector; the other half would be attributable to repealing provisions that changed the rules for setting payment rates for Medicare Advantage plans.[13] Because the ACA reduced the rate at which many payments are updated annually, the effects of those provisions on

9. Changes in the extent of employment-based health insurance affect federal revenues because most payments for that coverage are exempt from income and payroll taxes. If employers increase or decrease the amount of nontaxable compensation they provide in the form of health insurance (relative to current-law projections), CBO and JCT estimate that offsetting changes will occur in wages and other forms of compensation—which generally are taxable—to hold total compensation roughly the same. Such effects also arise with respect to other provisions of law (such as the excise tax on certain high-premium insurance plans), and those effects are included in the estimates for those elements.

10. See Congressional Budget Office, "Effects of the Affordable Care Act on Health Insurance Coverage—Baseline Projections" (March 2015), www.cbo.gov/publication/43900.

11. In total, federal spending for Medicaid and CHIP would be reduced by $758 billion over the 2016–2025 period, combining the effects of repealing the provisions related to and those not related to insurance coverage.

12. Medicare Part A covers inpatient services provided by hospitals, care in skilled nursing facilities, home health care, and hospice care. Part B mainly covers services provided by physicians, other practitioners, and hospitals' outpatient departments.

13. Payments in the fee-for-service sector affect payments to Medicare Advantage plans, and changes in either of those types of payments affect the premiums that enrollees pay for Part B of Medicare. In previous estimates, CBO calculated the aggregate effects of those interactions separately, but now the agency incorporates those interactions into the estimates for each provision. As a result, the current estimates for the effects of repealing specific provisions of the ACA affecting Medicare are not comparable to previous estimates.

Table 4.

## Estimated Changes in Direct Spending and Revenues That Would Result From Repealing the Affordable Care Act, Without Macroeconomic Feedback

Billions of Dollars, by Fiscal Year

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Total, 2016-2020 | Total, 2016-2025 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Changes in Outlays | | | | | | |
| Coverage Provisions | | | | | | | | | | | | |
| Exchange subsidies and state exchange grants | -35 | -59 | -67 | -71 | -71 | -74 | -78 | -82 | -85 | -89 | -303 | -712 |
| Payments for risk adjustment and reinsurance | -15 | -17 | -13 | -15 | -16 | -16 | -17 | -17 | -17 | -16 | -75 | -158 |
| Medicaid and CHIP | -44 | -66 | -71 | -75 | -82 | -88 | -93 | -97 | -102 | -106 | -339 | -824 |
| Other changes in direct spending[a] | * | * | * | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -2 | -6 |
| Subtotal | -94 | -142 | -152 | -161 | -170 | -179 | -189 | -197 | -205 | -211 | -720 | -1,700 |
| Other Provisions | | | | | | | | | | | | |
| Medicare provisions | 23 | 34 | 44 | 58 | 69 | 82 | 100 | 113 | 126 | 153 | 228 | 802 |
| Other Medicaid provisions | 2 | 2 | 3 | 4 | 7 | 8 | 9 | 10 | 11 | 11 | 17 | 66 |
| Other changes in direct spending | -1 | -1 | -1 | -1 | 1 | 2 | 2 | 3 | 3 | 4 | -3 | 10 |
| Subtotal | 24 | 35 | 46 | 61 | 77 | 91 | 111 | 125 | 140 | 168 | 243 | 879 |
| Total Outlays | -71 | -107 | -106 | -100 | -93 | -88 | -77 | -71 | -65 | -43 | -477 | -821 |
| On-budget | -70 | -106 | -105 | -100 | -92 | -87 | -76 | -70 | -64 | -42 | -474 | -813 |
| Off-budget[b] | * | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -4 | -9 |
| | | | | | | Changes in Revenues | | | | | | |
| Coverage Provisions | | | | | | | | | | | | |
| Exchange premium credits | 6 | 10 | 11 | 11 | 11 | 12 | 12 | 12 | 12 | 13 | 48 | 109 |
| Collections for risk adjustment and reinsurance | -14 | -16 | -13 | -15 | -16 | -16 | -17 | -17 | -17 | -16 | -74 | -157 |
| Small-employer tax credits | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 4 | 10 |
| Penalty payments by uninsured people | -4 | -4 | -4 | -4 | -4 | -4 | -5 | -5 | -5 | -5 | -19 | -43 |
| Penalty payments by employers | -9 | -13 | -15 | -16 | -16 | -17 | -18 | -20 | -21 | -22 | -69 | -167 |
| Excise tax on high-premium insurance plans | 0 | 0 | -3 | -6 | -7 | -9 | -11 | -14 | -17 | -21 | -16 | -87 |
| Other changes in revenues | -7 | -16 | -19 | -20 | -21 | -22 | -24 | -25 | -27 | -28 | -83 | -209 |
| Subtotal | -27 | -38 | -42 | -48 | -52 | -56 | -62 | -67 | -73 | -78 | -208 | -544 |
| Other Provisions | | | | | | | | | | | | |
| High-income surtaxes | -22 | -17 | -31 | -33 | -35 | -37 | -39 | -42 | -44 | -47 | -136 | -346 |
| Fees on certain manufacturers and insurers[c] | -14 | -18 | -19 | -18 | -19 | -20 | -21 | -22 | -23 | -23 | -87 | -196 |
| Other revenue provisions | -3 | -6 | -8 | -8 | -9 | -10 | -10 | -11 | -12 | -13 | -34 | -89 |
| Subtotal | -39 | -40 | -57 | -59 | -62 | -66 | -70 | -75 | -79 | -83 | -258 | -631 |
| Total Revenues | -66 | -79 | -99 | -107 | -115 | -123 | -132 | -142 | -152 | -161 | -466 | -1,174 |
| On-budget | -62 | -72 | -91 | -99 | -106 | -113 | -121 | -130 | -138 | -146 | -430 | -1,078 |
| Off-budget[b] | -4 | -7 | -8 | -8 | -9 | -10 | -11 | -12 | -13 | -15 | -36 | -96 |
| | | | | | | Net Increase or Decrease (-) in the Deficit[d] | | | | | | |
| Net Effect on the Deficit | -5 | -28 | -7 | 7 | 21 | 35 | 55 | 70 | 87 | 118 | -12 | 353 |
| On-budget | -8 | -34 | -14 | -1 | 13 | 26 | 45 | 59 | 75 | 104 | -44 | 265 |
| Off-budget[b] | 3 | 6 | 7 | 7 | 8 | 9 | 10 | 11 | 12 | 14 | 32 | 88 |

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

Note: CHIP = Children's Health Insurance Program; * = between $0 and -$0.5 billion.

a. Represents the outlay portion of several coverage-related provisions, including small-employer tax credits, and associated effects of coverage provisions on outlays for Social Security benefits.

b. Off-budget effects include changes in Social Security spending and revenues as well as in spending by the U. S. Postal Service.

c. Amounts reflect repeal of fees on manufacturers and importers of branded drugs and on health insurance providers and repeal of an excise tax on manufacturers and importers of certain medical devices.

d. Positive numbers indicate increases in the deficit, and negative numbers indicate reductions in the deficit.

federal spending will compound over the next decade; as a consequence, the costs of repealing them would grow relatively rapidly.

The ways in which HHS would implement a repeal of the ACA's Medicare provisions governing payment updates are uncertain, however. For this analysis, CBO assumed that repealing the provisions that reduced payment updates in the fee-for-service sector would increase the payment updates in 2016 and beyond—but it also assumed that HHS would not adjust the current base payment amounts to remove the effects of past update reductions implemented under the ACA. If instead HHS also adjusted those base payment amounts upward for the purposes of determining future payments, the cost of repealing the ACA's provisions would be roughly $160 billion higher over the 2016–2025 period than is estimated above.

### Effects on Discretionary Spending

The estimates discussed elsewhere in this report do not include any savings or costs associated with changes in discretionary spending. CBO's original cost estimate for the ACA, issued in March 2010, focused on direct spending and revenues because those effects are relevant for budgetary procedures affecting Congressional debate and occur without any additional legislative action (as contrasted with discretionary spending, which is subject to future appropriation action). However, that estimate noted that additional funding would be necessary for agencies to carry out the responsibilities required of them by the legislation and that the legislation also included explicit authorizations for a variety of grants and other programs.[14]

Repealing the ACA would reduce the amounts of future appropriations that are needed for implementation or that are specifically authorized in the act for other purposes. (Some funds would be needed in 2016 to implement a repeal.)[15] However, the impact of a repeal on total discretionary appropriations over the next several years would depend on future legislative actions. Moreover, the potential impact of such legislation on future appropriations is affected by the caps on annual appropriations that were established by the Budget Control Act of 2011. Eliminating the need to implement the ACA might lead to reductions in total discretionary spending, on net, or it might create some room under those caps for additional spending for other discretionary programs.

### Effects on Revenues Not Related to Coverage

The ACA made many changes to the Internal Revenue Code that were not directly related to the law's insurance coverage provisions. JCT estimates that repeal of those noncoverage revenue provisions would reduce revenues by a total of $631 billion over the 2016–2025 period (see Table 4). The largest components of those revenue effects include the following:

- The ACA increased the Hospital Insurance payroll tax for certain high-income taxpayers and applied a surtax to their net investment income. Repeal of those provisions is projected to reduce revenues by $346 billion.
- Repeal of an annual fee on health insurance providers is estimated to reduce revenues, on net, by $142 billion (reflecting both the loss of fee collections and the indirect effects of those fees on health insurance premiums that are either tax-preferred or subsidized).
- The repeal of an annual fee on manufacturers and importers of branded drugs is projected to reduce revenues by $30 billion, and the repeal of an excise tax on manufacturers and importers of certain medical devices is projected to reduce revenues by $24 billion.

### Comparison With a Prior Estimate

CBO and JCT's current estimate that repealing the ACA would increase deficits by $353 billion over 10 years (excluding the effects of macroeconomic feedback) differs from the estimate that the agencies released in July 2012 for H.R. 6079—the last time they analyzed a proposal to

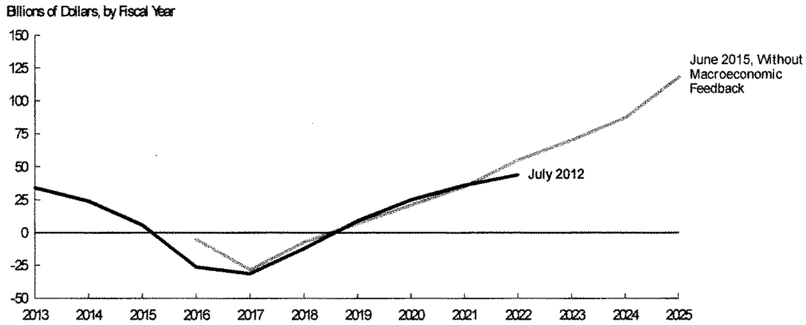
---

14. For more information, see Congressional Budget Office, cost estimate for H.R. 4872, the Reconciliation Act of 2010 (final health care legislation) (March 20, 2010), pp. 10–11, www.cbo.gov/publication/21351, letter to the Honorable Jerry Lewis about potential effects of H.R. 3590, the Patient Protection and Affordable Care Act, on discretionary spending (May 11, 2010), www.cbo.gov/publication/21457, and "H.R. 3590, Patient Protection and Affordable Care Act, Additional Information on the Potential Discretionary Costs of Implementing PPACA" (May 12, 2010), www.cbo.gov/publication/21460.

15. In 2012, CBO estimated that, over the 2013–2022 period, repealing the ACA would reduce the need for appropriations to the Internal Revenue Service by between $5 billion and $10 billion and would reduce the need for appropriations to HHS by between $5 billion and $10 billion. CBO has not updated those estimates.

Figure 2.

## Comparison of Estimated Effects on Deficits of Repealing the Affordable Care Act




Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

Notes: The term "macroeconomic feedback" refers to the estimated effects on the federal budget that would arise from changes in economic output or other macroeconomic variables—such as changes in the number of hours that people work and in their aggregate compensation, which would change revenues, or changes in interest rates, which would change interest payments.

June 2015 estimates were developed for this report; 2012 estimates are from Congressional Budget Office, letter to the Honorable John Boehner providing an estimate for H.R. 6079, the Repeal of Obamacare Act (July 24, 2012), www.cbo.gov/ publication/ 43471.

repeal all of the ACA's provisions.[16] At that time, CBO and JCT estimated that changes in direct spending and revenues would increase deficits by $109 billion over the period from 2013 through 2022.

Most of the difference between that earlier estimate and the current one stems from a shift in the budget window to encompass later years—in which repealing the ACA is estimated to increase budget deficits sharply. In fact, over the 2016–2022 period, which is encompassed by both estimates, the estimated budgetary effects of repeal are quite similar (see Figure 2): In 2012, CBO and JCT estimated that repealing the ACA would increase budget deficits by a total of $46 billion from 2016 through 2022; the agencies now estimate that repeal would boost deficits by $78 billion over that period (excluding the effects of macroeconomic feedback). In 2012, CBO and JCT estimated that repealing the ACA would increase the deficit substantially in the decade after 2022, but they did not quantify the annual effects. CBO and JCT now estimate that repealing the ACA would increase deficits by $275 billion over the 2023–2025 period.

It is difficult to identify all of the specific reasons for the differences between the two estimates for the 2016–2022 period because CBO and JCT have made many changes in their baseline projections since 2012 to account for such factors as changes in economic conditions and projections, technical changes and improvements in the agencies' models, administrative actions, judicial decisions, and statutory changes. One item of significance is that, since 2012, the agencies have substantially lowered their projections of per capita spending on health care. That change in particular has contributed importantly to substantial but offsetting changes in the estimated effects of repealing various components of the ACA:

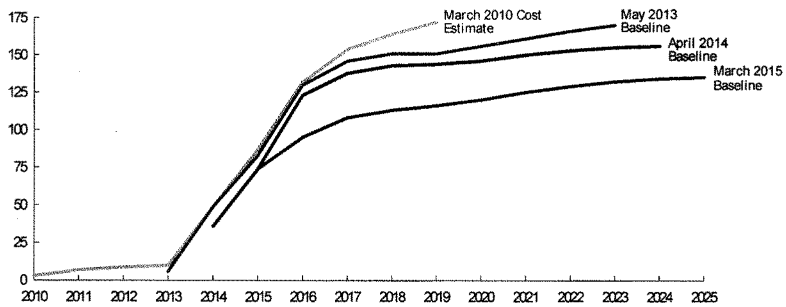
- Holding other factors equal, the changes in projections of per capita spending on health care have lowered the total cost for any given year of subsidizing coverage through the exchanges or Medicaid; correspondingly, the gross and net savings estimated to

16. The 2012 estimate was issued shortly after the Supreme Court ruling that made the ACA's Medicaid expansion optional for states. See Congressional Budget Office, letter to the Honorable John Boehner providing an estimate for H.R. 6079, the Repeal of Obamacare Act (July 24, 2012), www.cbo.gov/publication/ 43471.

Figure 3.

**Evolution of CBO and JCT's Estimates of the Net Budgetary Effects of the Insurance Coverage Provisions of the Affordable Care Act**

Billions of Dollars, by Fiscal Year




Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

Notes: Effects on the deficit of provisions of the Affordable Care Act that are not related to insurance coverage and effects on discretionary spending are not shown.

Estimates for the various years are from Congressional Budget Office, "Effects of the Affordable Care Act on Health Insurance Coverage—Baseline Projections" (March 2015), "Insurance Coverage Provisions of the Affordable Care Act—CBO's April 2014 Baseline" (April 2014), "May 2013 Baseline" (May 2013) www.cbo.gov/ publication/ 43900, and cost estimate for H.R 4872, the Reconciliation Act of 2010 (final health care legislation) (March 20, 2010), www.cbo.gov/ publication/ 21351.

result from repealing the ACA's insurance coverage provisions are smaller. Many other factors also have affected the agencies' projections since 2012, including reductions in the number of people projected to purchase coverage through exchanges and increases in the number of people projected to obtain coverage through Medicaid—but the net effect has been a reduction in the projected costs of the coverage provisions (see Figure 3). Taking into account all of those factors, the net savings from repealing the coverage provisions are now projected to total $762 billion over the 2016–2022 period, as compared with $1,027 billion in the previous estimate (a 26 percent reduction).

- At the same time, lower projections of spending on health care are reflected in lower projections of outlays for Medicare, Medicaid, and other federal health care programs—and thus in lower estimated costs in any given year from repealing the ACA provisions that reduced those outlays. Taking into account those and other factors, and again focusing on the 2016–2022 period covered by both estimates, the net costs of repealing those provisions are now projected to total $445 billion, as compared with $623 billion in the previous estimate (a 28 percent reduction).

- The increase in deficits that stems from repealing the noncoverage revenue provisions is now projected to total $394 billion over the 2016–2022 period, as compared with $450 billion in the previous estimate (a 12 percent reduction). Changes to the overall macroeconomic forecast, additional data, and changes to the tax code that have occurred since 2012 have resulted in revisions to estimates of the effects of repealing several of those revenue provisions. The projections of an overall reduction in health spending also have affected the estimates for several of those provisions, thus contributing to a smaller estimate for costs that would be attributable to a repeal.

In sum, CBO and JCT now estimate that repealing the insurance coverage provisions of the ACA would generate $762 billion in net savings over the 2016–2022 period, an amount that would be offset by $840 billion in estimated costs from repealing the other provisions, to yield a net increase in deficits of $78 billion over that period. In 2012, the estimate of $1,027 billion in net savings from repealing the ACA's coverage provisions was offset by $1,073 billion in estimated costs from repealing the other provisions—yielding an estimated net increase in deficits of $46 billion for the 2016–2022 period.

## The Macroeconomic Feedback Effects of a Repeal and Their Impact on the Federal Budget

CBO and JCT also have analyzed the effects that repealing the ACA would have on the U.S. economy and estimated the budgetary impact—or feedback effects—of those macroeconomic changes. CBO and JCT estimate that the net effect on the economy's output would be negligible in 2016 but would grow after that. According to the agencies' estimates, from 2021 through 2025, a repeal would increase GDP by about 0.7 percent, on average—mostly by repealing provisions that, under current law, are expected to reduce the supply of labor.

The macroeconomic feedback effects of repealing the ACA would lower federal deficits by $216 billion over the 2016–2025 period, CBO and JCT estimate (see Table 1 on page 2). The largest effect would be an increase in revenues arising from the increased supply of labor, which in turn would boost employment and taxable income. After accounting for the feedback effects, CBO and JCT estimate that the total impact on direct spending and revenues of repealing the ACA would be to increase federal deficits by $137 billion over the 2016–2025 period. The estimates of the macroeconomic effects and of their consequences for the federal budget are highly uncertain, however, and actual results could be substantially different.

In general, CBO and JCT analyze the macroeconomic effects of changes in fiscal policy by examining similar policies that have been implemented previously and by using results from a variety of economic models. Both agencies also distinguish between longer- and shorter-term effects. Changes in fiscal policy affect output over the longer term by altering people's incentives to work and save and by changing businesses' incentives to invest, thereby changing potential output over the longer term. In the shorter term, changes in fiscal policies also can affect the economy by influencing the demand for goods and services, leading to changes in actual output relative to potential output (the maximum sustainable output of the economy).

For this report, CBO and JCT collaborated to examine the macroeconomic effects of repealing the ACA and those effects' feedback to the federal budget, with each agency focusing on different components of the analysis. JCT primarily analyzed the macroeconomic effects and feedback to federal revenues stemming from the revenue provisions not related to insurance coverage and from the excise tax on certain high-premium insurance plans.[17] CBO primarily analyzed the macroeconomic effects and feedback to federal revenues arising from the other changes in fiscal policy that would stem from repealing the ACA, as well as the feedback effects to federal outlays stemming from a repeal.[18] The estimates of macroeconomic effects and of their feedback to the federal budget presented in this report constitute a synthesis of those analyses.

### Macroeconomic Effects from 2021 Through 2025

The largest macroeconomic effects of repealing the ACA would take several years to arise. CBO and JCT estimate that, over the final five years of the current budget window—the period from 2021 to 2025—repealing the ACA would boost GDP by about 0.7 percent, on average, relative to current-law projections. During that period, the estimated effects on output stem from two main sources:

17. JCT used its macroeconomic equilibrium growth (MEG) model, in which economic output in the longer run is determined by the supply of labor and capital, which in turn respond to the rates of taxation on wages and capital income. In the shorter run, output may be influenced by changes in consumer demand stemming from changes in after-tax income. For a description, see Joint Committee on Taxation, *Overview of the Work of the Staff of the Joint Committee on Taxation to Model the Macroeconomic Effects of Proposed Tax Legislation to Comply with House Rule XIII.3.(h)(2)*, JCX-105-03 (December 2003), http://go.usa.gov/3XS2R. For a discussion of the values currently used in the MEG model, see Joint Committee on Taxation, *Macroeconomic Analysis of the "Tax Reform Act of 2014,"* JCX-22-14 (February 2014), http://go.usa.gov/3XSTJ.

18. To estimate the effects of repealing the ACA over the longer term, CBO employed a version of a widely used Solow-type growth model in which economic output is determined by the number of hours of labor that workers supply, the size and composition of the capital stock (such as factories and equipment), and the combined productivity of labor and capital (known as total factor productivity). In the short term, changes in fiscal policies also can affect the economy by influencing the demand for goods and services by consumers, businesses, and governments, which leads to changes in actual output relative to potential output. For a description see Congressional Budget Office, *How CBO Analyzes the Effects of Changes in Federal Fiscal Policies on the Economy* (November 2014), www.cbo.gov/publication/49494.

- The ACA's largest effects on output are projected to result from several provisions that reduce the supply of labor by decreasing some people's incentives to work; repealing those provisions would thus increase the supply of labor and increase output relative to baseline projections.

- Implementation of the ACA is also expected to shrink the capital stock, on net, over the next decade, so a repeal would increase the capital stock and output over that period. In particular, repealing the ACA would increase incentives for capital investment, both by increasing labor supply (which makes capital more productive) and by reducing tax rates on capital income. However, the net increase in deficits that would be caused by a repeal—even after accounting for macroeconomic feedback—would increase government borrowing and thus would reduce capital investment somewhat in the longer term.

**Labor Supply.** CBO and JCT estimate that repealing the ACA would increase the supply of labor and thus increase aggregate compensation (wages, salaries, and fringe benefits) by an amount between 0.8 percent and 0.9 percent over the 2021–2025 period. Those effects would be the result of repealing various provisions of the ACA that are estimated to reduce the amount of labor that people choose to supply. In particular, the subsidies and tax credits for health insurance that the ACA provides to some people are phased out as their income rises—creating an implicit tax on additional earnings—and those subsidies, along with expanded eligibility for Medicaid, generally make it easier for some people to work less or to stop working without losing health insurance coverage.[19] For other people, the act directly imposes higher taxes on labor income, thus discouraging work. Repealing the ACA would reverse those effects. In percentage terms, the increase in total hours worked is estimated to be larger than the increase in aggregate compensation because the largest increases in labor supply would occur among the lower-wage workers whose incentives would be most strongly affected. Specifically, repealing the ACA would increase the aggregate number of hours worked by about 1.5 percent over the 2021–2025 period, CBO and JCT estimate.

CBO previously estimated that implementation of the ACA will have larger effects on hours worked and compensation.[20] To update that analysis for this estimate, CBO and JCT first considered the agencies' most recent baseline projections of the number of people affected by the ACA's provisions—including projections of enrollment in subsidized exchange plans and in Medicaid. The agencies also considered more recent evidence about the ACA's likely effects on labor markets and extended that analysis to 2025. As a result, the estimated effects of the ACA on total hours worked and compensation in the second half of the 10-year budget window were reduced by about 15 percent, mostly because fewer people are now projected to receive subsidies through exchanges under current law.

**Capital Stock.** CBO and JCT estimate that repealing the ACA would increase the capital stock over the 2021–2025 period, on net, for two main reasons. First, the projected reduction in labor supply stemming from the ACA is expected to cause a gradual reduction in the capital stock as businesses adjust the amount of capital available for workers to use—so repealing the ACA would undo that effect. Second, repealing the ACA also would eliminate several taxes that reduce people's incentives to save and invest—most notably the 3.8 percent tax on various forms of investment income for higher-income individuals and families. The resulting increase in the incentive to save and invest—relative to current law—thus would gradually boost the capital stock; consequently, output would be higher.

CBO and JCT also considered the extent to which repealing the ACA would affect output through its effects on federal deficits. As discussed in more detail below, the agencies estimate that repealing the act ultimately would increase federal deficits—even after accounting for other macroeconomic feedback. Larger deficits would leave less money for private investment (a process sometimes called crowding out), which reduces output. Over the 2021–2025 period, however, that effect would not be large enough to offset the effects of repealing the ACA that would boost investment.

19. Because such people would still be insured, CBO and JCT estimate that the changes in labor supply stemming from repeal of the ACA would not significantly affect the number of people who had health insurance, although the changes would affect the sources of health insurance for some people.

20. CBO had estimated that the ACA will cause a reduction of roughly 1 percent in aggregate labor compensation over the 2017–2024 period and will reduce the total number of hours worked, on net, by 1.5 percent to 2.0 percent during that period. See Congressional Budget Office, *The Budget and Economic Outlook: 2014 to 2024* (February 2014), Appendix C, www.cbo.gov/publication/45010.

CBO and JCT thus estimate that, on balance, repealing the ACA would yield a larger capital stock, which would boost output over that period. The effects on output of those changes in the capital stock would be smaller than the increases in output stemming from changes in the supply of labor.

### Macroeconomic Effects From 2016 Through 2020

CBO and JCT estimate that repealing the ACA would have smaller effects on output in the next few years than would occur later in the coming decade, in part because the ACA's adverse effects on output are projected to be smaller as the responses to its provisions phase in. Correspondingly, repealing the law would have smaller effects over the 2016–2020 period. The macroeconomic effects of implementing or repealing the ACA also are different when the economy operates below its potential, as is projected for the next two years or so. CBO and JCT estimate that a repeal would have a negligible effect on output in 2016 and would increase output by about 0.1 percent in 2017, rising to about 0.6 percent in 2020.

**Labor Supply.** One reason that the effects of repealing the ACA would be smaller over the next few years is that the law's influence on labor supply will probably be smaller over that period. That conclusion reflects an expectation that the number of people who will receive exchange subsidies under the ACA will be somewhat smaller next year than in later years. The number of additional Medicaid enrollees also is projected to rise over the next several years under current law. Moreover, people will probably adjust gradually to the incentives under current law, and CBO and JCT estimate that affected people would probably adjust gradually to a repeal of the ACA as well. Consequently, the estimated effects on labor supply over the shorter term—both for current law and for a repeal of the ACA—are smaller.

A second consideration is that the reductions in labor supply stemming from the ACA are expected to have a somewhat muted effect on total hours worked over the next two years or so, when there will still be some slack in the labor market. Thus, if some workers reduce the number of hours they work or leave the labor force altogether, some underemployed workers or people who are not actively looking for employment but are willing to work will probably be available to take their place. As a result, the ACA's effects on labor markets are projected to be smaller in the near term—so the effects of repealing the ACA also would be smaller.

**Aggregate Demand.** CBO and JCT estimate that repealing the ACA would decrease aggregate demand for goods and services in the short-term—reversing the projected effects of the ACA and slightly dampening output over the next two years or so. On balance, implementation of the ACA is expected to boost overall demand because the people who will benefit from the expansion of Medicaid or from access to the exchange subsidies are predominantly in lower-income households and thus are likely to spend a large fraction of their additional resources on goods and services—whereas the people who will pay higher taxes are predominantly in higher-income households and are likely to change their spending to a lesser degree. Similarly, reduced Medicare payments to hospitals and other providers under the provisions of the ACA will reduce income and profits, but those changes are likely to decrease demand by a relatively small amount. Given the projected effects of the ACA in spurring demand and output to a small degree over the next few years, CBO and JCT estimate, repealing the ACA would have the opposite effect.

**Combined Short-Term Effects on Output.** On balance, CBO and JCT estimate, the reduction in aggregate demand in 2016 that would stem from repeal of the ACA would roughly offset the rise in output caused by increases in labor supply and by the other factors described above, so projected output would be about the same in 2016 whether or not the law was repealed. Output would be higher, on net, in later years because the dampening effect on aggregate demand would wane and the other effects of repealing the ACA that boost output would strengthen—particularly the effects on labor supply.

### Budgetary Feedback From Macroeconomic Effects

Taking into account the factors described above, CBO and JCT estimate that the macroeconomic effects of repealing the ACA would lower federal deficits by $216 billion over the 2016–2025 period. Most of that reduction would stem from an increase in revenues resulting from higher employment and taxable income, relative to projections under current law. Combined with the estimated effects of a repeal on federal deficits excluding macroeconomic feedback, the total result of changes in direct spending and revenues would amount to an increase in federal deficits of $137 billion over 10 years.

CBO and JCT's estimates of those macroeconomic feedback effects and the methods used to generate them depend in part on the types of provisions and categories of feedback being analyzed. In estimating the feedback effects on revenues of repealing the noncoverage revenue provisions and the excise tax on certain high-premium insurance plans, JCT projected macroeconomic effects and net effective tax rates for several different types of taxable income (including wages, interest, dividends, capital gains, and business income). In analyzing the coverage provisions—which affect the economy primarily through their impact on labor supply—CBO estimated that the resulting increases in GDP would raise revenues in a roughly proportional way, primarily because income and payroll taxes would rise with higher compensation and income.

To estimate the effects of macroeconomic feedback on federal spending, CBO generally uses a simplified method that accounts for changes in GDP and interest rates, among other factors, but does not involve the sort of detailed program-by-program analysis that the agency uses for official cost estimates. As a rule, increases in GDP would have much smaller effects on federal spending than on revenues. CBO's estimates for discretionary programs incorporate the assumption that spending generally remains at the amounts projected in its budgetary baseline even if output changes.[21] For mandatory programs, CBO estimates, aggregate spending would be affected only slightly by a change in the rate of economic growth.[22]

The agencies' analysis of macroeconomic effects on the federal budget includes effects on interest payments caused by changes in interest rates. In 2016 and 2017, the reduction in overall demand estimated in the event of a repeal of the ACA would slightly reduce interest rates and, as a result, federal interest payments. Over the longer term, however, repealing the ACA would be expected to increase interest rates slightly—by roughly 5 basis points, or five one-hundredths of a percent—because of the resulting increase in federal borrowing. Under current law, federal debt held by the public (on which interest payments are made) is projected to be about $14 trillion in 2016 and about $21 trillion in 2025, so even small changes in interest rates can have a noticeable effect on interest payments as that debt is refinanced.[23]

Overall, CBO and JCT estimate, the macroeconomic effects of repealing the ACA would increase federal revenues much more than they would affect federal outlays. Specifically, the increase in output that would result from repealing the ACA would boost revenues by $225 billion over the 2016–2025 period.[24] By 2021, when the increase in output attributable to the legislation is estimated to reach 0.7 percent, the macroeconomic effects would boost federal revenues by nearly the same percentage—or by about $27 billion. (Under current law, federal revenues are projected to total about $4.2 trillion in 2021.) In subsequent years, however, the feedback to federal revenues would shrink slightly as a share of total revenues because of the macroeconomic effects of the projected increases in federal borrowing. Outlays would primarily be affected by the estimated changes in interest rates, falling initially and then rising slightly in later years. On net, CBO estimates, the macroeconomic effects of repealing the ACA would increase outlays by $9 billion over the 2016–2025 period.

### Other Potential Effects on Output

Implementation of the ACA—and consequently, its repeal—could affect GDP and other aspects of the economy in several other ways. In CBO and JCT's judgment, however, those other effects generally would be small and probably would offset one another. For example, increases in insurance coverage stemming from the ACA could improve workers' health or their job matches, which could in turn make them more productive. In that case, repealing the law would have the opposite effect. The evidence about such effects is limited, however. One recent study also found that past extensions of Medicaid

---

21. Changes in projected prices and rates of inflation affect CBO's projections of discretionary spending. CBO estimates that if the ACA was repealed, those macroeconomic effects would be small, resulting in an estimated reduction in discretionary spending of less than a billion dollars over the next decade.

22. For GDP growth, CBO recently estimated that a reduction in the real (inflation-adjusted) growth rate of 0.1 percentage point per year over the next decade—which would reduce GDP by about 1 percent in 2025—would reduce mandatory spending only by $4 billion over that period. According to that rule of thumb, a corresponding increase in the rate of GDP growth over the next decade would be expected to increase mandatory spending by roughly the same amount. See Congressional Budget Office, *The Budget and Economic Outlook: 2015 to 2025* (January 2015), Appendix C, www.cbo.gov/publication/49892.

23. Reflecting a long-standing convention, CBO does not include in cost estimates the budgetary effects of changes in interest payments stemming from changes in the amount of debt incurred. However, the macroeconomic effects of those changes in interest payments are incorporated into the agency's macroeconomic analysis.

24. A portion of the $225 billion increase in revenues would come from increases in payments of Social Security payroll taxes, which are off-budget, but CBO cannot provide an estimate of that portion at this time.

eligibility for children increased their earnings and tax payments as adults.[25] However, the ACA did not substantially change the number of children eligible for Medicaid, so that finding is not directly relevant to an analysis of the ACA or its repeal.

At the same time, repealing the ACA could increase productivity through other channels. For example, productivity could fall, under current law, if businesses hired more part-time workers and fewer full-time workers as a way to avoid paying the penalties that the ACA imposes on larger businesses that do not offer health insurance to their full-time employees. In addition, businesses might invest less in their workers' training because workers will find it easier than they did under prior law to change jobs without losing health insurance, and the resulting higher turnover reduces the return on such investments. Repealing the ACA could thus reverse those effects, but in any event such effects would probably be small.

A repeal of the ACA also could affect saving rates by encouraging people to save more of their income to cover the expected costs of health care, which would in turn lower interest rates and boost output. Such effects would probably be small, however, and could be offset by the reinstatement of certain prior-law tests for Medicaid eligibility. Those tests limited the amount of assets that certain people could hold and still qualify for Medicaid, and reinstating those limits would, to a small degree, discourage savings.

## Impact on the Economy and the Federal Budget Beyond 2025

Detailed, year-by-year projections of the effects of a repeal in years beyond 2025 would not be meaningful because the uncertainties involved are simply too great. Instead, CBO and JCT have made a rough assessment of the likely budgetary consequences in the decade after 2025 of repealing the ACA, with and without the effects of macroeconomic feedback. Both types of analysis indicate that repealing the act would increase deficits over the 2026–2035 period, and it seems likely that such legislation would result in higher budget deficits in later years as well.

### Effects Excluding Macroeconomic Feedback

To assess budgetary effects in the decade after 2025, CBO and JCT grouped the elements of the estimate into broad categories, examining their rates of growth towards the end of the 10-year budget window, and projecting the rate at which the budgetary impact of each category would increase over time—as the agencies did during consideration of the ACA and similar legislation in 2009 and 2010, and when preparing their 2012 estimate of the effects of a repeal. Overall, CBO and JCT estimate that the direct spending and revenue effects of repealing the ACA would increase the federal deficit by $55 billion in 2022 and by amounts that would rise to $118 billion in 2025 (excluding the effects of macroeconomic feedback). For this analysis, the effects were grouped as follows:

- Net savings from repealing the ACA's coverage provisions would total $133 billion in 2025, and CBO and JCT estimate that the savings would be growing by about 2 percent per year toward the end of the 10-year budget window. That estimate of slow growth reflects several factors, but one reason those savings would grow relatively slowly in that period (and in later years) is that the annual updates to exchange subsidies are structured in a way that will tend to slow their growth—which would limit the savings from a repeal.[26] Another reason is that the revenues stemming from the excise tax on certain high-premium insurance plans will grow rapidly as more plans are affected by that tax, and the loss of those revenues would reduce the net savings from repealing the coverage provisions.
- Repealing changes that the ACA made to Medicare, Medicaid, and other federal health programs—other than those associated directly with expanded insurance coverage—would cost a total of $168 billion in 2025, and CBO estimates that those costs would be growing by about 15 percent per year toward the end of the 10-year budget window. That rapid growth would occur because repealing the ACA's reductions in updates to Medicare's payment rates would increase the growth rate of that program's spending, and thus the costs of repealing those provisions would compound over the next decade.

25. David W. Brown, Amanda E. Kowalski, and Ithai Z. Lurie, *Medicaid as an Investment in Children: What is the Long-Term Impact on Tax Receipts?* Working Paper 20835 (National Bureau of Economic Research, January 2015), www.nber.org/papers/w20835.

26. For additional discussion of the provisions that govern the annual updates for exchange subsidies, see Congressional Budget Office, *The 2015 Long-Term Budget Outlook* (June 2015), pp. 33–34, www.cbo.gov/publication/50250.

- Repealing the ACA's revenue provisions that are not related to insurance coverage would result in revenue losses totaling $83 billion in 2025, and JCT estimates that those losses would be growing by about 6 percent per year toward the end of the 10-year budget window.

Extrapolating the budgetary effects for each category using the growth rates described above yields an estimate that repealing the ACA would continue to increase federal deficits substantially in subsequent years. In particular, CBO and JCT conclude that repealing the ACA would increase federal budget deficits over the 2026–2035 period, relative to the deficits that would occur under current law, by amounts that lie within a broad range around one percent of GDP. The imprecision of that calculation reflects the greater degree of uncertainty surrounding it relative to CBO and JCT's 10-year estimates.

### Effects Including Macroeconomic Feedback

The same macroeconomic effects that would generate budgetary feedback over the 2016–2025 period also would operate farther into the future. However, the net savings stemming from those effects would start to decline after 2019, CBO and JCT estimate, and would continue to shrink after 2025. Although the increase in labor supply would continue to boost output and revenues in a roughly proportional way, the growing increases in federal deficits that are projected to occur if the ACA was repealed would increasingly crowd out private investment and boost interest rates. Both of those developments would reduce private investment and thus would dampen economic growth and revenues; the increase in interest rates also would increase federal interest payments.

On balance, output would probably be higher over the 2026–2035 period as a result of repeal, but incorporating the budgetary effects of macroeconomic feedback would not substantially alter the estimated increase in federal deficits over that period—which would remain within a broad range around one percent of GDP. Including the effects of macroeconomic feedback, a repeal of the ACA would probably increase deficits in subsequent years as well.

## Uncertainty Surrounding the Estimates

Although CBO and JCT have endeavored to develop estimates that are in the middle of the distribution of potential outcomes, that distribution spans a wide range. Estimates of the budgetary impact of repealing the ACA are based in large part on projections of the law's effects, which are themselves highly uncertain. Assessing the effects of broad changes made by the ACA in the nation's health care and health insurance systems requires estimates of a broad array of technical, behavioral, and economic factors that are difficult to predict. For example, the effects of the ACA on insurance coverage depend on how individuals, employers, and insurers respond to the subsidies and penalties and related changes instituted by the act. Uncertainty about those factors translates into still more uncertainty regarding the budgetary effects of repealing the act's insurance coverage provisions.[27]

As for the other provisions of the ACA, separating their incremental effects on outlays for continuing programs and existing revenue streams from other factors that affect those outlays and revenues can become more difficult and uncertain over time because more of those other factors may arise. The substantial discretion that would be given to executive branch agencies to determine how to implement a repeal of the ACA is yet another source of uncertainty.

Several other sources of uncertainty stand out: the Supreme Court's forthcoming ruling on exchange subsidies; the responses of providers over the longer term to the ACA's reductions in Medicare's payment updates; the degree to which the recent slowdown in overall spending on health care will persist, and the nature of the ACA's role in that slowdown; and the law's macroeconomic effects, particularly concerning labor markets.

### The Supreme Court's Ruling

Currently, a particular source of uncertainty involves the outcome of litigation regarding whether people may receive subsidies for coverage purchased through exchanges that are operated by the federal government rather than by a state government. The Supreme Court is expected to rule on that case later in June 2015. Until that

27. One area of uncertainty involves the extent to which employers will continue to offer health insurance coverage to their workers under current law. However, CBO and JCT's analysis found that even if the changes in employment-based health insurance differed substantially from those projected, they would have limited effects on the budgetary impact of the ACA because changes in the availability and take-up of such insurance affect the federal budget in several ways that are partly offsetting. See Congressional Budget Office, "The Effects of the Affordable Care Act on Employment-Based Health Insurance," CBO Blog (March 15, 2012), www.cbo.gov/publication/43090.

ruling is issued, CBO and JCT's baseline projections reflect the way the ACA is currently implemented, which involves people in many states receiving subsidies through what are known as federally facilitated marketplaces or through exchanges established in partnership between the federal government and a state government. In the event that the Supreme Court ruled that those subsidies must cease, CBO and JCT would reduce their projections of spending under current law and would reduce their estimates of the savings generated by repealing the ACA's coverage provisions. The magnitude of such changes would depend on the specifics of the Court's ruling. If instead the Court ruled that the exchange subsidies are being issued properly, CBO and JCT's baseline projections—and the estimates contained in this report—would not be affected by the Court's ruling.

### Providers' Responses to Changes in Payment Rates

An important source of uncertainty in projecting health care spending under current law for the long term involves the way that providers will respond to scheduled restraint in annual updates to Medicare's payment rates—and whether those responses will lead to offsetting increases or further reductions in spending for Medicare and other health care programs. The scheduled updates in the payment rates would generally fall below increases in the prices of inputs (namely, labor and supplies) used to deliver care. To keep the growth of their costs in line with the growth in those payment rates, providers could use fewer inputs per patient over time—that is, they could raise their productivity—or seek to control costs in other ways. If providers cannot achieve significant gains in productivity, they might reduce the quality of care offered to Medicare enrollees, reduce enrollees' access to care (which might reduce spending), or seek to increase revenues by other means (which might increase spending).[28] The nature of such responses, if any, under current law would also affect the budgetary consequences of repealing the ACA.

### Trends in Health Care Spending

Substantial uncertainty also surrounds the question of whether repealing the ACA would affect spending for health care in ways that are not captured directly in the estimates presented above. Health care spending has grown more slowly in recent years than it has historically, both in absolute terms and relative to the pace of economic growth. But that slow growth might not persist under current law. Although many analysts attribute at least a portion of the slowdown to the effects of the recent recession and slow recovery, there is debate about the role of structural or other changes in the health sector and whether and how enactment of the ACA has encouraged those changes. Some considerations suggest that the effect of the ACA's enactment may be limited:

- CBO's own analyses and other studies have shown that Medicare spending began to slow before the enactment of the ACA—and before the recession—and CBO also found that the direct effects of the recession explained very little of that slowdown, suggesting that other factors were at work.[29]

- The overall slowdown in the growth of spending occurred when very few of the ACA's provisions had been implemented in any substantial way, making it difficult to attribute much of the slowdown to the effects of specific provisions of that law.

- At a more qualitative level, the last time health care spending grew at roughly the same rate as the economy for an extended period was in the mid- to late-1990s—after an unsuccessful attempt to enact major health care legislation—which suggests that attention to the issue rather than enactment of legislation could be an important factor.

Nevertheless, it is difficult to dismiss the argument that implementation of the ACA's provisions has in some way fostered a focus on cost control that has encouraged slower growth in spending. As one analysis concluded recently, however, "it is impossible to quantify how much the ACA has truly contributed to the reduced spending projections over time"—at least until more extensive data and analyses are available.[30] Reflecting that view, CBO

28. For additional discussion, see Congressional Budget Office, *The 2015 Long-Term Budget Outlook* (June 2015), pp. 38–40, www.cbo.gov/publication/50250.

29. See Michael Levine and Melinda Buntin, *Why Has Growth in Spending for Fee-for-Service Medicare Slowed?* Working Paper 2013-06 (Congressional Budget Office, August 2013), www.cbo.gov/publication/44513; and Chapin White and Paul Ginsburg, "Slower Growth in Medicare Spending—Is This the New Normal?" *New England Journal of Medicine*, vol. 366, no. 12 (March 22, 2012), pp. 1073–1075, www.nejm.org/doi/full/10.1056/NEJMp1201853.

30. See John Holahan and Stacey McMorrow, *The Widespread Slowdown in Health Spending Growth: Implications for Future Spending Projections and the Cost of the Affordable Care Act* (Robert Wood Johnson Foundation and Urban Institute, April 2015), p. 11, http://tinyurl.com/q7j6kkc.

and JCT have not incorporated such an effect into this estimate. But to the extent that such an effect has occurred and would continue under current law, repealing the ACA would generate a larger increase in federal deficits than is estimated here. Specifically, repealing the ACA would cause spending on Medicare and Medicaid to grow more rapidly—and the substantial costs of the tax preference for employment-based health insurance to grow more quickly—than is reflected in this estimate.

### Responses in Labor Markets

Finally, there is considerable uncertainty surrounding CBO and JCT's estimates of the macroeconomic effects of repealing the ACA, largely because of the uncertainty concerning the consequences of that law for labor markets. That uncertainty arises in part because many of the ACA's provisions have been in place for less than two years and in part because estimates of how workers and businesses might respond vary considerably. CBO and JCT seek to provide estimates of macroeconomic effects that lie in the middle of the distribution of potential outcomes, but the actual effects of the ACA could differ notably from their estimates. For example, if fewer people obtain subsidized insurance coverage through exchanges under the ACA than CBO and JCT expect—or if those people respond less strongly to incentives regarding work than the agencies have estimated—then the effects of the ACA on employment and output would be smaller than estimated in this report (the same would be true for the cost of those subsidies). Alternatively, if more people obtain subsidized coverage through exchanges, or if the subsidy system affects their labor supply more strongly, then the ACA's impact on the labor market and the economy (and the cost of subsidies) would be larger. The effects of repealing the ACA could thus be smaller or larger as well.

### Overall Magnitude of the Uncertainty

Quantifying the variation in budgetary effects that might stem from any source of uncertainty is difficult, and trying to capture the likely effects for all of them simultaneously would be harder still. As a qualitative matter, however, the range of important uncertainties and the large flows of funds that are affected by the ACA suggest that the variation in budgetary effects of repealing that law could be substantial. Although CBO and JCT's best estimate is that repealing the ACA would increase federal budget deficits by $137 billion over the 2016–2025 period through its effects on direct spending and revenues, the effects on federal deficits of repealing the ACA could differ, in either direction, from the central estimates presented in this report by a sum that exceeds that amount. Thus, the uncertainty is sufficiently great that repealing the ACA could in fact reduce deficits over that period—or could increase deficits by a substantially larger margin than the agencies have estimated.

For the decade after 2025, the estimated effects on deficits of repealing the ACA are so large as to make it substantially less likely that a repeal could reduce deficits. The range of uncertainty grows wider over time, however, because it becomes more and more difficult to project health care spending—a key driver of both the costs and the savings generated by the ACA. Over a long horizon, a wide range of changes could occur in people's health, in the sources and extent of their insurance coverage, and in the delivery of medical care (reflecting factors such as advances in medical research, developments in technology, and changes in patterns of medical practice) that are likely to be significant but that are very difficult to predict, both under current law and under any proposal to repeal the ACA.

# List of Tables and Figures

## Tables

1. Summary of Estimated Effects on Direct Spending and Revenues of Repealing the Affordable Care Act 2

2. Estimate of the Direct Spending and Revenue Effects of Repealing the Affordable Care Act, Without Macroeconomic Feedback 3

3. Estimate of the Effects on Health Insurance Coverage of Repealing the Affordable Care Act 9

4. Estimated Changes in Direct Spending and Revenues That Would Result From Repealing the Affordable Care Act, Without Macroeconomic Feedback 11

## Figures

1. Estimated Effects on Deficits of Repealing the Affordable Care Act 4

2. Comparison of Estimated Effects on Deficits of Repealing the Affordable Care Act 13

3. Evolution of CBO and JCT's Estimates of the Net Budgetary Effects of the Insurance Coverage Provisions of the Affordable Care Act 14

# About This Document

This Congressional Budget Office report was prepared at the request of the Chairman of the Senate Budget Committee. In keeping with CBO's mandate to provide objective, impartial analysis, this report makes no recommendations.

Philip Ellis wrote the report and contributed to the analysis with significant input from Benjamin Page. Thomas Bradley, Lori Housman, Paul Masi, Kevin McNellis, Jamease Miles, Lara Robillard, Erica Socker (formerly of CBO), Zoe Williams, and Rebecca Yip prepared the analysis of effects on Medicare. Chad Chirico, Julia Christensen, Kate Fritzsche, Daniel Hoople, Sarah Masi, Andrea Noda, Lisa Ramirez-Branum, Robert Stewart, and Ellen Werble prepared the analysis of effects on Medicaid, exchange subsidies, and other federal health programs. Jessica Banthin, Sean Lyons, Alexandra Minicozzi, Eamon Molloy, Romain Parsad, Allison Percy, Sam Trachtman (formerly of CBO), and Christopher Zogby contributed to the analysis of effects on Medicaid and exchange subsidies. The staff of the Joint Committee on Taxation contributed to the analysis of effects on exchange subsidies and revenue changes associated with employment-based health insurance and prepared the analysis involving revenue provisions. Paul Burnham, Devrim Demirel, Ed Harris, Janet Holtzblatt, Jonathan Huntley, Leah Loversky, Shannon Mok, Frank Russek, and the staff of the Joint Committee on Taxation prepared the analysis of the macroeconomic feedback. Linda Bilheimer, Wendy Edelberg, Theresa Gullo, Mark Hadley, Holly Harvey, and David Weiner provided guidance and helpful comments.

Jeffrey Kling and Robert Sunshine reviewed the report, Kate Kelly edited it, and Maureen Costantino and Jeanine Rees prepared it for publication. An electronic version is available on CBO's website (www.cbo.gov/publication/50252).

Keith Hall
Director

June 2015

Senator KAINE. Congressman, to follow up on an answer that was right at the end of my first line of questioning, I was asking you about climate change, and from the look on your face, I kind of thought like you were thinking, "Wait a minute. I am the OMB guy." I just wanted to come back to it.

We spend a lot of money dealing with climate-related issues: storm relief from Superstorm Sandy, rewriting the Federal Flood Insurance Program, dealing with sea level rise in Virginia and South Carolina, military budgets that try to move infrastructure around because of sea level rise or drought or other climate conditions. That was why I asked you the question, and I asked you just to agree or disagree with something that actually had a couple of facts in it. Climate change, driven partly by human-generated $CO_2$ emissions, is a huge risk. You disagreed with my premise, my factual premise. That was your statement. Do you disagree that there is climate change? Do you disagree that it is driven partly by human-generated $CO_2$ emissions? Or do you disagree that it is a huge risk? Or do you disagree with all three of those things?

Mr. MULVANEY. Let me see if I can break that one down. Again, as much as I enjoy the conversation, I still keep trying to come back to the issue of how this relates to OMB, and I think I found it, Mr. Kaine——

Senator KAINE. Yeah, because you will put these investments in the budget or not.

Mr. MULVANEY. Well, and what you have just described are costs, right? Or benefits, depending on the side of the equation that you are under. And what I see my job as doing is analyzing the costs and the benefits of various regulatory policies, various legislation. If the House or the Senate were to pass climate change regulation, it would fall to the OMB to brief the President on those issues, and I would see that one of the roles that I would have is to lay out the costs and the benefits to the President.

Again, my opinion may enter into the analysis a little bit——

Senator KAINE. Well, here is why I think it enters——

Mr. MULVANEY [continuing]. But for the most part, I do not think it does.

Senator KAINE. Here is where I think it enters in. If you do not believe in climate change, say right now somebody does not, you are not going to be proposing investments to help military bases deal with the effects of climate change.

Mr. MULVANEY. Yeah, but I do not know——

Senator KAINE. If you do not believe in the fact, you will not be proposing budgetary allocations to deal with it. So I am curious. Just on this factual question, do you accept that climate change is caused by human activity, at least in part, and that poses a risk?

Mr. MULVANEY. That is the straightforward question. I am sorry I did not—if that is what you are getting at, because I have had this exact same conversation with Mr. Sanders. I recognize the fact there is some science that would indicate that. I am not yet convinced that it is a direct correlation between manmade activity and the change in the climate, which I do believe is real.

Senator KAINE. Thank you for answering the question.

Mr. MULVANEY. You are welcome.

Senator KAINE. Did you have anything to do with the President's first Executive order that increased fees on low- and moderate-income home buyers who get loans through the FHA by about $500 a year?

Mr. MULVANEY. No, sir.

Senator KAINE. Now let me ask you a question that is a hard question, but it is a very low bar for an answer, because I have asked witnesses this for 4 years, Obama nominees, outside witnesses, Republican-called nominees. I have not yet gotten a coherent answer—even a coherent one that I disagreed with. We talk about debt and a lot of your job at OMB is producing budgets that will have effect on deficit and debt.

What level of debt is too dangerous? How do you look at that question? When I was a Governor, we never looked at a number, just, you know, $20 trillion, that is too dangerous. We looked at ratios. We looked at a ratio of debt to State GDP, or we looked at a ratio, as the Chairman said, of debt service payment to outlay. But when I asked from Janet Yellen to every witness that appears before this Committee, what level of debt is acceptable and what level of debt is dangerous, nobody gives me a coherent answer. I would like to hear how you are going to approach that question as you prepare budgets.

Mr. MULVANEY. Let me see if I can do that, because I think I got asked earlier—you may have been out of the room. There is probably some disagreement as to the specific level amongst some of the academic research that I have seen. I have seen numbers ranging as low as 65 percent of GDP to 105 percent of GDP.

Senator KAINE. And that is for publicly held debt to GDP?

Mr. MULVANEY. Correct. I think we are talking about the same thing. And it seems like the sweet spot, for sake of the discussion, is about 85 percent, which is about where we expect to be under the current CBO projections in roughly 6 or 7 years.

Senator KAINE. If we make no changes.

Mr. MULVANEY. That is correct. Then beyond that, then you start to really—you will see some evidence of the economic concept of crowding out at any level of debt, because every level of private dollars that leaves the private marketplace to go into the public debt markets is not available for private investment. So you see some crowding out on dollar one. But the real question, I think your question, is: At what point does that sort of really start to negatively impact? I can put it to you there is a negative impact now because we are spending $400 billion this year on interest instead of spending it on programs that you all might prioritize over interest.

Senator KAINE. But States send money on debt and families spend money on debt.

Mr. MULVANEY. Exactly. So I think the best I can do to answer your question is say that the evidence that I have seen so far would indicate that that point of no return may be 85 percent of GDP.

Senator KAINE. Thanks for answering the question.

Thanks, Mr. Chair.

Chairman ENZI. Thank you.

Senator Merkley.

Senator MERKLEY. Thank you very much, Mr. Chairman.

I wanted to turn to the Consumer Financial Protection Bureau. I believe that there was a time at which you were quite critical of the CFPB, stating that—and I have got to get the right page in front of me, but if I paraphrase, that it is a sad, sick joke.

Now, millions of people have gotten reimbursements back because the CFPB has held financial agencies accountable to the law. They have returned approximately $12 billion to consumers, consumers who thought they had nobody in their square fighting for them, making sure that there were honest dealings with financial organizations. Do you still believe that CFPB is a sad, sick joke?

Mr. MULVANEY. Yes, sir, I do, and I will be happy to tell you why. It is to me, sir, one of the most offensive concepts, I think, in a representative Government, which is an almost completely unaccountable Government bureaucracy, Government regulatory agency. One of the most frustrating experiences I have had since I have been in Congress is people walking into my office and asking me for help and having me look them in the eye and say, "I am sorry. There is no way under any circumstance that I can help you." And that is what I have been forced to do with the CFPB, because they are off appropriations, because we do not budget for them, because they are run by essentially a one-person dictator who believes he cannot even be fired by the President but for cause.

We have created, perhaps inadvertently, the very worst kind of Government entity.

Senator MERKLEY. So let me stop you there and just say I understand you do not like the structure of the CFPB.

Mr. MULVANEY. Yes, sir.

Senator MERKLEY. But when you look at the fact that they have returned millions of dollars from organizations that essentially admitted—because these were largely settlements—admitted that they had misled borrowers or cheated them outside the law, isn't that a good thing to have somebody holding those folks accountable?

Mr. MULVANEY. It is a fair point, Senator. I would suggest to you there is no evidence that the same or a better result would have been reached under the regime that existed beforehand. As you know, the CFPB essentially took over functions that were already being performed by various regulatory agencies, and there is evidence that the CFPB has actually failed miserably in some very high circumstance—or high-profile circumstances, such as the Wells Fargo debacle where I think CFPB may have been resident in Wells Fargo for 4 years and still failed to discover the wrongdoing that was taking place there.

Senator MERKLEY. Recently, the CFPB is suing Navient, which it says, and I quote, "misled borrowers, illegally driving up loan repayment for millions of students." Do you consider that to be a positive thing that we have an organization that is taking on actions that are deliberately misleading our students who have enormous loan debts?

Mr. MULVANEY. Oh, I absolutely do believe it is a good idea to have an organization that would enforce the law. I would question whether or not the CFPB is the best way to do that, question whether or not that enforcement would have taken place. And I would remind everyone who discusses this issue that what is alleged—and I have no facts and circumstances to know one way or the other—is already against the law and would be against the law regardless of whether or not the CFPB existed.

Senator MERKLEY. A lot of the challenge that we have in that in ordinary transactions companies have arbitration clauses that make it basically impossible for them to have any leverage. If you are familiar with how an arbitration clause works, the individual has to go to someone selected by the company, and that individual does not get business unless they find on the company's behalf. So it is a terribly rigged system.

But here we have a way, an effective strategy, that has taken on misdeeds in all kinds of groups. You say they did not act fast enough on Wells Fargo, but they have acted more quickly than any other agency. And you also said that just the same would have happened in the previous period, if we compare it before we had the CFPB. But that is just not the case. We did not get this kind of action on behalf of consumers before. We did not get $12 billion returned to 29 million consumers.

So given there are 29 million people out there who have benefitted—you have a dispute over the structure of the funding and the structure of the board. I hear that. But isn't that kind of looking at the tree and not the forest?

Mr. MULVANEY. No, sir. I think that there is a fundamental objection, a principled objection to an agency that is not accountable to the people that it is supposed to serve. So——

Senator MERKLEY. But it actually was designed this way, in fact, so it would be accountable, and you have to understand that the reason why is because ordinary citizens have very little power compared to the fabulous power concentrated in Wall Street. Large financial institutions do not want there to be a consumer watchdog that holds them accountable to the law. We finally have that consumer watchdog. We know what would happen if we had structured the funding differently. You would have stepped on the air hose—not you personally, but Congress, with the enormous clout of Wall Street pushing them, would have stepped on the air hose and shut them down. And we have seen the—you want a type of board that has worked miserably for all kinds of other organizations where there is no quorum or it is a 2–2 tie and no action. This has actually worked. I mean, if you take a look at how to create an effective organization fighting for ordinary working Americans, I mean, this is it.

Mr. MULVANEY. Senator, all I can tell you is I have had probably more complaints about the CFPB in my office from small local banks and credit unions, which I am not from a big bank area, than every other Government agency put together. So I would respectfully disagree with you, sir.

Senator MERKLEY. Well, I can tell you——

Chairman ENZI. Senator Merkley, you——

Senator MERKLEY. I have been gaveled down. But it is an important debate because the President said he campaigned on fighting for working people, and this is working for working people, and it sounds like you are going to go in and say, "No, do not help working people. Help big banks."

Chairman ENZI. I am happy to have that discussion with you as well. I am the one who got an Inspector General for the CFPB and found out that he had no right to inspect.

Senator MERKLEY. I would love to——

Chairman ENZI. There is no oversight by Congress——

Senator MERKLEY. I would love to have this Committee have a full examination, including inviting the public to come in and testify about the many times that this has been the only way that they have gained justice.

Chairman ENZI. We will be doing something in that area, I assure you.

I want to thank the witness for his testimony and all the people that showed up to ask questions today.

I also have several letters that I want to make a part of the record in support of the nominee. Without objection.

[The letters follow:]

AMERICANS FOR PROSPERITY

23 January 2017

The Honorable Mike Enzi, Chairman
U.S. Senate Committee on the Budget
624 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Ron Johnson, Chairman
U.S. Senate Committee on Homeland Security & Governmental Affairs
340 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Bernie Sanders, Ranking Member
U.S. Senate Committee on the Budget
624 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Claire McCaskill, Ranking Member
U.S. Senate Committee on Homeland Security & Governmental Affairs
340 Dirksen Senate Office Building
Washington, D.C. 20510

Re: Support for the Nomination of Rep. Mick Mulvaney for Director of the Office of Management and Budget

Dear Chairmen Enzi and Johnson and Ranking Members Sanders and McCaskill:

On behalf of more than 3.2 million Americans for Prosperity activists in all 50 states, I write to urge the Senate Committee on the Budget and the Senate Committee on Homeland Security & Governmental Affairs to immediately take up full consideration of Representative Mick Mulvaney as the nominee for Director of the Office of Management and Budget.

In Congress, Rep. Mulvaney has been a strong voice in the fight to curb out-of-control government spending and reverse the trajectory of the national debt. His voting record shows that he stands with American taxpayers over special interests, supporting lower spending and a smaller, more efficient, and more accountable federal government. Since his election to Congress in 2010, Rep. Mulvaney has taken up difficult fights to curb spending, including playing a key role in the implementation of the 2011 budget caps. Rep. Mulvaney has proven himself to be a principled advocate for economic freedom, a fight which he would surely continue as Director of the Office of Management and Budget.

As Director of OMB, Rep. Mulvaney would have the opportunity to effectuate real change in the interest of economic freedom while he works with the President to determine budget priorities. According to the most recent CBO long-term budget outlook, if current spending trajectories remain unchanged, federal debt as a share of GDP will reach unprecedented levels over the next 20 to 30 years, and would have devastating effects on the economy. By making smart budgeting choices, even when those choices are difficult, Rep. Mulvaney can be a voice for an accountable government and show the American people that federal government is capable of living within its means.

We are encouraged by the passion and energy that Rep. Mulvaney brings to the fight for economic freedom, and we encourage you to consider him as Director of OMB. We urge a swift hearing on the nominee and full and fair consideration on the Senate floor.

Sincerely,

Brent Gardner
Chief Government Affairs Officer
Americans for Prosperity

*Americans for Prosperity (AFP) exists to recruit, educate, and mobilize citizens in support of the policies and goals of a free society at the local, state, and federal level, helping every American live their dream – especially the least fortunate. AFP has more than 3.2 million activists across the nation, a local infrastructure that includes 36 state chapters, and has received financial support from more than 100,000 Americans in all 50 states. For more information, visit www.AmericansForProsperity.org.*

BCFC
Business Coalition for Fair Competition
www.governmentcompetition.org

January 24, 2017

The Honorable Mike Enzi, Chairman
The Honorable Bernie Sanders, Ranking Member
Committee on Budget
U.S. Senate
Washington, DC 20510

Dear Chairman Johnson and Ranking Member Sanders:

The Business Coalition for Fair Competition (BCFC) is a national coalition of businesses, associations, taxpayer organizations and think tanks that are committed to reducing all forms of unfair government created, sponsored and provided competition with the private sector. BCFC believes the free enterprise system is the most productive and efficient provider of goods and services and strongly supports the Federal government utilizing the private sector for commercially available products and services to the maximum extent possible.

We commend you for scheduling this hearing to consider the nomination of Representative Mick Mulvaney (R-SC) for Director of the Office of Management and Budget (OMB). We enthusiastically endorse Rep. Mulvaney given his steadfast support of the private sector, including small business, and his leadership efforts in Congress to reduce unfair government competition with the private sector.

Congressman Mulvaney has a background as an entrepreneur, having started four businesses. He has private sector experience across many fields, including law, real estate, homebuilding, and restaurants. The Congressman currently serves on the House Financial Services Committee as well as the House Oversight and Government Reform Committee. He previously served on the Committee on Small Business and the Budget Committee. In addition, he is a longtime member of the House Yellow Pages Caucus (YPC).

During his time as Chair of the House Small Business Subcommittee on Contracting and the Workforce, he held the lone Congressional oversight hearing on the negative impact of "insourcing" of Federal contracts on small business contractors, as well as an oversight hearing on Federal Prison Industries (FPI) Reform. He also introduced bipartisan legislation, known as the Pest Elimination Services Transparency and Terminology (PESTT) Act which would limit the authority of the USDA's Wildlife Services program to compete with the private sector for rodent, nuisance bird and wildlife work in suburban and urban areas.

Rep. Mulvaney has a record of support for budget restraint and management efficiency, and has a commendable view of the proper role of government in our nation and economy.

We respectfully urge your committee favorably report the nomination of Rep. Mulvaney as OMB Director in order to allow the full Senate swift approval for this highly qualified candidate.

Sincerely,

John Palatiello
President
Business Coalition for Fair Competition

**1856 Old Reston Avenue, Suite 205; Reston, Virginia 20190; P (703) 787-6665; F (703) 787-7550**

COUNCIL *for* CITIZENS AGAINST GOVERNMENT WASTE

**Thomas A. Schatz,** ***President***
1100 Connecticut Ave., N.W., Suite 650
Washington, D.C. 20036
**ccagw.org**

January 23, 2017

The Honorable Mike Enzi
U.S. Senate
Committee on the Budget
624 Dirkson Senate Office Building
Washington, D.C. 20510

Dear Chairman Enzi,

Your committee will soon consider the nomination of Rep. John Michael "Mick" Mulvaney (R-S.C.) to become the director of the Office of Management and Budget (OMB). On behalf of the more than one million members and supporters of the Council for Citizens Against Government Waste (CCAGW), I strongly support Rep. Mulvaney's confirmation to this post.

Rep. Mulvaney has worked tirelessly as an advocate for balanced budgets and fiscal restraint since he was first elected to Congress in 2011. In the 114th Congress, he introduced H.R. 2320, the Federal Improper Payments Coordination Act, and he proposed an amendment to the fiscal year 2017 National Defense Authorization Act that would restrict spending under the Overseas Contingency Operations Fund. Rep. Mulvaney has a CCAGW lifetime vote rating of 97 percent, including a perfect 100 percent voting record in 2012, which earned him CCAGW's "Taxpayer Super Hero" Award.

Rep. Mulvaney is a stalwart advocate for fiscal responsibility and the right choice to lead the OMB. I urge you to support his nomination.

Sincerely,

Tom Schatz

AMERICANS *for* TAX REFORM

722 12th Street N.W.
Fourth Floor
Washington, D.C.
20005
T: (202)785-0266
F:(202)785-0261
www.atr.org

January 23, 2017

The Honorable Mike Enzi
Chairman, Committee on Budget
United States Senate
624 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Bernie Sanders
Ranking Member, Committee on Budget
United States Senate
624 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Enzi & Ranking Member Sanders,

**I write in support of Congressman Mick Mulvaney for the position of Director of the Office of Management and Budget.** Throughout his time in Congress, Rep. Mulvaney has displayed a commitment to addressing Washington's rampant overspending problem and reforming the bloated federal bureaucracy. Senators should have no hesitation supporting his nomination to lead OMB and should swiftly approve him to this position.

The federal budget is on an unsustainable trajectory that must be addressed. In coming decades, spending and debt are projected to rapidly increase to historically high levels. The Director of OMB will play an integral part in reining in the out-of-control federal government and Rep. Mulvaney has proven he is willing to make the tough choices that will undoubtedly be required to reverse the looming fiscal crisis.

As an advocate of bringing the Department of Defense under full audit, Rep. Mulvaney has shown a willingness to look for waste and abuse wherever it may be.

As a signer of the Taxpayer Protection Pledge – a commitment made to his constituents to oppose any and all new tax increases – Rep. Mulvaney has shown he understands the need to reduce spending and the deficit without burdening American families and businesses with higher taxes.

Congressman Mick Mulvaney is the right choice to lead OMB at a time when the federal budget is in desperate need of restraint. I urge you and your colleagues to swiftly approve his nomination as Director of OMB.

Onward,

Grover G. Norquist
President, Americans for Tax Reform

Chairman ENZI. I want to thank the witness.

As information, all Senators' questions for the record are due by 6:00 p.m. today, with a hard copy delivered to the Committee clerk in Dirksen 624. Under our rules, the witness will have 7 days from receipt of our questions to respond with answers.

With no further business, the hearing is adjourned.

[Whereupon, at 1:21 p.m., the Committee was adjourned.]

# United States Senate

COMMITTEE ON THE BUDGET
ROOM SD-624
(202) 224-0642

WASHINGTON, D.C. 20510-6250

# STATEMENT OF BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF PRESIDENTIAL NOMINEES

## A. BIOGRAPHICAL INFORMATION

1. **Name:** (Include any former names used.)

   *John Michael Mulvaney*
   *Mick Mulvaney*
   *J. Michael Mulvaney*

2. **Position to which nominated:**

   *Director-Office of Management & Budget*

3. **Date of nomination:**

   *December 17, 2016 (announced)*

4. **Address:**

   *(REDACTED)*

5. **Date and place of birth:**

   *July 21, 1967*
   *Alexandria, VA*

6. **Marital status:**

   *Married to Pamela West Mulvaney*

7. **Names and ages of children:**

   *(REDACTED)*

8. **Education:**

   *Charlotte Catholic High School, Charlotte, NC 1981-1985*
   *Georgetown University, Washington, DC, BS-Foreign Service, 1985-1989*
   *Univ. of North Carolina, Chapel Hill, NC, JD, 1989-1992*
   *Harvard Business School, Cambridge, MA, OPM, 2004-2006**

   **The Harvard program was part of the Executive Education curriculum and is considered a certificate program, not a degree.*

9. **Employment record:** List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment. (Please use separate attachment, if necessary.)

   *Please see attached Exhibit A9.*

10. **Government experience:** List any advisory, consultative, honorary or other part-time service or positions with federal, State, or local governments, other than those listed above.

    *None other than those listed in Exhibit A9.*

11. **Business relationships:** List all positions currently or formerly held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, or other business enterprise, educational or other institution.

    *Please see attached Exhibit A11.*

12. **Memberships:** List all memberships and offices currently or formerly held in professional, business, fraternal, scholarly, civic, public, charitable and other organizations.

    *Please see attached Exhibit A12.*

13. **Political affiliations and activities:**

    (a) List all offices with a political party which you have held or any public office for which you have been a candidate.

    (b) List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

    (c) Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of $50 or more for the past 5 years.

    *Please see attached Exhibit A13.*

14. **Honors and awards:** List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals and any other special recognitions for outstanding service or achievements.

    *Please see attached Exhibit A14.*

15. **Published writings:** List the titles, publishers, and dates of books, articles, reports, or other published materials which you have written.

    *Please see attached Exhibit A15.*

16. **Speeches:** Provide the Committee with four copies of any formal speeches you have delivered during the last 5 years which you have copies of and are on topics relevant to the position for which you have been nominated.

    *Please see attached Exhibit A16.*

17. **Selection:**

(a) What do you believe in your background or employment experience affirmatively qualifies you for this particular appointment?

(b) Were any conditions, expressed or implied, attached to your nomination? If so, please explain.

(c) Have you made any commitments with respect to the policies and principles you will attempt to implement in the position for which you have been nominated? If so, please identify such commitment(s) and all persons to whom such commitment(s) have been made.

*Please see attached Exhibit A17.*

## B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, business associations or business organizations if you are confirmed by the Senate?

   *Yes.*

2. Do you have any plans, commitments or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, please explain.

   *No.*

3. Do you have any plans, commitments or agreements after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization? If so, please explain.

   *No.*

4. Has anybody made a commitment to employ your services in any capacity after you leave government service? If so, please identify such person(s) and commitment(s) and explain.

   *No.*

5. If confirmed, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, please explain.

   *Yes.*

## C. POTENTIAL CONFLICTS OF INTEREST

1. If confirmed, are there any issues from which you may have to recuse or disqualify yourself because of a conflict of interest or the appearance of a conflict of interest? If so, please explain.

   *No.*

2. Identify and describe all investments, obligations, liabilities, business relationships, dealings, financial transactions, and other financial relationships which you currently have or have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute a possible conflict of interest in the position to which you have been nominated.

   *None.*

3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation or affecting the administration and execution of law or public policy other than while in a federal government capacity.

   *None, other than that undertaken while in my capacity as a member of the US House of Representatives. As an elected state lawmaker from 2007-2011 I likewise engaged in trying to influence the passage of statewide legislation.*

4. Do you agree to have written opinions provided to the Committee the ethics officer of the Office of Management and Budget and by the Office of

Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position?

*Yes.*

5. Explain how you will resolve potential conflicts of interest, including any disclosed by your responses to the above questions.

   *I am not aware of any existing conflicts of interest. In the event I have overlooked any, or new ones arise in the future, they will be resolved in full compliance with the directives of the Office of Government Ethics and any other appropriate governmental entity.*

## D. LEGAL MATTERS

1. Have you ever been disciplined or cited for a breach of ethics for unprofessional conduct by, or been the subject of a complaint to any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

   *I had two minor state elections commission fines levied against me, one in 2006 and another in 2015, for late filings of financial reports. In both circumstances, the delay was two business days. I believe the fine in 2006 was $100; I know the fine in 2015 was $120.*

2. To your knowledge, have you ever been investigated, arrested, charged or convicted (including pleas of guilty or nolo contendere) by any federal, State, or other law enforcement authority for violation of any federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.

   *No.*

3. Have you or any business of which you are or were an officer, director or owner ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

   *Please see attached Exhibit D3.*

4. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

   *N/A*

## E. TESTIFYING BEFORE CONGRESS

1. If confirmed, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?

   *Yes.*

2. If confirmed, are you willing to provide such information as may be requested by any committee of the Congress?

   *As appropriate, yes.*

## F. FINANCIAL DATA

All information requested under this heading must be provided for yourself, your spouse, and your dependents. (This information will not be published in the record of the hearing on your nomination, but it will be retained in the Committee's files and will be available for public inspection, with the exception of income tax returns.)

1. Please provide personal financial information not already listed on the SF 278 Financial Disclosure form that identifies and states the value of all:

   (a) assets of $10,000 or more held directly or indirectly, including but not limited to bank accounts, securities, commodities futures, real estate, trusts (including the terms of any beneficial or blind trust of which you, your spouse, or any of your dependents may be a beneficiary), investments, and other personal property held in a trade or business or for investment other than household furnishings, personal effects, clothing, and automobiles; and

*(REDACTED)*

(b) liabilities of $10,000 or more including but not limited to debts, mortgages, loans, and other financial obligations for which you, your spouse, or your dependents have a direct or indirect liability or which may be guaranteed by you, your spouse, or dependents; and for each such liability indicate the nature of the liability, the amount, the name of the creditor, the terms of the payment, the security or collateral, and the current status of the debt payment. If the aggregate of your consumer debts exceeds $10,000, please include the total as a liability. Please include additional information, as necessary, to assist the Committee in determining your financial solvency. The Committee reserves the right to request additional information if a solvency determination cannot be made definitively from the information provided.

*(REDACTED)*

2. List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, executory contracts and other future benefits which you expect to derive from current or previous business relationships, professional services and firm memberships, employers, clients and customers. If dates or amounts are estimated, please so state. Please only include those items not listed on the SF 278 Financial Disclosure form.

   *None except those listed on the SF278.*

3. Provide the identity of and a description of the nature of any interest in an option, registered copyright, or patent held during the past 12 months and indicate which, if any, from which you have divested and the date of divestment unless already indicated on the personal financial statement.

   *None.*

4. Provide a description of any power of attorney which you hold for or on behalf of any other person.

   *(REDACTED)*

5. List sources and amounts of all gifts exceeding $500 in value received by you, your spouse, and your dependents during each of the last three years. Gifts received from members of your immediate family need not be listed.

   *(REDACTED)*

6. Have you filed a Federal income tax return for each of the past 10 years? If not, please explain.

   *Yes.*

7. Have your taxes always been paid on time including taxes paid on behalf of any employees? If not, please explain.

   *(REDACTED)*

   We are also working with the states of North Carolina and South Carolina on the appropriate manner in which to pay state unemployment taxes, and any applicable penalties and interest.

8. Were all your taxes, federal, State, and local, current (filed and paid) as of the date of your nomination? If not, please explain.

   *(REDACTED)*

9. Has the Internal Revenue Service or any other state or local tax authority ever audited your Federal, state, local, or other tax return? If so, what resulted from the audit?

   *(REDACTED)*

10. Have any tax liens, either federal, State, or local, been filed against you or against any real property or personal property which you own either individually, jointly, or in partnership? If so, please give the particulars,

including the date(s) and the nature and amount of the lien. State the resolution of the matter.

*(REDACTED)*

11. Provide for the Committee copies of your Federal income tax returns for the past 3 years. These documents will be made available only to Senators and staff persons designated by the Chairman and Ranking Minority Member. They will not be available for public inspection.

    *My 2013, 2014 and 2015 federal income tax returns are attached.*

12. Have you ever been late in paying court-ordered child support? If so, provide details.

    *(REDACTED)*

13. Have you ever filed for bankruptcy or been a party to any bankruptcy proceeding? If so, provide details.

    *(REDACTED)*

# AFFIDAVIT

JOHN MICHAEL MULVANEY being duly sworn, hereby states that he has read and signed the foregoing STATEMENT ON BIOGRAPHICAL AND FINANCIAL INFORMATION and that the information provided therein is, to the best of his knowledge, current, accurate, and complete.

Subscribed and sworn before me this 4 day of January, 20 17

JACQUELINE M. GRECO NOTARY PUBLIC MY COMMISSION EXPIRES 6/30/2020 DISTRICT OF COLUMBIA

Jacqueline M. Greco
Notary Public, District of Columbia
My Commission Expires 6/30/2020

**STATEMENT OF BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF PRESIDENTIAL NOMINEES – SENATE BUDGET COMMITTEE**

**NOMINEE: Mick Mulvaney**
**POSITION: Director, OMB**

**Exhibit A9: Employment**

| | | | | |
|---|---|---|---|---|
| Security Guard | Georgetown Univ. | Sr. Guard | Washington, DC | 9/85-5/89 |
| Library Asst. | UNC-Law Library | Lib. Asst. | Chapel Hill, NC | 9/90-5/92 |
| Attorney | James, McElroy & Diehl, PA | Sr. Associate | Charlotte, NC | 8/92-2/97 |
| Attorney | Mulvaney & Fisher, PA | Owner & Managing Prtner | Charlotte, NC | 3/97-12/00 |
| Real Estate | Mulvaney Properties (& The Mulvaney Group, Ltd.) | President | Charlotte, NC | 1/01-12/08 |
| Homebuilder | Garver Homes, Inc. | VP | Lancaster, SC | 1/08-12/09 |
| Restaurants | Salsarita's Fresh Cantina, Inc. & The Mulvaney Co. | Board Member Restaurant Owner & Operator | Charlotte, NC | 1/09-1/11 |
| Elected Office | SC House | State. Rep. | Columbia, SC | 1/07-1/09 |
| Elected Office | SC Senate | Senator | Columbia, SC | 1/09-1/11 |
| Elected Office | US House | US Rep. | Washington, DC | 1/11-current |

**STATEMENT OF BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF PRESIDENTIAL NOMINEES – SENATE BUDGET COMMITTEE**

**NOMINEE: Mick Mulvaney**
**POSITION: Director, OMB**

**Exhibit A11: Business Relationships**

In addition to the positons identified in Exhibit 9, I have held the following positions:

University of SC-Lancaster
476 Hubbard Dr. Lancaster SC 29720
Board of Visitors
January 2006 through December 2010 (approx.)
Uncompensated

Springs Memorial Hospital
800 W. Meeting Street , Lancaster, SC 29720
Board of Trustees
January 2003 through December 2006 (approx.)
Uncompensated

SouthEnd Development Corporation
Address unknown
January 1994 (approx.)through December 1998 (approx.)

**STATEMENT OF BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF PRESIDENTIAL NOMINEES – SENATE BUDGET COMMITTEE**

**NOMINEE: Mick Mulvaney**
**POSITION: Director, OMB**

**Exhibit A12: Memberships**

I have been a member, or otherwise affiliated, with the following organizations during the approximate periods noted.

Carmel Country Club
1992-2012
Member, President

Lancaster Moose Lodge
2006-2008
Member

Indian Land Rotary
2006-2011
Founding Member

Lancaster County Chamber of Commerce
2000-2005
Member, Board Member

United Way of Lancaster County
2004-2008
Member, Campaign Chair

North Carolina Bar Association
1992-2008
Member

MENSA
2000-2004
Member

Lahinch Golf Club
2004-present
Member

**STATEMENT OF BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF PRESIDENTIAL NOMINEES – SENATE BUDGET COMMITTEE**

**NOMINEE: Mick Mulvaney**
**POSITION: Director, OMB**

**Exhibit A13: Political Affiliations and Activity**

I have been a candidate for, and have been elected to, the following offices as a member of the Republican party:

SC House (elected 2006, served 2007-2009)
SC Senate (elected 2008, served 2009-2011)
US House (elected 2010, served 2011-present)

I was a member of the Executive Committee of the National Republican Congressional Committee during the 114th Congress, though I do not recall attending any meetings or having any duties.

The only political contribution that I made as an individual, to any other individual (other than myself), organization, political party, PAC or similar entity in the last 5 years was a $2500 contribution to Jeff Landry for Congress (Landry for Louisiana) in 2012. Numerous contributions have been made out of my political campaign account and my leadership PAC while I have been a member of Congress, but those were not made by me as an individual.

(REDACTED)

**STATEMENT OF BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF PRESIDENTIAL NOMINEES – SENATE BUDGET COMMITTEE**

**NOMINEE: Mick Mulvaney**
**POSITION: Director, OMB**

**Exhibit A14: Honors & Awards**

ACADEMIC:

Honors Scholar (Georgetown University SFS)(1989)
cum laude (Georgetown University)(1989)
Dean's Medal (Georgetown University)(1989)

Chancellor's Scholarship Finalist (UNC-LAW)(1989)

LEGISLATIVE:

| Year | Organization | Award Name |
|---|---|---|
| 2010 | 60 Plus Association | Guardian of Seniors Rights Award |
| 2010 | University of South Carolina | Appreciation Award |
| 2010 | South Carolina EMS Association | Legislator of the Year |
| 2011 | American Conservative Union | Defender of Liberty |
| 2011 | Lancaster County Council | Appreciation Award |
| 2011 | National Taxpayers Union | Taxpayers Friend Award |
| 2012 | 60 Plus Association | Guardian of Seniors Rights Award |
| 2012 | National Assoc. of Manufacturers | Manufacturing Legislative Excellence Award |
| 2012 | Business Insider | 10 Most Conservative Members of Congress |
| 2012 | FreedomWorks | 100% Scorecard |
| 2012 | NFIB | Guardian of Small Business |
| 2012 | Middle East Council of America | Patriot of the Expatriates |
| 2012 | Association of Builders/Contractors | Champion of the Merit Shop |
| 2012 | AAHOA | Friend of the Hotelier Award |
| 2012 | South Carolina Fire Service | Support Award |
| 2012 | Minority Business Roundtable | Congressional Leadership Award |
| 2012 | South Carolina Farm Bureau | Friend of the Farm Bureau Award |
| 2012 | National Taxpayers Union | Taxpayers Friend Award |
| 2012 | Club for Growth | Defender of Economic Freedom |
| 2012 | AAHOA | Political Forum Award for Advocacy |
| 2012 | US Chamber of Commerce | Spirit of Enterprise Award |
| 2013 | National Taxpayers Union | Taxpayers Friend Award |
| 2014 | FreedomWorks | Freedom Fighter Award |
| 2014 | GOP Liberty Caucus of SC | Chairman's Award for Economic Liberty |
| 2014 | Citizens against Government Waste | Taxpayer Super Hero Award |
| 2014 | Club for Growth | 97% Scorecard |
| 2014 | FreedomWorks | 95% Scorecard |
| 2014 | Human Society of United States | Legislative Leader |
| 2014 | NFIB | Guardian of Small Business |
| 2014 | Corporate Enterprise Institute | Champion of the Worker |
| 2014 | AAHOA | Friend of the Hotelier Award |
| 2014 | Nat. Assoc. of Mutual Ins. Cos. | Benjamin Franklin Public Policy Award |
| 2015 | U.S. Business and Industry Council | Defender of the American Economy Award |
| 2015 | Taxpayers for Common Sense | Mr. Smith Goes to Washington Award |

| | | |
|---|---|---|
| 2015 | NAFCU | Credit Union Congressional Champion Award |
| 2015 | FreedomWorks | 95% Scorecard |
| 2015 | AAHOA | Friend of the Hotelier Award |
| 2016 | Heritage Action | 94% overall scorecard |
| 2016 | Conservative Review | 93% 'A' overall ranking Liberty Score |
| 2016 | School Nutrition Association | School Nutrition Award |
| 2016 | Int'l Foodservice Distr. Assoc. | Thomas Jefferson Award |
| 2016 | Campaign to Fix the Debt | Taxpayers Hero |
| 2016 | Career and Technical Education | Support Award |
| 2016 | DAV Chapter 19 | Certificate of Appreciation of Veterans |

**STATEMENT OF BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF PRESIDENTIAL NOMINEES – SENATE BUDGET COMMITTEE**

**NOMINEE: Mick Mulvaney**
**POSITION: Director, OMB**

**Exhibit A15: Published Writings**

During my tenure in Congress the columns listed below were published. If the column is identified as a "Monthly Column" it was typically sent to several small-town papers in South Carolina's 5th Congressional District. Not all the columns were printed by all of the papers each month. I believe The Lancaster News (thelancasternews.com) and the Carolina Gateway (carolinagatewayonline.com) printed most, if not all, of the monthly columns, but they could have been published in other papers as well. It is possible that a small handful were never published.

1/31/11 – Monthly Column: Washington is as crazy as you probably think
3/3/11 – Monthly Column: An explanation of government shutdowns
3/8/11 – Roll Call: GOP Will Write Serious Budget Plan
4/15/11 – Monthly Column: Telling the Truth
5/9/11 – Monthly Column: The role of taxes in our national budget debate
6/6/11 – Monthly Column: Memorial Day, sacrifice and service
7/8/11 – Monthly Column: How the House of Representatives is focusing on jobs
7/20/11 – The State: Cut, Cap and Balance
8/10/11 – Monthly Column: Debt Ceiling Deals
9/2/11 – Monthly Column: State of the economy
9/23/11 – Politico: Agencies Stiffing Small Business
10/1/11 – Monthly Column: Constitution Day
11/4/11 – Washington Examiner: The president's tax math doesn't add up
11/18/11 – Washington Post: Balanced budget amendment now
2/2/11 – Monthly Column: My problem with the State of the Union address
2/16/11 – Monthly Column: Protecting our religious freedoms
12/10/12 – Monthly Column: How we know the President isn't serious about averting the fiscal cliff
1/3/13 – Huffington Post: Make Pentagon Savings Part of Budget Negotiations
1/11/13 – Monthly Column: Why I voted against the fiscal cliff "deal"
2/12/13 – Monthly Column: No Budget, No Pay
3/13/13 – Monthly Column: Why the sequester was so important
4/12/13 – Monthly Column: Discussion on immigration begins
5/21/13 – Monthly Column: Input from home
6/17/13 – Monthly Column: IRS scandal
6/26/13 – The Hill: Free trade must be a two-way street
8/2/13 – The State: What's a few billion dollars? A start
11/20/13 – Monthly Column: My new favorite holiday
2/4/14 – Monthly Column: I know why people don't like politicians
5/28/14 – The Hill: Cutting through the regulatory thicket
1/20/15 – US News & World Report: Change is good for Congress
1/28/15 – Monthly Column: Immigration, border security and executive amnesty. Oh my.
3/29/15 – WSJ: The Republican Budget is a Deficit Bust

**STATEMENT OF BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF PRESIDENTIAL NOMINEES – SENATE BUDGET COMMITTEE**

**NOMINEE: Mick Mulvaney**
**POSITION: Director, OMB**

**Exhibit A16: Speeches**

I have delivered many speeches during the last 5 years in my role as a Member of the US House. A list of all the dates of which we have a record follows. I spoke regularly on fiscal and oversight issues, as well as general legislative developments, all of which would be relevant to the position to which I have been nominated. I likely could have, and typically would have mentioned one or more of those topics at any of these appearances.

However, I speak from rough notes or extemporaneously and as a result there are no prepared texts of any of these speeches or other public discussions.

2/21/11 – York County Council
2/22/11 – Indian Land Rotary
2/23/11 – Ft. Mill Rotary
3/2/11 – Georgetown University College Republicans
3/7/11 – First Monday with Trey Gowdy
3/8/11 – National Association for Business Economics
3/9/11 – National Federation of Republican Women
3/22/11 – Winthrop College
3/23/11 – Lancaster Rotary
3/24/11 – Lancaster County Natural Gas Company
3/24/11 – Lancaster Rotary
3/24/11 – Lancaster Town Hall
3/25/11 – Lancaster Chamber
3/30/11 – Citadel School of Business Administration
4/12/11 – NCTO Annual Meeting
4/13/11 – Lunch Honoring Paul Weyrich
4/18/11 – Darlington Town Hall
4/19/11 – Fairfield Rotary
4/19/11 – Washington Night in the South
4/20/11 – Winthrop College
4/27/11 – Chester Springtimers Breakfast
4/27/11 – Rock Hill/York Town Hall
4/28/11 – Kershaw Town Hall
4/29/11 – Kershaw County Legislative Breakfast
5/5/11 -- Corridor Association's Annual Meeting
5/14/11 – York Electric Meeting
5/17/11 – Cherokee Town Hall Meeting
5/20/11 – Fairfield County Chamber of Commerce
5/24/11 – SC Business Council
5/24/11 – Mo Brooks Event
5/28/11 – SC Governors School
6/4/11 – NC Republican State Convention
6/7/11 – Newberry Town Hall
6/8/11 – Sun City Town Hall
6/8/11 – Clover Rotary
6/8/11 – Lake Wiley Town Hall
6/30/11 – Sumter Town Hall

7/1/11- World Changers Worship Service
7/26/11- Politico Jobs of the Future
8/22/11- York Tech Chamber Trade/ Export Seminar
8/29/11- Chesterfield Town Hall
8/30/11- Fairfield Town Hall
8/31/11- Fort Mill Town Hall
9/1/11- NAACP
9/1/11- Rock Hill Area Council
9/1/11- Rock Hill Kiwanis Club Meeting
9/17/11- Sun City Tailgaters Breakfast
9/26/11- Rock Hill SBA Meeting
9/26/11- Sun City Federal Employee Retirees
9/26/11- River Hills Country Club Q&A
9/29/11- Sumter SBA Meeting
10/18/11- Point Loma Business School visit
11/1/11 – National Journal Panel
11/9/11 - Homebuilders Association Legislative Conference
11/11/11 - Rock Hill American Legion Dinner

**2012**

1/5/12 - Upstate Elected Officials Meeting
2/13/12 - Shepherd Center Adventures (Seniors)
2/13/12 - Cherokee Town Hall
2/20/12 - Kershaw/Camden Town Hall
2/21/12 – Lake Wateree Town Hall
2/23/12 - Cherokee Chamber of Commerce
2/24/12 - Lake Wylie Republican Women
2/25/12 - Lancaster County Tea Party
3/2/12 - AgSouth and ArborOne Farm Credits
3/5/12 - SC Association of Counties
3/6/12 - Coker College Students
3/7/12 – Newberry College Students
3/12/12 - National Stone, Sand & Gravel Association Annual Meeting
3/12/12 - Sumter Town Hall
3/13/12 – Lancaster Town Hall
3/21/12 - SC Credit Unions Group
3/30/12 - Lancaster Chamber Breakfast
4/11/12 - Fort Mill Rotary Club
4/13/12 – Greenville Chamber of Commerce
4/30/12 – Kershaw County Chamber of Commerce
5/1/12 – Lancaster Chamber Policy Meeting
5/21/12 – Sumter Rotary
6/11/12 - NAIOP Luncheon
6/11/12 - Fairfield County Republican Party Headquarters Ribbon Cutting Ceremony
6/15/12 – Hilton Head Island GOP
6/22/12 - NAIFA Conference & Future Freedom Foundation of South Carolina
7/2/12 - Visit York Electric Cooperative
7/24/12 -Coalition of Franchisee Associations Board of Directors' Dinner
7/26/12 - Minority Business Roundtable
8/14/12 – Indian Land Rotary & Lake Wylie Rotary
8/16/12 – Greenville Chamber of Commerce
9/5/12 - SC Federal Credit Unions
9/6/12 - NAIFA-Piedmont/IFAPAC Members
9/6/12 - Sumter GOP Meeting
9/12/12 - AAHOA Reception
9/13/12 – Upstate Chamber of Commerce

9/13/12 - SC Credit Unions
9/18/12 - Urban Land Institute Conference
9/22/12 - SC District 5 Federation of Republican Women
9/24/12 - Williams and Fudge Student Loans & Receivables Collection Conference
9/25/12 - Aiken GOP Meeting
9/28/12 - Spartanburg County Republican Club Meeting
10/2/12 - Lancaster Chamber of Commerce
10/8/12 -Spartanburg Bronze Elephant Dinner
10/11/12 -Tri-County Construction Assn.
10/12/12 - Winthrop Business Roundtable
10/16/12 - York County Medical Society Dinner FR
10/22/12 - Morningside Senior Center
10/22/12 - Sumter TEAvangelical Patriots/Sumter GOP
10/24/12 - National Bank of South Carolina (NBSC) Advisory Board
10/25/12 - Microsoft Town Hall
10/25/12 - Military Officers Association of America
10/26/12 - Columbia Tea Party Banquet
10/31/12 - SCCL Republican Club Meeting & York County Chamber of Commerce
11/1/12 – Winthrop University
11/1/12 - Indian Land Republican Party
11/30/12 - The Charlotte Observer Forum
12/1/12 - Constitution Committee of the Spartanburg GOP
12/10/12 - Brookfield School

**2013**

1/7/13 – Lancaster Chamber of Commerce
1/28/13 -- Piedmont Realty Association of Realtors
1/28/13 – Sumter Town Hall
1/30/13 – Ft. Mill Rotary
2/13/13 – South Carolina Business Council
2/19/13 – Rock Hill Town Hall
2/22/13 – York Chamber Legislative Breakfast
2/27/13 – Conversations with Conservatives
2/27/13 – SC Credit Union League
2/28/13 – NAACP Town Hall
3/5/13 – AAHOA
3/8/13 – Club for Growth
3/20/13 – Conversations with Conservatives
3/26/13 – Lancaster Natural Gas Authority
3/26/13 – York and Clover Joint Chamber Meeting
3/26/13 – Blessed Hope Baptist Students
3/26/13 – SC Chamber Washington Night
3/28/13 – Sumter Tea Party
4/4/13 – Kershaw Co. Chamber Legislative Night
4/8/13 – Spartanburg/Cherokee Town Hall
4/11/13 – AAIP
4/19/13 – Winthrop political science class
4/22/13 – Newberry Town Hall
4/23/13 – Washington Industrial Roundtable
4/24/13 – Young Presidents Organization
4/24/13 – Conversations with Conservatives
4/29/13 – REBIC Board of Governors
4/29/13 – Scherer Presbyterian Men's Dinner
4/30/13 – Voices in Politics
4/30/13 – Fairfield Town Hall
5/1/13 – Clover High School
5/1/13 – Nation Ford High School Young Republican Club

5/1/13 – Ft. Mill Town Hall
5/11/13 – York Electric Co-Op Annual Meeting
5/13/13 – Ft. Mill High School Outreach
5/13/13 – Sumter Rotary Club
5/13/13 – Kershaw County Town Hall
5/15/13 – SC Credit Union League
5/20/13 – NC Senate Caucus fundraiser
5/28/13 – Union Rotary
5/28/13 – Union Town Hall
5/30/13 – York Electric Co-Op
6/10/13 – Freedom Club
6/19/13 – Hispanic Pastors Summit
6/26/13 – Prepaid Card Convention
7/2/13 – Sun City Carolina Lakes Republican Club
7/17/13 – Republican National Lawyers Association
8/1/13 – Young Americans for Liberty
8/3/13 – RedState
8/30/13 – Milliken Brown Bag Lunch
9/3/13 – Sumter Packaging Brown Bag Lunch
9/4/13 – Carolina Ingredients Brown Bag Lunch
9/21/13 – Bahrain American Chamber of Commerce
10/21/13 – Palmetto House Republican Women's Meeting
10/23/13 – AFSA Annual Meeting
10/23/13 – Washington Industrial Roundtable
11/6/13 – Rock Hill Town Hall
11/7/13 – Greenville Tea Party
11/11/13 – St. Anne's Veterans Day Celebration
11/11/13 – Chester Veterans Day Celebration
11/17/13 – Liberty Fellowship Dinner
11/20/13 – Tea Party Legislative Roundtable
11/22/13 – Palmetto Breeze Cigar
12/4/13 – South Carolina Business Council holiday reception
12/17/13 – Indian Land Rotary

**2014**

1/21/14 - Fairfield Town Hall
1/23/14 - Lancaster Chamber Annual Meeting
2/8/14 - GW Night for Ninos, Embassy of Italy
2/17/14 - Spanish Language Town Hall
2/17/14 - Greenville Chamber Remarks
2/25/14 - SC Business Council
2/26/14 - SC Credit Union
3/1/14 - 5th District GOP Meeting
3/6/14 - Liberty Rising at CPAC
3/17/14 - Appearance w/ TJ of Ace and TJ at Embassy Suites Charlotte
3/28/14 - Lancaster Legislative Breakfast
3/28/14 - Tim Scott Campaign Rally
4/15/14 - Chester Town Hall
4/16/14 - SC Chamber Washington Night
4/30/14 - Bloomberg's Partnership for a New American Economy
5/5/14 - Myrtle Beach Chamber DC Update
5/7/14 - Coalition of Franchisee Associations
5/10/14 - York Electric Coop Annual Meeting
5/13/14 - State of Community Rock Hill Breakfast
5/14/14 - Rock Hill Town Hall
5/15/14 - Tri-County Building Contractors
5/15/14 - Reception benefitting Pat McKinney

5/16/14 - Regional Chamber's Legislative Breakfast
5/16/14 - Kiwanis Club Sumter
5/22/14 - NAACP Town Hall
6/6/14 - SCGOP Sliver Elephant Dinner
6/16/14 - Chester County Development Association Luncheon
6/16/14 - York County Development Announcement
6/16/14 - Ft. Mill Town Hall
6/30/14 - York Proper Town Hall
7/7/14 - Union Town Hall
10/4/14 - Berkley GOP Breakfast
10/8/14 - Young Republicans at Nation Ford High School
10/14/14 - Sun City Republicans Club
10/21/14 - York Electric Co-op
10/21/14 - York Chamber
10/28/14 - York Chamber
10/30/14 - Sun City Rally
11/4/14 - Election Night Party
11/6/14 - USC Scholarship Luncheon
11/26/14 - Rock Hill Rotary Club

**2015**

1/19/15 – Rock Hill City's MLK Interfaith Prayer Breakfast
1/19/15 – Speak at the SC Tea Party Convention
1/23/15 – Speak at the Catawba/Wateree Chapter MOAA (Military Officers Association)
2/1/15 – Speak at women's group about current events in DC. The Rosary & Confraternity Society of St. Mary Catholic Church
2/7/15 - Speak to SC Pastors (Bob Woodard)
2/18/15 - Greenville County Republican Party
2/18/15 - Mick and Trey Gowdy visit Billy Webster class in Wofford College
2/23/15 - Speak to class at Buford High School in Lancaster Government Economic Class
3/18/15 - Taste of the South 2015
3/27/15 - York Co Regional Chamber of Commerce Legislative Breakfast
3/27/15 - Clover Lake Wylie Republican Women Luncheon
4/8/15 - Guest Lecture in Professor McDermott's Economics class
4/8/15 - Speak to TeenPact
4/9/15 - CAPCA (Carolinas Air Pollution Control Association)
4/11/15 - York Co GOP Convention
4/20/15 - Speak to the Model Congress Clubs from St. Bernard's School
4/21/15 - Speak at the Small Business Investor Alliance
4/29/15 - Speak to National Pawnbrokers Association on Choke Point hearing
5/5/15 - Cherokee Town Hall
5/6/15 - Reception honoring State Senator Tom Davis
5/13/15 - Speaking 7-12 minutes Financial Services Institute
5/13/15 - Nelson Mullins Financial Services Conference
6/21/15 - Speaking Invitation NAMA Fly-In
6/28/15 - NRCC Congressional Forum Lunch
6/18/15 - Lake Wylie Rotary Club
6/19/15 - Speak at AFSA Air Force Sergeants Association Chapter 377
6/21/15 - Speak/Meet w/ Chester Chamber of Commerce
8/9/15 - Conversations w/ Conservatives
9/10/15 – Duke Energy Safety Award Presentation
9/10/15 - Speak to GSP Republican Women
11/10/15 - Speak at Veterans' Day Clover High School Event
11/10/15 – Pinegrove Christian Academy WWII Memorial Groundbreaking
11/12/15 - Speak at Commonwealth Convention
11/20/15 – Town Hall at Palmetto Breeze Cigar Palace
11/24/15 – Town Hall at USC-L

12/21/15 – Meet and Greet at Sun City

**2016**

1/9/16 - teach a "class" at GSSM
1/16-1/17/16 - SC Tea Party Coalition in Myrtle Beach
1/21/16 - Lancaster Chamber
1/26/16 - Union Rotary
1/26/16 - Lancaster County Council
1/29/16 - Greenville Chamber
2/3/16 - Breakfast with SC Firefighters at Johnny's Half Shell
2/16/16 - Lancaster Chamber of Commerce
2/19/16 - Club for Growth Convention - afternoon general session
2/23/16 - Charlotte Business Council - Charlotte Catholic High School
2/24/16 - SC Credit Union- DC
3/1/16 - BDC Member Fly-in
3/3/16 - DC Block Chain Summit
3/8/16 - Social Work Class at Winthrop
3/11-3/13/16 NGASC (National Guard Association) Annual Conference- North Myrtle Beach
3/18/16 - York County Women's Club
3/28/16 - Cherokee County Chamber w/ Gowdy
3/29/16 - USC Christian Law Society re: Refugees
3/29/16 - York County GOP Candidate Forum
3/30/16 - Panel for SC Society of Public Managers
3/31/16 - SC Sons of American Revolution
3/31/16 - UNC Law Banking Institute
4/7/16 - National Beta Club Induction- Indian Land High School
4/7/16 - York County Republican Party Meeting
4/8/16 - Cigar Town Hall - Palmetto Breeze
4/11/16 - Disabled American Veterans
4/12/16 - Speak @ CATO re: Bitcoin
4/22/16 - Political Science Honor Society at Winthrop
4/27/16 - CRE Finance Council
4/30/16 - USC Union Commencement
5/8/16 - USAF Jr ROTC- Northwestern High School
5/13/16 - Kershaw County Chamber of Commerce Meeting Awards & Celebration GALA
5/17/16 - SC Business Council
5/19/16 - SC Farm Bureau Banquet
5/26/16 - R St GSE Panel re: HR 4913 (Housing Finance Restructuring Act)
5/26/16 - ILAC/ Carolina Gateway Candidate Forum
6/6/16 - Cherokee County Republican Women's Club Candidate Forum
6/7/16 - Lake Wylie Candidate Forum
6/8/16 - Nutramax Event on the Hill
6/8/16 - SC Home Builders Lunch
6/11/16 - 30th Annual Freedom Fund Banquet (NAACP) of Rock Hill
6/11/16 - SC Truckers Association (Hilton Head)
6/30/16 - Rock Hill Chamber Lunch
6/30/16 - Sumter Chapter Meeting of the Building Industry Association of Central South Carolina
7/15/16 - Speaking Engagement w/ John Birch Society
7/26/16 - Lake Wylie Rotary Club
7/28/16 - Old English Consortium IT Directors speaking engagement
8/19/16 - "Bronze Elephant Dinner" Newberry County Republican Party
8/22/16 - Rep. Jeff Duncan's Faith & Freedom BBQ
8/24/16 - Lancaster Natural Gas employees safety meeting
8/30/16 - Highland Ruritan Club & Chester GOP Political Rally
8/31/16 - Grand Opening of Sumter GOP Headquarters Office
9/3/16 - Rolling Thunder Statewide Meeting
9/8/16 - IDC's "Beyond Genocide: Preserving Christianity in the Middle East"

9/10/16 - 229th Constitution Day Celebration at SC State Museum
9/16/16 - Operation Welcome Home Key Ceremony Event for the Decapua Family
9/19/16 - Special Service to Honor Lancaster County First Responders
9/20/16 - NAFCU (National Association of Federal Credit Unions)
9/22/16 - Greenville County Republican Women's Club
9/22/16 - Lancaster County Chamber of Commerce - Legislative Briefing and Candidate's Reception
9/24/16 - South Carolina Army and Air Guard Officers' Meeting
10/13/16 - Lancaster Rotary Club
10/17/16 - Palmetto House Republican Women Monthly Meeting
10/18/16 - Union Rotary Club
10/19/16 - Lunch at the Comporium Board Event
11/18/16 - NAIOP and UNCC's Childress Klein Center for Real Estate Quarterly Luncheons
11/28/16 - Sumter Rotary Club Meeting
11/29/16 - FiscalNote's First User Summit
12/6/16 - Heritage Action for America President's Club Meeting

**STATEMENT OF BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF PRESIDENTIAL NOMINEES – SENATE BUDGET COMMITTEE**

**NOMINEE: Mick Mulvaney**
**POSITION: Director, OMB**

**Exhibit A17: Selection**

a) I have an educational background in economics, commerce, and finance, as well as law. I have additional executive educational training in general management, accounting, finance, negotiations, and organizational behavior.

   I have private sector experience in law, real estate development, homebuilding, restaurant operations, and franchising – and as a result have experience in regulatory compliance, negotiations, finance and management.

   While in government I have served on the Education and Judiciary Committees in the SC state legislature. In the United States House of Representatives I have served on both the Budget Committee and the Oversight and Government Reform Committee, each of which has jurisdiction over OMB. I also served on the Small Business Committee where I chaired the subcommittee on government contracting, and the Joint Economic Committee. Finally, I also currently serve on the House Financial Services Committee and am vice-chair of the subcommittee on monetary policy and trade.

   Accordingly, I believe I have a unique background that has exposed me to all of the primary functions of the Office of Management and Budget.

b) No

c) No

**STATEMENT OF BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF PRESIDENTIAL NOMINEES – SENATE BUDGET COMMITTEE**

**NOMINEE: Mick Mulvaney**
**POSITION: Director, OMB**

**Exhibit D3: Legal Matters**

**While I was a minority shareholder (3%) – but not an officer -- of the Mulvaney Group, Ltd., the company was involved in the following legal actions:**

The Mulvaney Group, Ltd. V. De Lage Landen, 11CVS9396 (2011)

*The lessor of our copier claimed we owed them an outrageous sum of money for our copier lease, and they refused to accept return of the equipment at the end of our lease. We filed a breach of contract action. The lawsuit was settled and the Defendant accepted return of the equipment with no money paid.*

The Mulvaney Group, Ltd. v. Kingstree Residential Association 11CVS19989 (2011)

*We filed a declaratory judgement action seeking to confirm our right to reconfigure platted lots. The case was settled in mediation.*

CitiMortgage Inc., v. The Mulvaney Group, Ltd. 12CVS226 & 12M103 (2012)

*This was a deed reformation action to correct an error. We did not dispute the matter and signed an assent to the reformation.*

Dept. of Transportation v. The Mulvaney Group, Ltd. 12CVS5296 (2012)

*This was a condemnation action by the State of North Carolina regarding right-of-way acquisition for the I-485 beltway construction. We entered into negotiations with the State, agreed on a payment of approximately $400,000 and executed a consent judgement.*

City of Charlotte v. The Mulvaney Group, Ltd. 11M9514 (2011), 13M2948 (2013), 13M6041 (2013), 14M4568n (2014), 16M2890 (2016), 16M2891 (2016).

*These were various liens filed by the City of Charlotte regarding uncut grass at homes in neighborhoods we had developed. We disputed responsibility, claiming it was the homeowners' responsibility. The issues were all resolved and the liens were cancelled.*

**While I was an officer of the Mulvaney Group, Ltd., the company was involved in the following legal actions:**

Wendell Cooper v. The Mulvaney Group, Ltd 02CVS60856 (2002)

*Mr. Cooper was a customer who was unsatisfied with his landscaping and flooring, among other items. The items were remedied to his satisfaction and the case was dismissed.*

Michael Davis v. The Mulvaney Group, Ltd. 02CVS12322 (2002)

*Mr. Davis was a customer who sued regarding a crack in his basement floor. The case was settled out of court and the lawsuit was dismissed.*

The Mulvaney Group, Ltd. v. US Commercial 03CVS19624 (2003)

*We filed an application and order extending time to file a complaint (in order to extend the statute of limitations) regarding return to us of an earnest money deposit, but ultimately no lawsuit was filed, so I assume the matter was resolved.*

Anthem Homeowners Assoc. v. The Mulvaney Group, Ltd. 03M9218 (2003)

*This was a claim of lien regarding delinquent HOA dues, but ultimately no lawsuit was filed, so I assume the matter was resolved without the need for litigation.*

Brightmoor Homeowners Assoc. v. The Mulvaney Group, Ltd. 04SP4583 & 04M7585 (2004)

*This was a lien foreclosure action regarding delinquent HOA dues on the property located at 2822 Carriage Crossing Drive in the Brightmoor subdivision. It was resolved and the lawsuit s dismissed.*

Treyburn Towne Meadows Assoc. v. The Mulvaney Group, Ltd. 04CVS6019 (2004)

*The HOA sued claiming that a storm drain pipe in the neighborhood we had developed was defectively installed. The case was resolved and the lawsuit was dismissed.*

Cedar Lane Farms HOA v. The Mulvaney Group, Ltd. 05M184 (2005)

*This was a claim of lien regarding delinquent HOA dues, but ultimately no lawsuit was filed, so I assume the matter was resolved without the need for litigation.*

Citiside Residential Association v. The Mulvaney Group, Ltd. 05M1663 (2005)

*This was a claim of lien regarding delinquent HOA dues, but ultimately no lawsuit was filed, so I assume the matter was resolved without the need for litigation.*

Brightmoor Homeowners Association v. The Mulvaney Group, Ltd. 08CVS3214 (2008)

*This was a quiet title action brought to settle the ownership of certain common area in a neighborhood we developed. Our company was in the chain of title. We claimed no interest in the property and default judgement was entered against us.*

**While I was the owner and managing partner of Mulvaney & Fisher, PA (f/k/a Mulvaney & Associates, PA), the firm was involved in the following legal actions:**

Mulvaney & Associates, PA v. Lanier Worldwide, 99CVD1910 (1999)

*This was a dispute over a copier lease. I do not remember the particulars but know that the issue was amicably resolved.*

**While I was (and am currently) a minority owner in both Lancaster Collins Road, LLC and Indian Land Ventures, LLC, the following action was filed:**

In November of 2016, a company in which I am a minority owner filed a foreclosure action against another company in which I am a minority owner. The matter was filed in the South Carolina Court of Common Pleas, and bears docket number 2016-CP-29-01319. It is entitled Indian Land Ventures, LLC v. Lancaster Collins Road, LLC, et al. The matter is pending, and as of this writing is uncontested.

Details: I am a minority owner of a group (Lancaster Collins Road LLC) that purchased a piece of undeveloped land in Indian Land, SC in 2007. The LLC borrowed money from Paragon Bank and also acquired second-tier, unsecured mezzanine financing from a private group, Fonville & Co. The LLC paid the bank debt for more than 9 years, and interest on the mezzanine financing accrued. As a result of the financial crisis and the impact on the marketability of the property, the LLC determined in the fall of 2016 that it would not be able to repay the entire Paragon bank loan amount when due. Another group in which I am a minority owner (Indian Land Ventures, LLC) purchased the loan from Paragon Bank at par, in October 2016, before that loan went into default. Accordingly, the debt to Paragon Bank was paid in full.

Indian Land Ventures has begun foreclosure proceedings against Collins Road, LLC on the unpaid (formerly Paragon Bank) debt. As a result of that foreclosure, the mezzanine financing provided by the Fonville & Co. will go unpaid and may be foreclosed, though that entity will be provided the opportunity to bid for the property, pursuant to the foreclosure statutes of South Carolina.

I am thus a minority owner in both the plaintiff and a defendant (the debtor and the creditor) in the foreclosure proceeding.

**Pre-Hearing Questions from Senator Enzi**
for Mick Mulvaney
Nomination of the Hon. Mick Mulvaney, of South Carolina, to be
Director of the Office of Management and Budget
Senate Budget Committee

The primary role of the President in the federal budget process is the submission of a detailed, line-by-line submission to Congress, covering all the proposed expenditures of the executive branch. Congress has added dozens of requirements over the years concerning specific elements that must be included in the budget submission. Much of this budgetary detail receives little attention from Congress. How would you recommend streamlining the President's budget submission in order to focus it in on recommendations of major legislative changes and the provision of a true fiscal state of the union?

**Various parts of the budget require significant breakdown in details, instead of simply providing summary numbers for larger department and agency operations. I would like to explore whether or not these are still of value to anyone, including Congress. As for broader reforms, I would like to examine the possibility of coming up with separate operating and capital budgets, biennial budgeting in some form, and/or including getting more types of spending "on budget."**

Do you agree it would be helpful to harmonize the format of the President's budget submission with that of the congressional budget, so that taxpayers can better understand the budget?

**Yes, I agree.**

I have suggested a budget concepts commission to make recommendations on topics such as capital budgeting and the role of macroeconomic feedback. What do you think of this idea? Are there additional reforms you would propose to make the budget process more cost-effective and accountable for results?

**As noted above, a separate capital budget absolutely needs to be examined.**

**As for macroeconomic feedback, it strikes me that any budget, especially when looking out 5, 10 or 20 years, that does not include some sort of macroeconomic feedback (dynamic scoring) is of questionable value.**

**I would like to explore highlighting the "budget v. actual" and "current year v. previous" year aspects of the budget, so that lawmakers and the public can more easily grasp the changes in the amounts budgeted over time. Right now, I believe this information is available but difficult to find.**

I have proposed setting guardrails for spending and the economy to ensure a goal-focused budget process. This means setting spending levels based on incoming revenues and establishing long-term debt-to-GDP targets in the annual budget. As OMB Director, would you work with Congress to further these proposals?

**Yes. I understand many states have done this successfully.**

The Government Accountability Office (GAO) generates a list of duplication, overlap, and fragmentation among government programs, and in recent years, OMB's budget submission has included a list of proposed program terminations, reductions, and savings. Do you think portfolio budgeting, in which similar programs operated by different agencies are systematically considered in a collective manner, can reduce program duplication? Would you support moving toward portfolio budgeting in the executive branch?

**If confirmed I would like to pursue the idea of portfolio budgeting with the committee. It could potentially result in less duplication as well as an easier comparison of the relative efficiencies of programs with similar goals to get results for the public.**

Total federal debt is approaching $20 trillion, and existing structural imbalances point toward growing deficits in the future. What do you see as OMB's role in setting the nation on a fiscally sustainable path?

**If confirmed, I will advocate strongly for an executive budget that reduces the deficit and seeks to approach balance. OMB is uniquely situated to advise the President and Congress on all aspects of the nation's fiscal situation and how it can be remedied. OMB is also uniquely situated to execute laws and policies that address current and future deficits. This importantly includes the careful review of new regulations and assisting in the retrospective review of regulations currently on the books. These reviews, and the subsequent modification of federal rules, could greatly invigorate job and economic growth while maintaining important health, safety, and environmental protections. Increased growth will likely increase federal revenues that, in turn, could significantly reduce future deficits.**

You have supported eliminating the cap adjustment for overseas contingency operations (OCO). If OCO is eliminated, how would you budget for unexpected war costs? How do you believe the budget should account for disasters and emergencies? With the federal government currently operating under Budget Control Act spending caps, adjustments are made to account for additional spending needs. Can we better budget for unexpected spending?

**If confirmed, I will employ the criteria OMB already uses to determine if an expenditure is properly an "overseas contingency" or if the expenditure is a base budget request. I will advocate, at the very least, that the President ensure that true "base" budget expenditures are reflected in the top line defense discretionary numbers, and that only true war-related costs are contained in OCO. I will advocate for an end to OCO, and to moving true war-related costs into the base defense numbers, while at the same time recognizing that the President-elect may ultimately settle on a different policy.**

**With regard to disaster or emergency funding, if confirmed I would advocate for a comprehensive plan to mitigate disasters instead of responding to flood damage with emergency spending, which is often less cost-effective for the taxpayer. That said, I believe any additional funds used to address such problems should be offset with reductions elsewhere in programs that do not offer promising returns for the taxpayer. I would be more than happy to discuss other alternatives that may better help those in need while continuing to protect the American taxpayer and reduce deficit spending.**

A biennial appropriations cycle, in which Congress fully considers individual appropriations bills once every two years, has been supported by both chambers as a way to return to a functioning appropriations process. Continuing resolutions and omnibus funding bills have become too commonplace and ignore Congress's constitutional duty to carefully consider how taxpayer dollars are spent. How can the President's budget reflect the information needed to implement biennial budgeting? Do you think instituting a biennial appropriations process would add certainty, predictability, and oversight to Congress's regular spending process?

**Yes, and I would be happy to explore how that might be done.**

The Office of Management and Budget decided on two recent occasions to sequester the funds of the Financial Accounting Standards Board (FASS), the Public Company Accounting Oversight Board (PCAOB), and the Securities Investor Protection Corporation (SIPC) under the Budget Control

Act of 2011 (BCA). This decision raises the specter of similar actions in the future and the potential for a future sequestration of the Governmental Accounting Standards Board (GASS). OMB unilaterally decided to include these entities in the President's budget, making them subject to sequestration under the BCA, although none has budget authority or the ability to obligate and expend funds on behalf of the federal government. OMB required each entity to hold its sequestered funds in a separate bank account that cannot be accessed, although the money legally remained in the possession of each organization. Do you agree that these OMB actions undermine the authority of Congress, which intended the aforementioned entities to be free of political interference?

**I am only loosely familiar with this specific issue, in that I believe that funds of the Credit Union National Association, which are provided by member credit unions, were similarly sequestered, which seems inappropriate to me. That said, if confirmed, I look forward to learning more about it and reconsidering OMB's previous interpretation.**

**Pre-Hearing Questions from Senator Bernard Sanders**
**for Mick Mulvaney**
**Nomination of the Hon. Mick Mulvaney, of South Carolina, to be Director of the Office of Management and Budget Senate Budget Committee**

Question #1:

In August 2011, you told the Rock Hill Herald that a potential breeching of the debt ceiling and a default of the federal government was a "fabricated crisis." Before you even took office, in December 2010, The Hill reported that you said, "I have heard people say that if we don't do it will be the end of the world. I have yet to meet someone who can articulate the negative consequences."

As you are about to take one of the key economic positions in the new administration, can you now readily admit that breeching the debt ceiling and defaulting on America's debts would have grave worldwide economic consequences?

**I do believe that defaulting on America's debts would have grave worldwide economic consequences. I do not believe that breaching the debt ceiling will automatically or inevitably lead to that result.**

Question #2:

At a House Subcommittee on Oversight and Investigations hearing on June 25, 2015, you said of the Consumer Financial Protection Bureau, "I don't like the fact that CFPB exists." In an interview with the Credit Union Times in September 2014, you said the CFPB is "ajoke ... in a sick, sad kind of way."

According to the CFPB, the bureau has won nearly $12 billion in relief for consumers because of its enforcement actions, aiding more than 27 million people. It has handled more than 1 million complaints, replying to 97 percent in a timely manner. The CFPB recently had its largest victory when Wells Fargo was fined $185 million by federal and state authorities for illegally opening millions of unauthorized accounts for their customers in an effort to meet unrealistic sales goals.

Is it your opinion that the CFPB should lose its independent status and be subject to annual appropriations so that, despite its successes on behalf of American consumers, it could be defunded by its political opponents?

**I do believe that the CFPB should lose its independent status and be subject to annual appropriations. I believe that doing so would make it accountable to elected officials, and thus**

**to the American people.**

Question #3:

In October 2013, you said on CNN that shutting down the government over funding the Affordable Care Act was "worth it."

Do you stand by your assessment that continuing to fund provisions of the ACA was a good reason to shut down the government? In your new role in the executive branch, will you advocate that the government be shut down if Congress were to refuse to defund some program or priority with which you or President-elect Trump disagree?

**I believe that having Congress assert its Constitutional power of the purse is a worthwhile endeavor. If confirmed, I will advocate that the Executive Branch assert its Constitutional role in the function of government.**

Question #4:

In April 2011, you told The Hill that the Ryan budget did not cut Medicare and Social Security "rapidly enough." In May of that month, you said to Politico, "I honestly don't think we went far enough with the Ryan plan."

According to the Congressional Budget Office, the FY2012 Ryan budget specifies a path where spending on all programs other than Medicare, Medicaid, and Social Security would "decline sharply as a share of GDP – from 12 percent in 2010 to 6 percent in 2022 and 3 percent by 2050." Meanwhile, the Ryan budget that year called for Medicare to be voucher-ized, and the eligibility age to be increased to 67. It also called for Medicaid to be block-granted, dramatically shifting costs for care from the federal government to cash-strapped states or to vulnerable populations themselves.

Do you stand by your assessment that this austere budget did not cut essential programs quickly enough?

**The FY2012 Ryan Budget did not propose any cuts to any recipients who were already in, or near, retirement. I continue to believe that entitlement programs must be fixed in order to make sure they 1) are available for future generations and 2) do not drive the country to bankruptcy.**

Question #5:

The Tax Policy Center has determined President-elect Trump's tax plan would cut federal revenues by $7.2 trillion over ten years, with more than half the benefits going to the top 1 percent and a quarter going to the top tenth of one percent. The average tax cut for the top tenth of one percent would be nearly $1.5 million in 2025 alone.

As a deficit hawk, will you cooperate with President-elect Trump's plan to run up huge deficits on the back of his tax cut proposal?

**If confirmed, I will advocate for tax policies, spending policies, and regulatory policies that bring the budget into balance as quickly as possible.**

Question #6:

During the presidential campaign, President-elect Trump said, "I will formulate a rule which says that for every one new regulation, two old regulations must be eliminated."

The cost-benefit frameworks of every administration since President Reagan signed Executive Order 12291 has considered "net benefits" of new rules. However, the requirement of replacing a regulation whose benefits exceed its costs with another such regulation – rather than permitting both to remain on the books – would diminish overall benefits to Americans.

A regulatory budget of the kind President-elect Trump seems to support counts only the costs of regulations, and to completely disregard benefits. As many regulations' costs are concentrated on industry, with benefits that are diffuse, a regulatory budget would seem to be a giveaway to industry at the expense of overall societal benefit. For example, it makes no sense that to make room for a regulation increasing safety for prescription opioids, we have to get rid of one that protects borrowers and another that makes air cleaner. Wall Street and polluters might like it, but the rest of us would be worse off.

Do you support a regulatory budget that only takes into account the costs of regulations and ignores their benefits?

**No. I support a regulatory regime that takes into account both the costs and the benefits of regulations.**

Question #7:

In September 2016, you wrote in a Facebook post – later deleted – "do we really need government funded research at all."

Federally-funded research has brought us the Internet, the microwave, GPS, treatments to previously untreatable diseases, and much more. Federally-funded research boosts private-sector productivity, and makes us all better off.

As you prepare the FY18 budget, will you try to cut the budget for federally-funded research?

**If I am confirmed, as we prepare the FY18 budget, I will look at all discretionary spending for opportunities for cost-savings and efficiencies.**

Question #8:

In January 2012, you posted the following statement on your website, where it can still be found:

Does the President really ever intend to pay it back? ...And if the answer is yes, my question would be: "Well, when?" Because you offered us a budget last year, Mr. President, that never balances. Ever. We've heard a lot of nasty things today about Mr. Ryan's budget, about the GOP budget – at least it balances eventually and goes to surplus and provides for a method with which to pay off the debt. Yet, the President has never offered us a budget that ever balances or produces a surplus that generates the money with which to repay the debt that he's asking us to take on today.

Please describe the economic reasoning behind your belief that the federal debt should be paid off in full.

**Money that the government borrows from our children and grandchildren should be paid back.**

Question #9:

In July 2016, you spoke before the radical right-wing John Birch Society, telling the group that the Federal Reserve "effectively devalued the dollar" and "choke[d] off economic growth."

Can you please describe what you mean by the above statements? Further, do you repudiate the conspiracy theories promoted by the John Birch Society, including those you have previously supported, such as that the Council on Foreign Relations is nefariously behind the creation of a one-world government?

**I believe that the unprecedented long period of the Fed' "zero interest rate policy," combined with three rounds of so-called "quantitative easing," has had several negative impacts. First, it had the impact of lowering the value of the dollar (and indeed, that may have been one of its specific goals). Additionally, the policy punished savers, and encouraged risk-taking, neither of which are necessarily helpful to sustainable, long-term growth. Finally, by creating an increase in the price of certain asset classes, the policy has contributed to increased wealth disparity, which is likewise detrimental to long-term economic growth.**

**I am not familiar with the specific conspiracy theories espoused by the John Birch Society.**

**I have never supported the theory that the Council on Foreign Relations is nefariously behind the creation of a one-world government.**

Question # 10:

Have there been years in the past in which you did not pay your federal, state, and/or local taxes in full and on time? If so, please explain the instances in which you paid less than you owed and provide, to the best of your ability, the amount you underpaid.

**I believe that I have paid all of the taxes owed by me and my wife in a timely fashion. I have come to learn, during the confirmation review process, that I failed to pay FICA and federal and state unemployment taxes on a household employee for the years 2000-2004. Upon discovery of that shortfall, I paid the federal taxes. The amount in question for federal FICA and unemployment was $15,583.60, exclusive of penalties and interest, which are not yet determined. The state amounts are not yet determined.**

Question #11:

To you knowledge, have you ever employed any individual who was not authorized to work in the United States?

**No.**

**Pre-Hearing Questions from Senator Jeff Merkley**
**for Mick Mulvaney**
**Nomination of the Hon. Mick Mulvaney, of South Carolina, to be Director of the Office of Management and Budget**
**Senate Budget Committee**

Question #1: Can you please provide a detailed breakdown about the structure of the Mulvaney Group and its subsidiaries? Have you ever owned more than 3% of the Mulvaney Group? If so, when?

**The Mulvaney Group, Ltd. is an S-Corporation created, and in good standing, under the laws of the State of North Carolina.**

**It does business as Mulvaney Properties. It has four subsidiaries: Wedgewood Properties, LLC, St. Katherine Properties, LLC, Citiside Properties, LLC, and 1330 E. 4th Street, LLC.**

**I became an owner of 3 and 1/3 percent in 2002. I have never owned more than that amount.**

Question #2: How did it come about that a company where you were a minority owner bought a loan from a company in which you also hold a minority share? Were you involved in either purchasing the loan or purchasing the land?

**A company in which I am a minority owner did not buy a loan from another company in which I am a minority owner. A company in which I am a minority owner bought a loan from a bank. Details:**

**I have a 100% ownership interest in a company named MP/Collins Road, LLC (MPC). Through that entity, I own a 25% interest in a company named Lancaster-Collins Road, LLC (LCR). LCR bought a piece of land in Lancaster County in 2007. To do so, it borrowed money from Paragon Bank. I was not a manager of LCR, and was not directly involved in the negotiation, financing or purchase of the land, though I was involved in helping identify the property purchased.**

**In 2016, it became evident that LCR would not be able to repay the Paragon loan when it came due in late October of that year.**

**I did not want a company in which I was an owner to default on a bank loan. Accordingly, another company in which I am a minority-owner and a member-manager, Indian Land Ventures, LLC (ILV) raised the capital necessary to buy the loan from Paragon Bank to LCR, before it went into default. The loan was bought at par. Thus the bank loan was paid in full, and ILV became the lender to LCR. I was involved in the purchase of the loan.**

**When LCR was unable to pay the loan when due, ILV began foreclosure proceedings. Those proceedings are ongoing.**

Question #3: Besides, Lancaster Collins Road LLC, Indian Land Ventures LLC, and the Mulvaney Group, what other businesses do you have any ownership in?

**I have provided a list of all of my business ownerships to the Budget Committee, the HSGAC Committee, the FBI and the OGE. I continue to review my history of business ownership and will supplement my responses to Congress as necessary.**

Question #4: Can you provide a full list of your investments?

**I have provided a list of all of my investments to the Budget Committee, the HSGAC Committee, the FBI and the OGE. I continue to review my history of investments and will supplement my responses to Congress as necessary.**

Question #5: In the list of your business relationships, you failed to disclose what position you held at SouthEnd Development Corporation. Please disclose the position you held at that company.

**The SouthEnd Development Corporation was a non-profit neighborhood redevelopment organization focused on trying to draw attention to the infill development potential of a former textile/industrial section of a near-in suburb of downtown Charlotte, North Carolina. I do not recall if I was an officer or just a member. I could have been both at different times. I provided pro-bono legal services to the group from time-to-time. I considered it volunteer service, as did the other members of the group. It did not own any land, or develop any property. I received no compensation or other financial benefit from my association with the entity.**

**Amendment to Prehearing Questions for the Senate Budget Committee provided by Representative Mick Mulvaney on 13 January 2017.**

**Question #1 of Senator Jeff Merkley regarding The Mulvaney Group.**

The 1330 E. 4th Street LLC, is a stand-alone entity that I incorrectly thought was a subsidiary of The Mulvaney Group, Ltd. My wife has an 8.33% ownership in that entity. But it has no value as of 12/31/16 and is being wound up.

Responses to

**Questions for the Congressional Record**

*U.S. Senate Committee on Budget*

For the Nomination hearing of

the Honorable John Michael "Mick" Mulvaney to be

Director, Office of Management and Budget

Tuesday, January 24, 2017

**Senator Corker**

**1. In May 2016, the GAO Director of Information Technology Management Issues testified before the House Oversight Committee. In his testimony, he noted that GAO had discovered increasing obsolescence of legacy IT systems throughout the federal government, crowding out investments in modernization and innovation. The increased reliance on obsolete information systems, some as old as 56 years, also produces security challenges and limits the ability of the government to meet the needs of stakeholders.**

**As OMB director, do you have a plan to prioritize the glaring and growing concerns related obsolete information systems across the federal government? Will you issue guidance to agencies to identify legacy systems needing replacement and modernization?**

If confirmed, I will devote significant attention to migrating these outdated systems to more efficient, secure, and scalable technologies. I will explore ideas on how to best direct agencies to identify and prioritize their highest-risk systems, and will also examine innovative approaches to solving this problem.

**Senator Grassley**

**1. As Director of the Office of Management and Budget, you will be responsible for curbing waste, fraud and abuse across the federal government -- including by protecting taxpayers' investments in the Medicare program. Various researchers have found that Medicare has spent significant sums to treat patients harmed by medical implants, such as implanted cardiac defibrillators. For example, following bipartisan congressional interest, the Office of the Inspector General (OIG) of the Department of Health and Human Services found that the failures of defective cardiac implants cost Medicare approximately $1.5 billion and beneficiaries $140 million in out of-pocket costs just to obtain treatment for those product failures. The costs when considering hip and knee implants could be far greater given that joint replacement procedures are the most common Medicare procedure, accounting for more than 400,000 procedures and $7 billion in initial hospitalization costs alone.**

**A simple solution has been identified by the OIG as well as leadership in the Centers for Medicare & Medicaid Services (CMS)--the addition of medical device identifiers, which products already have, to health insurance claims forms. This information would help the Food and Drug Administration and researchers detect problems sooner to help mitigate patient harm in the first place, and help CMS and the OIG detect fraud and abuse--such as to better enforce existing policies wherein Medicare is supposed to receive a credit for the cost of failed or recalled devices, yet this policy is often ignored, resulting in significant overpayments at taxpayers' expense.**

**How do you envision using these device identifiers once added to health insurance claims to curb waste, fraud and abuse in the Medicare program?**

I would support fiscally prudent action to improve program integrity efforts and reduce fraud, waste, and abuse in the Medicare program. As Director of the Office of Management and Budget, I would look forward to working with the Secretary of Health & Human Services to consider the costs and estimated savings of adding information to health insurance claims in the context of overall Budget priorities, program integrity, and patient safety goals.

**Senator Merkley**

**Question 1**

**In 2011, you served on the Budget Committee for one Congress and had the opportunity to question then-OMB Director Jack Lew during a hearing on then President Obama's FY12 Budget. You expressed frustration that Obama's FY12 Budget numbers were not credible and prevented you from focusing on policy. Further, you stated that you expect better from both the Republican Chairman Paul Ryan and his Committee and that the Republican Budget would not contain "unreasonable assumptions."[1]**

**However, you supported the conservative caucus Republican Study Committee's (RSC) FY17 Budget. Included in the RSC FY17 is a nearly $2.2 trillion cut listed under "Other Mandatory" with no further explanation or detail.**

**Can you explain why you supported this budgetary gimmick or magic asterisk?**

**Do you pledge to avoid gimmicks and "magic asterisks" in the budgets you submit to Congress?**

**[1] https://www.youtube.com/watch?v=Rx8fFO18dg**

The President's Budget should detail the President's plan for achieving his fiscal goals. In contrast, congressional budget resolutions are fiscal outlines with policy details to be filled in by the appropriations and authorizing committees. If confirmed, I will strive as Director to present to the Congress a credible Budget that includes specific tax and spending policies that put the budget on a path to balance.

**Senator Merkley**

**Question 2**

**The Wall Street Journal reported in May that included in President Trump's public financial disclosure report to the Office of Government Ethics, he has invested between $15-30 million in John Paulson's hedge fund.[2] Following the financial crisis, Mr. Paulson bought Freddie Mac and Fannie Mae stock for pennies on the dollar as an investment for his hedge fund when these Government Sponsored Enterprises (GSEs) went into conservatorship. Shortly after the President nominated Steve Mnuchin to be Treasury Secretary, Mr. Mnuchin appeared on CNBC and said government control of the GSES should end. Almost immediately, the share prices of Fannie and Freddie shot up and President Trump's investment benefited. Do you believe President Trump should immediately divest from his hedge fund holdings to eliminate any conflict of interest?**

If the law requires the President to divest, then he should divest. If it does not, then I believe it is up to him, in the exercise of his best judgment, as to whether to divest.

**Using the Fannie and Freddie example, this policy move will directly benefit the President's investments. How will you deal with President Trump's numerous conflicts of interests as OMB Director?**

I intend to make recommendations to the President based upon the merits of each proposal, and that are blind to the impact on any specific person, company, or other organization. As to my thoughts on how the President might choose to deal with conflicts of interest, if any, please see the response above.

**[2] http://www.wsj.com/articles/how-trump-fannie-policy-proposal-could-benefit-adviser-1480727524**

**Senator Merkley**

**Question 3**

**Last year, you introduced legislation that would ban the federal government's use of project labor agreements. "PLAs", as they are usually called, have for decades successfully set minimum wage and benefit standards on private as well as publicly-financed construction projects.**

**Is it your ultimate goal, by prohibiting PLAs, to save money by cutting wages and benefits of the construction workers on the project?**

The purpose of the legislation I introduced was to maintain Federal Government neutrality towards the labor relations of Federal Government contractors on Federal and federally funded or assisted construction projects. PLAs could still be used by government contractors who voluntarily seek to use them, but the government could not require their use as a condition of receiving a contract or grant.

**Senator Merkley**

**Question 4**

**As a founding member of the Freedom Caucus and a staunch deficit hawk, how will you reconcile your policy stance with implementing President Trump's costly, unpaid for, proposals like his infrastructure plan, the wall with Mexico, and tax reform?**

I am not yet privy to the details of any infrastructure, border wall, or tax reform proposals. As a matter of principle, I believe that the deficit and debt are problems that must be addressed sooner rather than later. OMB is uniquely situated to advise the President on all aspects of the country's fiscal situation and how it can be remedied.

**Senator Merkley**

**Question 5**

**Your Congressional website states that we should not ignore "domestic energy resources - coal, natural gas, oil - because of baseless claims regarding global warming."**

**However, among the scientific community, there is extensive agreement that climate change is real, humans are driving it through the emissions of carbon pollution, and it already is having impacts on our communities. In 2011, your state of South Carolina saw almost 5,900 hospital admissions for asthma related illness in 2011, with an average charge of more than $18,200 for each stay. In the past five years, ten extreme weather events, with a price tag of over one billion dollars, have affected South Carolina.**

**Can you name the major scientific organizations that share your view that climate change is a baseless claim and that we should not act to avert the damages?**

There are widely ranging views about how to address climate change. I know there are various groups that challenge the veracity of anthropogenic climate change, but I am not familiar with any of them specifically.

**Senator Merkley**

**Question 6**

**Despite these real costs to your state, and to the country, you voted for an amendment offered by Representative David McKinley (R-WV) to the Energy and Water Development Appropriations Act of 2015 (HR 4923) that would prevent federal agencies from assessing the costs and dangers posed by climate change.**

**Do you still support instructing federal agencies to ignore the costs of climate change?**

**What portion of wildfire fighting costs would you bar federal agencies from considering as warmer temperatures lead to longer and more severe fires?**

**Would you bar federal agencies from considering the public health costs of rising asthma rates if the agencies attributes that increase in part to climate change?**

**Would you bar federal agencies from considering the disaster mitigation and recovery costs from severe weather events if the agencies attributed higher costs in part to climate change?**

**Do you support barring subject matter experts in federal agencies from considering other types of costs or impacts? If so, please enumerate the subjects that you would support making off limits.**

In a time when fiscal constraint is necessary to ensure the future fiscal stability of the United States, I would seek to ensure that only the highest priority and best analytically justified investments are included in the Administration's budget proposals.

**Senator Murray**

**1) Fair Value Accounting**

**In 2016, the Government Accountability Office issued a report on so-called "fair value" accounting: *GAO-16-41: Current Method to Estimate Credit Subsidy Costs Is More Appropriate for Budget Estimates Than a Fair Value Approach.* The GAO made the following conclusion: "The Introduction of market risk into subsidy costs under the fair value approach would (1) be inconsistent with long-standing federal budgeting practices primarily based on cash outlays; (2) be inconsistent with the budgetary treatment of similarly risky programs; (3) introduce transparency and verification issues with respect to inclusion of a noncash cost in budget totals; and (4) involve significant implementation issues, such as the need for additional agency resources. Consequently, GAO does not support the use of the fair value approach to estimate subsidy costs for the budget and believes the current FCRA methodology is more appropriate for this purpose as it represents the best estimate of the direct cost to the government and is consistent with current budgetary practices." Fair value accounting poses significant risks to first-time homebuyers, veterans, students, and rural utilities.**

**a. Have you read the report GAO-16-41? If not, do you commit to reviewing this report before you are confirmed?**

**b. Do you agree with GAO's conclusion that fair value accounting is not an appropriate method to evaluate subsidy costs for the budget?**

**c. Do you agree that our federal accounting procedures and resulting cost estimates should represent the lifetime cost of the loan in today's dollars?**

**d. Do you believe that our federal accounting procedures and resulting cost estimates should include cash flows to or from the government that will not eventually be paid to or from Treasury?**

**e. Do you acknowledge the federal government has a lower cost of borrowing than a private financial institution?**

**f. Do you believe it is appropriate to require a discount rate that will artificially increase the cost of loan or credit programs and penalize first-time homebuyers, veterans, students, and rural utilities and their customers?**

**g. Do you commit that, if confirmed, you will not divert any resources from current OMB operations to implement a fair value accounting method?**

**a. Have you read the report GA0-16-41? If not, do you commit to reviewing this report before you are confirmed?**

No, I have not read the report, but commit to doing so before I am confirmed.

**b. Do you agree with GAO's conclusion that fair value accounting is not an appropriate method to evaluate subsidy costs for the budget?**

The debate over fair value budgeting is something I am familiar with from my time in the Budget and Financial Services Committees, but I have not read the report.

**c. Do you agree that our federal accounting procedures and resulting cost estimates should represent the lifetime cost of the loan in today's dollars?**

I am open to exploring alternative methods of evaluating Federal costs, including fair value for credit programs.

**d. Do you believe that our federal accounting procedures and resulting cost estimates should include cash flows to or from the government that will not eventually be paid to or from Treasury?**

I believe you are referring to the risk premium that is included in fair value cost estimates, consistent with private sector practices. While there is debate on how to measure the cost of lending to the Federal government for budgeting purposes, estimating the cost of federal lending in the same way the private sector would estimate costs is at a minimum a useful starting point for policy analysis.

**e. Do you acknowledge the federal government has a lower cost of borrowing than a private financial institution?**

Yes.

**f. Do you believe it is appropriate to require a discount rate that will artificially increase the cost of loan or credit programs and penalize first-time homebuyers, veterans, students, and rural utilities and their customers?**

I do not believe that is an accurate characterization of how cost estimates would be produced under fair value or that the choice of fair value would penalize program beneficiaries.

**g. Do you commit that, if confirmed, you will not divert any resources from current OMB operations to implement a fair value accounting method?**

If confirmed, I look forward to learning more about OMB's responsibilities and the resources devoted to them, and would balance any new responsibilities against these core requirements.

**Senator Murray**

**2) Nuclear Waste Cleanup**

**The U.S. Department of Energy, through the Office of Environmental Management (EM), is charged with meeting the federal government's legacy responsibilities to conduct environmental cleanup at nuclear waste sites created by the Manhattan Project and Cold War programs. This cleanup is a direct result of more than 50 years of nuclear weapons research, development, and production sponsored by the federal government. EM is responsible for the cleanup of liquid radioactive waste, spent nuclear fuel and special nuclear material, transuranic and mixed/low-level waste, contaminated soil and water, and deactivating and decommissioning excess facilities.**

**EM has steadily decreased its footprint throughout the country, cleaning up and closing many contaminated sites. However, the most difficult and complex cleanup work remains at several locations throughout the country, including in my home state of Washington. The federal government has a legal and moral obligation to continue to invest in nuclear waste cleanup, cleanup required as a direct result of past federal programs and priorities.**

**How will you balance competing legal requirements, binding milestones, and commitments to state governments and local communities with limited federal funds? How will you ensure that annual budgets for EM allow the federal government to keep the commitments that have been made to communities around the country like the Tri-Cities in Washington?**

It is important that the Federal Government addresses the legacy of waste and contamination from nuclear weapons production and energy research in an efficient and cost-effective manner. This is a highly technical and complex issue. If I am confirmed as the Director of OMB, I will work with you, other Members of Congress, and the Department of Energy on this challenging issue and will look at all discretionary spending to make sure it is allocated to the highest priority needs of the nation as we prepare the FY 2018 Budget.

**Senator Murray**

**3) Hanford Nuclear Reservation**

**Workers, families, and the Tri-Cities community in Washington state sacrificed to help the United States win World War II and the Cold War. The U.S. Department of Energy (DOE), through the Office of Environmental Management (EM), is charged with meeting the federal government's legacy responsibilities to conduct environmental cleanup at nuclear waste sites like the Hanford Nuclear Reservation (Hanford) in the Tri-Cities. The nuclear waste cleanup and environmental remediation work at Hanford is regulated by the State of Washington and the Environmental Protection Agency. In 1989 the State of Washington, EPA, and DOE entered into an agreement, known as the Tri-Party Agreement, which governs cleanup at Hanford and provides for legal milestones to keep cleanup on track. Furthermore, the federal government is subject to legally enforceable milestones on tank waste retrieval and treatment through a court-ordered Consent Decree between the State of Washington and DOE, which was recently revised in a March 2016 ruling. The federal government has a legal and moral obligation to continue to invest in the cleanup of Hanford.**

**Will you commit to submitting annual budgets to Congress that meet the Hanford milestones contained in the Tri-Party Agreement and the Consent Decree?**

It is important that the Federal Government addresses the legacy of waste and contamination from nuclear weapons production and energy research in an efficient and cost-effective manner. It is my understanding that cleanup of the Hanford site is a highly technical and complex issue. If I am confirmed as the Director of OMB, I will work with you, other Members of Congress, and the Department of Energy on this challenging issue and will look at all discretionary spending to make sure it is allocated to the highest priority needs of the nation as we prepare the FY 2018 Budget.

**Senator Murray**

**4) Planned Parenthood**

**In 2015, you spearheaded a movement among House Republicans -- all men -- to oppose any legislation to fund the government that would continue to fund Planned Parenthood. In an August 2015 email to the *Washington Post*, you wrote that if there were a government shut down over Planned Parenthood funding, "so be it." In addition to the fact that Planned Parenthood provides necessary, high quality health services to 2.5 million women, many of whom have low-incomes and no other source of health care, defunding Planned Parenthood is estimated to increase federal spending by $130 million over ten years.**

**As Director of OMB, would you support policies that both increased federal spending and decreased the availability of necessary public services?**

As Director of OMB, I will advise the President and Congress on all aspects of the nation's fiscal situation, including health care policies that impact revenue and spending. If confirmed, I will advocate for policies that put the budget on the path to balance as quickly as possible. My advice will be based on the fiscal necessities the country faces.

**Senator Murray**

**5) Commission on Evidence-Based Policymaking**

**Speaker Ryan and I worked together to pass legislation last year establishing the Commission on Evidence-Based Policymaking. The members of the commission currently are working on recommendations to Congress and the administration on how to improve the quality, accessibility, and use of federal data.**

**If confirmed, will you commit to assist the commission in its work, including making staff and resources available to it, as needed? If confirmed, will you commit to working with Congress on implementing its recommendations? Finally, if confirmed, will you commit to use evidence as a basis for increasing resources to programs and activities that are shown to be working or where more resources would help them work better, and not just using selected evidence in cases to cut funding?**

I believe the Commission's work is very important. If confirmed, I look forward to working with Congress to consider strategies for implementing the Commission's recommendations.

I believe that data and evidence are valuable tools to improve program effectiveness and efficiency. Evidence can also help us reallocate funding from programs that are not working well to those that have demonstrated they can serve our citizens and communities better.

**Senator Sanders**

**<u>Question #1</u>**

**As discussed in today's hearing, while in the South Carolina state senate, you voted for an amendment that said the following: "Whereas, many federal mandates, such as those which created the United States Department of Education, Medicaid, and the United States Social Security Administration, are directly in violation of the Tenth Amendment to the United States Constitution."**

**At today's hearing, you said that as you sat in the hearing room today, you no longer believe that Social Security is "directly in violation of the Tenth Amendment to the United State Constitution." However, you were silent about the constitutionality of the U.S. Department of Education and the Medicaid program. Do you still believe the "federal mandates that created" the United States Department of Education and Medicaid are unconstitutional?**

I do not believe Medicaid to be unconstitutional. I believe that the courts have opined that the Department of Education is constitutional, but I still challenge whether or not Article I Section 8 of the Constitution provides for heavy federal involvement in state and local education.

**Senator Sanders**

**Question #2**

**During today's hearing you repeatedly questioned the relevance of climate change to the role of OMB director. Because climate change is real, because humans are contributing to climate change, and because climate change is already having devastating impacts -- including adding tens of billions of dollars in costs to the federal government -- climate change is indeed relevant. Unless we take bold action to transition away from fossil fuels, climate change's impacts and their costs will only get worse.**

**Since 2013, GAO has placed climate change on its High Risk List, and has outlined the numerous ways that the federal government is fiscally exposed to climate change impacts.**

**Do you agree with GAO that climate change impacts will have growing fiscal impacts for the federal government, and if so, how do you intend to incorporate the impacts of climate change into your budget proposals, and what will you be doing to limit these costs in the future?**

There are widely ranging views about how to address climate change. I know there are various studies that challenge the veracity of anthropogenic climate change, but I am not familiar with any of them specifically.

**Senator Sanders**

**Question #3**

**Congressional Republicans stand behind a plan that would increase the Medicare eligibility age from 65 to 67 to generate savings for the federal government. It is well documented that these savings ultimately shift costs to the American people, to states, and to employers. Under this proposal, 65 to 66 year olds would have to pay on average $2,200 more in out-of-pocket costs a year. Medicare beneficiaries, whose average income is less than $24, 150 per year, are already spending 23 percent of the average Social Security check on Medicare Parts B and D premiums and cost sharing alone.**

**You have proposed raising the Medicare eligibility age to 67. In the House of Representatives, you voted for the Republican Study Committee budget that also proposed increasing the Medicare eligibility age.**

**Would you advise the President to increase the Medicare eligibility age?**

Entitlement programs, such as Medicare, continue to be one of the chief drivers of the debt. My role would be to advise the President on the economic ramifications of current and proposed policies aimed at reducing the deficit. I would consider all options and present the President with a range of proposals that are consistent with the Administration's priorities.

**Senator Sanders**

**Question #4**

**The Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) have estimated that repealing the Affordable Care Act would increase deficits by $353 billion in the first decade alone. The estimated increase in the deficit is so large that CBO and JCT stated it is "unlikely that a repeal would reduce deficits ... even after considering the great uncertainties involved." In addition to increasing the deficit, repealing the Affordable Care Act is estimated to rip health coverage away from 32 million Americans and cause health insurance premiums to double in the nongroup market by 2026.**

**Given that Donald Trump promised to increase access and lower healthcare costs for all Americans, do you support repealing the Affordable Care Act -- even though repealing the Affordable Care Act is estimated to increase the deficit, increase the number of uninsured Americans, and make health insurance more expensive?**

I believe there is also at least one CBO report that indicates that repealing the ACA will have a positive impact on the deficit. That said, if confirmed, I look forward to working with Congress and my colleagues throughout the Executive Branch on a comprehensive, fiscally responsible approach to replacing the Affordable Care Act and driving innovation and transparency in our healthcare system.

**Senator Sanders**

**<u>Question #5</u>**

**During today's hearing you said you did not know whether the tax cuts enacted in 1981, 2001 and 2003 resulted in reduced revenue. On chapter 4, page 4, of President Reagan's own FY1990 budget, OMB estimated that the 1981 tax cut reduced revenue by more than $600 billion from 1989 through 1990. Do you agree with the Reagan administration that the 1981 tax cut reduced revenue?**

**After President Bush enacted tax cuts in 2001 and 2003, the Treasury Department did a study in 2006 concluding that those tax cuts generated enough economic growth to offset less than 10 percent of their costs. And even that conclusion was based on a best-case scenario. Do you agree with the Bush administration that the tax cuts enacted under their watch reduced revenue?**

It is my understanding that the revenue reduction in President Reagan's budget was a static estimate, meaning that it did not account for the increases in revenue resulting from the induced economic growth. If we increase economic growth, tax revenue will increase, which will help balance the budget.

I am not familiar with that Treasury Department report. Tax cuts need to be part of a larger package of reforms to ensure that we grow the economy, which will allow us more opportunity to balance the budget.

**Senator Sanders**

**Question #6**

**The responsibilities of OMB include budget development, legislative clearance and coordination to ensure consistency of agency legislative views and proposals with Presidential policy, and coordination and review of all significant Federal regulations by executive agencies.**

1. **Do you believe that the Freedom of Information Act has an assumption of openness -- that documents should be made available to the public unless there is a compelling need to withhold them?**
2. **Will you ensure that all data, data interpretations, and reports from OMB continue to be publicly available, and if they become out of date, are archived in an accessible manner?**
3. **Will you ensure that all agency legislative views and proposals, including budgetary proposals and justifications, all significant Federal regulations, and all related documents continue to be publicly available and, if archived, are archived in an accessible manner?**

The Freedom of Information Act (FOIA) provides the public with a right to request access to records held by the Executive Branch. Agencies should comply with the FOIA and provide requested information, unless they can reasonably foresee a specific harm to one of the interests protected by that statute or disclosure is prohibited by law. If confirmed, I will ensure that OMB continues to comply with this statute.

**Senator Sanders**

**Question #7**

**President Trump promised to address rising student debt, but you have supported budgets that would slash Pell Grants for millions of students struggling to pay for college. Pell recipients are already more than twice as likely to have to borrow as other students, and they graduate with thousands more debt than other students.**

**Can you assure us that the Trump administration will not propose cuts in Pell Grant funding, making it even harder to pay for and complete college and increasing student debt?**

I believe that all spending, and waste within all types of government spending, should be subject to the highest level of scrutiny. In developing the 2018 Budget, we will look at spending across the entire Federal government and assess how to prioritize investments to achieve the President's vision, including funding for college assistance programs.

**Senator Sanders**

**Question #8**

**According to the questionnaire you provided to this Committee, you failed to pay over $15,000 in federal and state taxes for a nanny that you hired over 16 years ago.**

**Meanwhile, in 2015, you voted for a bill stating: "any individual who has a seriously delinquent tax debt shall be ineligible to be appointed or to continue serving as an employee" of the federal government.**

**Moreover, in 2009, you co-sponsored three bills in the South Carolina State Senate that would have prohibited tax cheats from serving in the South Carolina State Government.**

**Under these bills, no one could serve in the South Carolina State government unless they "annually filed all required federal and state income tax returns ... paid all income taxes due during ... the previous 10 years ... and satisfied all judgments, liens, or other penalties for failure to pay income taxes when due."**

**How can you support bills in the U.S. House and South Carolina legislature to prohibit people who are delinquent on their tax bills from serving in the government and still ask members of this committee to vote for your confirmation?**

The bills you reference were designed to encourage those seeking public office (via election or appointment) to bring their taxes into compliance with the law and to discourage recalcitrant tax cheats from taking positions with government. I hope that you and your colleagues confirm me for the OMB Director because 1) I am qualified for the position, 2) the President has indicated an express desire to have me in his cabinet and 3) as to the taxes, I immediately self-reported the mistake when I learned of it, and have taken the appropriate action to redress nonpayment of tax as soon as the issue came to light.

**Senator Sanders**

**Question #9**

**It has been reported that President Trump has will not release his tax returns. Today, the American people have no idea if he has failed to pay his taxes in full and on time, or, in the case that he has not, if the errors were innocent ones, or if he purposely stretched the law beyond its breaking point.**

**I take it that you still support the spirit of the bills you sponsored, that no one should knowingly fail to pay his or her taxes and still be allowed to serve in government or be employed by the federal government.**

**My question is this: In your opinion, is that a standard that President Trump should have to live up to? How can we know if President Trump is living up to this standard if he does not release his tax returns?**

I believe firmly that the President should follow the law, and I still believe in the principles of the bills referenced. However, if there is no specific law on a topic, then I believe it is up to the President, in the exercise of his best judgment, as to whether he releases his tax returns.

**Senator Sanders**

**<u>Question #10</u>**

**The Office of Management and Budget has a responsibility to review impacts of proposed rulemakings, and can often influence the direction that such a rulemaking takes. President Trump has considerable business holdings which he has not divested himself from, many of which will likely be materially impacted by rules that OMB will review. Will OMB be analyzing these rules for their potential impacts on President Trump's businesses? What processes and procedures will you put in place to ensure that no special benefits are accruing to any Trump Organization business?**

I strongly support the assessment of regulatory impacts, and I believe that the rulemaking process should comply with applicable legal requirements. If confirmed, I will work with the OIRA Administrator to ensure that the OMB review process helps us achieve these important objectives.

I intend to make recommendations to the President based upon the merits of each proposal, and that are blind to the impact on any specific person, company, or other organization.

**Senator Sanders**

**Question #11**

**In May of last year, you issued a statement which read, in part, "I've worked for many years to bring attention to the slush fund that is the War Budget ... It's past time to do away with the slush fund entirely."**

**If confirmed as Director of OMB, what approach will you take to managing the Overseas Contingency Operations portion of the Pentagon's budget? Will you direct reductions to the OCO account over time commensurate with combat troop reductions? What specific steps would you take to shift base funding for enduring requirements, currently designated as OCO, back into the base defense budget? Would you endorse the elimination of the OCO designation altogether?**

If confirmed, I hope to work with the Secretary of Defense to ensure that the OCO budget is strictly limited to the funding our military needs to conduct combat operations overseas, consistent with the troop levels needed to carry out the mission. I look forward to better understanding the types of enduring requirements currently funded in OCO. I plan to consult closely with the Secretary of Defense on this issue.

**Senator Sanders**

**Question #12**

**Earlier this month, GAO issued a report on OCO designated funding at the request of Senator Van Hollen and myself. In this report, GAO recommended that the Pentagon, in collaboration with OMB, "reevaluate and revise the criteria for determining what can be included in DOD's OCO budget requests; and that DOD develop a complete and reliable estimate of enduring OCO costs to report in future budget requests." If confirmed, will you work to carry out this recommendation? Will you impose criteria on how OCO designated funds can be spent?**

I appreciate the work GAO has done on this issue, at your and Senator Van Hollen's request. If confirmed, I plan to work with the Secretary of Defense to review and, if necessary, revise the OCO criteria to ensure they reflect evolving threats around the world, as well as the Administration's policies on OCO going forward. In addition, I look forward to better understanding the types of enduring requirements currently funded in OCO. I agree with GAO that it is important to develop reliable estimates of enduring OCO costs and will work with the Secretary of Defense to assess options to achieve that goal.

**Senator Sanders**

**Question #13**

**On May 11, 2011, you told ABC, "Defense has to be cut -- it has to be on the table, no question. There's a group of Republicans - myself included - who think that we should be cutting Defense. There's a large portions of folks in our own party who know that you can cut Defense and not impact the ability of our troops in the field to be defending us. So I think it does need to be on the table. The goal here is to balance the budget. And if you're going to do that, you gotta look at everything."**

**Meanwhile, President Trump's new whitehouse.gov page on the military says this: "President Trump will end the defense sequester and submit a new budget to Congress outlining a plan to rebuild our military." Reversing sequestration on defense spending would be roughly a $570 billion increase over the next 10 years.**

**Clearly, you and President Trump have different views on defense spending. If you are confirmed as OMB Director, will you advocate to the President that defense spending be reduced? What do you believe is an appropriate level of annual defense expenditures?**

If confirmed as OMB Director, I will candidly advise the President on the costs and benefits of the strategic choices he faces, and I will then advocate for the funding our Armed Forces need in order to carry out the President's direction. At all times, I will try to reduce waste. If confirmed, I look forward to working with the Department of Defense to determine the appropriate level of annual defense expenditures to carry out the President's strategy and protect our country.

**Senator Sanders**

**Question # 14**

**Over the past four years, the Postal Service has made an operating profit of more than $2 billion, excluding the mandate to pre-fund 75 years of retiree health benefits. And before this prefunding mandate was signed into law, the Postal Service was also profitable. In fact, from 2003 through 2006, the Postal Service made a combined profit of more than $9 billion. No other business in America, no government agency is saddled with this $5.5 billion a year pre-funding mandate.**

**Would you recommend to the President that we end the pre-funding mandate once and for all and allow the Postal Service to thrive and prosper into the future?**

As stated in my pre-hearing questionnaire, I believe that the pre-funding requirement is appropriate given the Postal Services' shrinking workforce and rising medical costs. The Postal Service is intended to be self-sustaining and there shouldn't be an implicit guarantee of a taxpayer bailout if USPS cannot cover their personnel costs in the future. The Postal Service provides an important service and I agree that reform is needed to ensure its continued viability, but those reforms should be consistent with the same cost-savings measures that a private business in a similar financial situation would take. If confirmed, I look forward to working with Congress to address these issues.

**Senator Sanders**

**Question # 15**

**The Postal Service provides universal service six days a week to every corner of America, no matter how small or how remote. It supports millions of jobs in virtually every other sector of our economy. Do you believe the United States Postal Service should be privatized?**

Ensuring access to markets and global communication for all Americans is an important principle, but there is bipartisan agreement that the current structure of the Postal Service's operations and financing is not working. I look forward to working with Congress on these issues, if confirmed.

**Senator Stabenow**

**Question #1**

**With respect to the formulation of the President's budget proposal, OMB has typically provided guidance to the federal agencies, but the initial proposal is drafted by the agency, which is then modified by OMB.**
**a. Do you expect to keep with this tradition of the agencies making the first draft?**
**b. In some cases, the agency submission is provided to the relevant Congressional Committees at the same time it is submitted to OMB. Would you commit to providing the agency proposal to Congress for all departments or otherwise identify the proposals within the budget as either OMB or agency initiated proposals? This not only would add transparency, but would provide Congressional leaders with a chance to provide advice.**

I am not yet familiar with all the intricacies of OMB/agency interaction in development of the budget and how it is characterized in the formal submission but, if confirmed, I look forward to learning more about it.

**Senator Stabenow**

**<u>Question #2</u>**

**I am concerned that there has been very little transparency or input from Congress or stakeholders as it relates to Administrative Paygo. The guiding document is a 2005 two-page memo by OMB Director Bolten that was carried forward by the Obama Administration. Will Administrative Paygo continue under the Trump Administration?**

**c. If so, will you commit to providing more transparency and opportunities for Congress and the public to provide input?**

**d. Specifically, if confirmed, will you commit to briefing this committee on any reprogramming of mandatory funding that falls under the jurisdiction of this committee before making a final decision?**

**e. Will you commit to publicly posting and sharing with the relevant congressional committees any proposals that are either accepted by OMB or returned to the agency for reconsideration, including changes to proposed offsets or any waivers or exceptions?**

A budget neutrality requirement on agency administrative actions affecting mandatory spending programs sounds like a beneficial tool and, if confirmed, I look forward to learning more about this specific administrative PAYGO policy.

**Senator Stabenow**

**Question #3**

**OMB's Office of Information and Regulatory Affairs (OIRA) is currently reviewing an Advanced Notice of Proposed Rulemaking (ANPR) to implement the bipartisan GMO labeling law that was enacted on July 29, 2016. The statute requires the law to be fully implemented within 2 years of enactment, by July 29, 2018. The ANPR is an important first step for implementing the bill in the time frame required by statute. If confirmed, will you commit to clearing this ANPR within the first 30 days of taking office?**

Thank you very much for bringing the GMO labeling Advanced Notice of Proposed Rulemaking to my attention. While I have no specific knowledge or involvement in this particular action, I understand that the new administration is in the process of reviewing the regulations and administrative actions that were not completed during the last administration. If confirmed, I would be happy to look into this matter.

**Senator Stabenow**

**Question #4**

**As a founding member of the House Freedom Caucus, I want to get your position on several of their suggestions for repeal of regulations and programs. As Ranking Member of the Agriculture Committee, I am particularly interested in your opinion regarding the agriculture-related proposals. In December the House Freedom Caucus released a list of rules to repeal in the first 100 days of the Trump Administration. Within the purview of the Department of Agriculture, there were a number of programs that are critical for both agriculture and small towns and main street businesses. Can you explain why these programs constitute "waste" and would you seek to repeal them if confirmed?**

**a. Federal Crop Insurance program**

**b. Agricultural Conservation Easements Program**

**c. Rural Development -- Business and Industry Loan Program and rural broadband**

Coming from South Carolina, I can assure you that I share your support for both agriculture and rural America and look forward to working with you to improve the economic outlook for both. I was not involved with the preparation of the report. While I have no specific knowledge or involvement in these particular actions, I understand that the new administration is in the process of reviewing the regulations and administrative actions that were completed during the last administration. If confirmed, I intend to review these programs to make sure they effectively and efficiently reach the intended goals.

**Senator Stabenow**

**Question #5**

**In 2013, you cosigned a letter to Farm Bill conferees advocating for splitting nutrition and farm safety net programs. If confirmed as OMB Director, will you take a position on maintaining the traditional coalition through a Statement of Administration Policy or through other means? More broadly, do you expect the Trump Administration to put forward a specific farm bill reauthorization proposal as part of the budget or other means?**

The Farm Bill includes many programs that are important to all Americans. If I am confirmed, I will work closely with the Secretary of Agriculture and others in the Administration to develop a strategy to encourage effective safety net programs. I intend to work closely with Congress throughout the Farm Bill process.

**Senator Warner**

**<u>Question #1:</u>**

**Currently the Congressional Budget Office (CBO) provides independent and strictly nonpartisan analysis of the budget and economic issues before Congress, and the Joint Committee on Taxation (JCT) provides nonpartisan revenue estimates of our tax legislation.**

**Given that members of Congress across the political spectrum - Democrats and Republicans alike - have been frustrated with the results of their analysis, I'm confident in their ability to provide independent, nonpartisan estimates.**

**I am seriously concerned about shifting to a system that picks and chooses outside scorekeepers solely because they provide us with the answers we want to see.**

**A. Will you commit to using CBO and JCT estimates to evaluate tax and spending proposals?**

**B. Will you commit to allowing CBO and JCT to use their independent assumptions about economic growth, without influence from the Administration?**

**C. Will you oppose any efforts by Congress to direct CBO and JCT as to what assumptions they should or should not adopt in their analysis?**

CBO and JCT play a valuable role in the Congressional budget process, and I appreciate the nonpartisan analysis produced by both organizations. Similarly, OMB plays an important role in the budget process in the Executive Branch, and it is my understanding that some division of responsibility between those institutions is required by law. If confirmed, I will support the distinct roles of those institutions. I fully appreciate the separation between the role of the Legislative and Executive branches in government, and would not presume any role for the OMB Director to become involved in changes to Congressional rules.

**Senator Warner**

**<u>Question #2:</u>**

**Your vote in favor of the Full Faith and Credit Act as a member of the House of Representatives would have allowed the government to prioritize our debt, meaning bond holders -- many of them foreign governments -- could be paid prior to states or FBI employees. Your view seems to contradict Mr. Mnuchin's testimony at his confirmation hearing, where he said that the U.S. government should "absolutely" not have the ability to prioritize our payments and that there should "be no uncertainty that we are paying the bills."**

**I agree with Mr. Mnuchin. I don't think we should prioritize our payments. I believe prioritization puts the full faith and credit of the U.S. government at risk, effectively saying we'll pay some obligations but not others.**

**A. Rep. Mulvaney, will it be your policy if confirmed, that the U.S. government should prioritize the payment of bond holders, many of whom are foreign governments, and ignore our commitments to pay States and the salaries of federal workers like FBI employees and CIA agents?**

**In 2010, you said that you had "yet to meet someone who can articulate the negative consequences" of hitting the debt ceiling.**

**B. Do you now understand the consequences of not raising the debt ceiling and defaulting on our debt?**

Bumping up against the debt ceiling is undesirable. I am optimistic that the President will be able to work with the Congress to address the debt limit in a timely manner, so that we do not reach the point of needing to consider prioritization of payments. I will counsel the President on the ramifications of raising the debt ceiling and not raising it so that he can make the best decisions possible. And I believe that I fully understand the consequences of defaulting on our debt: it would have a calamitous effect on the entire global financial system.

**Senator Warner**

**Question #3:**

**During his campaign, President Trump outlined a much larger military force than we currently have, which defense budget experts say would cost about $93 billion more per year than the BCA caps allow.**

**A. How will the Administration work with Congress to get the requisite increases in spending given the BCA caps?**

**B. Defense experts, including defense budget experts, agree that Overseas Contingency Operations (OCO) funds are a terrible way to fund defense increases because they don't provide realistic long term outlooks. What role do you see OCO funds playing in the defense funding increase recommendations that we will see from the Trump Administration?**

**C. We expect the Administration to increase defense spending. How do you pace the growth in funding to ensure the long-term stability of the force (that would be negatively impacted if it were to receive a large, but temporary funding increase)?**

**D. How do you ensure that the funding increases fit within realistic and executable spend plan across the Defense Department?**

**E. How will the Office of Management and Budget engage with the Department of Defense to ensure there is a realistic budget proposal that reflects Defense spending increases at a pace that the Department can effectively absorb?**

**F. You have said that you think we can cut defense spending without impacting readiness. With military readiness at the lowest point in 40 years and a host of modernization requirements (B-21, Ohio-class Replacement, etc), where do you think we can cut to find savings?**

A. I am in lockstep with the President on figuring out ways to increase the defense topline, and if this requires an increase to the caps under the BCA, I would work with Congress on legislation to achieve this.

B. I look forward to studying in detail the Department of Defense OCO budget and working with the Secretary of Defense to develop an FY 2018 Budget request that protects national security and provides our military with the resources it needs.

C. If there are increases in defense spending, it is critically important that they not exceed the absorptive capacity of the defense industrial base and the military's infrastructure, or weaken the military's high recruiting standards for its people. In addition, increasing the size of the military or investment in weapons and infrastructure must be done in the context of a program that balances capability, capacity, and readiness for the long term. Stable, predictable, and affordable funding levels are needed to prevent wasteful cancellations and deferrals, or force structure that is too large to be adequately trained, equipped, or maintained with available resources.

D. If confirmed, I would use the principles I have described above in providing guidance and assessments for defense spending plans, and in working with the Congress to secure stable, appropriate, and balanced resources.

E. A balanced, sustainable defense program is a shared interest of both the Office of Management and Budget and the Department of Defense. If confirmed, I would work throughout the budget process to promote this shared interest, according to the principles I have described above.

F. If confirmed, I would work with the Department of Defense to fund a ready military, while continuously pursuing cost-saving defense reform, which is our responsibility to the taxpayer. Opportunities for savings will depend on the defense strategy and priorities of the Trump Administration, and if confirmed, I look forward to working with the Department of Defense to identify savings within that context.

**Senator Warner**

**<u>Question #4:</u>**

**Congressman Mulvaney, as I mentioned when we met, I am concerned about the Administration's current position on federal workers. These men and women give up other opportunities in order to serve their country, and they do their jobs with passion and purpose, regardless of the politics of the administration in place. For many in our federal workforce their job is more than a career, it is a calling. This is not the time to stop those who are willing to serve.**

**The Administration has already ordered a federal employee hiring freeze to address what they see as a "dramatic expansion of the federal workforce in recent years."**

**The announcement of a hiring freeze and long-term plan for reduction in the size of the workforce through attrition is especially troubling given projected federal employee retirement in the coming years. We need to make sure that agencies are able to complete their missions effectively, and to recruit and train the next generation of workers to replace those who are approaching retirement.**

**A. Do you agree that the ability to recruit and train the next generation of workers is crucial to the operations of the federal government and serving taxpayers effectively?**

**B. In your view, do you think that the current pay disparity between public and private workers prevents our federal agencies from recruiting the best talent?**

**C. Can you commit to a long-term plan that allows us to recruit and train the best and the brightest new talent, and thinks strategically about how the federal government staffing decisions at our agencies rather than forcing across-the-board cuts?**

A. Yes, I agree that the ability to recruit and train the next generation of workers is crucial to the operations of the Federal government and serving taxpayers effectively and efficiently. I am committed to encouraging the Federal government to hire and train the best and brightest in the next generation of workers – particularly in the areas where they are most needed, and in alignment with Agencies' missions. However, at the same time, we must control the overall size of the Federal government to help control costs. In order to do this in a manner that promotes efficiency and effectiveness, it is necessary to take a hard look at the overall workforce, and make decisions that result in the most optimal allocation of taxpayer resources across Departments and agencies. In some cases, this may lead to decisions that increase staff in certain areas, and decrease staff in others.

B. Generally, I believe that Federal employees currently receive a relatively generous overall pay and benefits package, including access to Federal Employee Health Benefits Plans, the Federal Employee Retirement System, the Federal Thrift Savings Plan, and other programs. In some areas, we probably compensate more than the private sector, where in others we compensate less. Personnel compensation is a major area of government spending and we must carefully review how best to balance the fiscal costs with our ability to deliver agency missions most effectively and efficiently.

C. Yes, I am committed to producing a plan regarding the size of the Federal workforce to address both long-term cost savings as well as ensuring that agencies meet their missions. In fact, the recent Presidential Memorandum implementing a hiring freeze required OMB, in consultation with OPM, to recommend a long-term plan to reduce the size of the Federal Government's workforce through attrition. If confirmed as the Director of OMB, I am committed to developing and using this plan as a tool to drive strategic thinking around Federal government staffing decisions aligned with budget decisions and other efficiency opportunities, rather than relying on across-the-board cuts.

**Senator Warner**

**Question #5:**

**The DAT-A Act is a tool for helping us to better understand how government spends on programs, which should help agencies manage their finances and operations better.**

**A. As agencies move to fully implement the DATA Act by May 9, will you commit the Office of Management and Budget to working with me and my staff on DATA Act implementation, both before and after the deadline?**

Yes. As I said at the hearing, I believe the DATA Act is an important tool for agency financial managers. If I am confirmed, OMB will certainly continue to prioritize implementation of the Act through May and beyond to ensure agencies are meeting their statutory requirements and Federal spending data is provided in a timely fashion.

**Senator Warner**

**Question #6:**

**In partnership with the Treasury Department, the Office of Management and Budget leads governance efforts related to implementation of the DATA Act. While OMB and Treasury have made progress in developing high-level data governance concepts and objectives, much work remains to be done to formulate policy and procedures for developing new data standards, and adjudicating conflicts between data standards.**

**A. Will OMB commit to formalizing these additional procedures and policies within the governance structure, such as in ways recommended by the Government Accountability Office?**

If confirmed, OMB will continue to work with Treasury to address GAO concerns and recommendations.

**Senator Warner**

**Question #7:**

**Many transparency advocates have been disappointed to see the new Administration get off to a slow start, for instance by failing to publish text of Executive Orders the President has signed to WhiteHouse.gov.**

**A. As OMB Director, will you work to ensure that executive actions are made public in the manner of the previous Administration?**

**B. As a cosponsor of bills to make Congress's work more transparent, do you anticipate making any changes that would increase government transparency and accountability, for instance by making OMB and OIRA more transparent?**

**C. What changes, if any, are you contemplating for OIRA and the rulemaking process?**

While it is difficult for me to address specific transparency ideas at this time, I am committed to a robust and transparent decision making process. I also cannot comment on specific changes to the OIRA regulatory review process at this time; however, if confirmed, I am committed to strengthening the analytical basis for regulations, increasing the oversight of agency regulatory activity, and taking a hard look at regulations already on the books.

**Senator Warner**

**Question #8:**

**Currently, over 75% of the $88 billion federal IT budget is spent on operations and maintenance, while less than a quarter is spent on development, modernization, and enhancement. Several of the Administration's Cabinet nominees have indicated support for large-scale modernization efforts for agency IT.**

**A. If confirmed, how would you ensure that federal agencies are employing the best and most-up-to-date IT?**

**B. What is your view on the state of federal information technology infrastructure, and do you support providing incentives for agencies to invest in the modernization of legacy IT by leveraging cloud and other innovative technologies?**

**C. Would you consider including modernizing legacy federal IT as part of the Administration's potential infrastructure investment plans?**

**D. While government has made significant progress in recent years to "digitize" citizen's interactions with government, there is still a long way to go. What are your thoughts on what OMB can do from a policy perspective to continue to improve services provided to citizens through the use of technology?**

**E. What measures will you promote to encourage agencies to use savings from data center consolidation for high-priority IT projects and IT modernization efforts?**

**F. Under your tenure, what steps will the Office of Management and Budget take to implement the Federal Information Technology Acquisition Reform Act (FITARA)?**

**G. What focus will the Office of Management and Budget place on improving communication between the 24 CFO Act agencies and the Government Accountability Office when reporting data related to compliance with FITARA?**

A. I will explore ideas on how to best direct agencies to identify and prioritize the maintenance and modernization of their IT systems.

B. I look forward, if confirmed, to learning more about the state of federal information technology infrastructure, and will work with agencies to examine innovative approaches to modernizing outdated IT.

C. Yes.

D. I believe OMB's policies must reflect best practices. If confirmed, I look forward to learning more about OMB's current policies, and would welcome your input on how to improve technology services to citizens.

E. I don't know enough about the potential savings from data center consolidation, but look forward to learning more about it if confirmed.

F. I am not familiar with OMB's implementation of FITARA, but look forward to learning more about it if confirmed.

G. GAO can only effectively do its job if it has accurate data and information. If confirmed, I look forward to learning more about the FITARA implementation process as it relates to GAO.

**Senator Warner**

**Question #9:**

**Nationwide, Americans owe nearly $1.3 trillion in student loan debt. The federal government plays a critical role in addressing this unsustainable burden by supporting student loan repayment programs that allow borrowers to avoid default during periods of low earnings.**

**A. Do you agree that budget estimates for income-driven student loan repayment programs are complex and difficult to forecast with certainty given the volatility of the variables at play (e.g. take up and recertification rates, payment amounts, future income-driven repayment plan participation, income inflation)?**

**B. Do you agree that fluctuations in these variables could cause actual costs to be higher or lower than projected, and that nuance is important when using such budget estimates to inform policy decisions?**

**C. Will you commit to partnering with Congress to make postsecondary education more affordable, including by striving to accurately quantify our investments in programs that bolster student loan repayment and help prevent defaults?**

A. Yes, I agree.

B. Yes, I agree; however, I would like to explore ways to improve predictive modeling for student loan repayment to more accurately reflect the program's costs.

C. If confirmed, I look forward to partnering with Congress to make sure postsecondary education programs are working effectively for students, schools, and taxpayers.

**Senator Whitehouse**

**(1) The Treasury Department has estimated that every additional dollar spent on tax enforcement yields four dollars in additional revenue. Despite the fact that investing in tax enforcement can help to close the tax gap and reduce the deficit, Congress, since 2010, has substantially cut the budget of the IRS. At his confirmation hearing, Treasury Secretary nominee Steven Mnuchin said "staffing of the IRS is an important part of fixing the tax gap."**

**a. Do you agree that increasing funding for tax enforcement can help to reduce the deficit?**

**b. Despite the proven record return on investment, Congressional scorekeeping rules (under the Conference Report to accompany H.R. 2015, the Balanced Budget Act of 1997, Rept. 105-217) do not allow the expected revenue to be generated by tax enforcement to count as offsets for tax enforcement spending. Would you agree that appropriations to an activity with a proven record of a 4-to-1 return on investment should not score as a budget cost? Will you work with me to reform the scorekeeping rules so that Congress can more easily appropriate the funds needed to close the tax gap?**

I am familiar with the reports linking tax enforcement staffing with increased revenues. However, I also believe that a simpler tax code could increase collections without hiring more people at the IRS. If confirmed, I will work closely with the Secretary of the Treasury to identify the right combination of tax and spending policy.

**Senator Whitehouse**

**(2) Whether through foreign meddling in our elections, compromised personal data, or threats to our critical infrastructure, we have seen in recent months and years a clear need to improve our nation's cybersecurity. I have previously proposed establishing a federal "roving Inspector General" for cybersecurity--with independent review and "red-teaming" authority to conduct "white-hat" penetration testing and to evaluate cybersecurity performance across the civilian agencies of the federal government.**

**a. Do you agree with me that the federal government's cyber-defenses could be strengthened by employing the same kinds of "white-hat" testing used by the private sector?**

**b. Will you commit to working with me on such a proposal?**

a. Yes.

b. Yes, I will work closely with you and other Members of Congress to develop our Federal cybersecurity capabilities.

**Senator Whitehouse**

**(3) A culture of reflexive over-classification in the Executive Branch stands in the way of well-intentioned efforts to help the American public understand the scope and seriousness of the cyber security threats we face. The government must do a better job of communicating information about past intrusions and future threats - most of which does not truly endanger intelligence sources and methods - so that industry and the public can better defend themselves. I encourage the administration to designate a cybersecurity "discloser," empowered with broad declassification authority and charged with communicating such information to the American people.**

**a. What is your view on the government's role in educating and informing the public about cybersecurity?**

**b. Would you support greater transparency and broader dissemination of cybersecurity information that could help industry and private citizens protect their data?**

a. I believe government should model cybersecurity best practices while encouraging the general public to do the same, and I look forward to learning more about the issue.

b. I look forward to learning more about how the federal government shares cybersecurity information with private industry and private citizens.

**Senator Whitehouse**

**(4) As you know, in October of 2015, South Carolina experienced disastrous flooding that left many citizens of your state in need of assistance.**

**a. Did you ever communicate with the Obama Administration about obtaining federal disaster relief? If so, please provide dates, times, and the substance of your correspondence with federal officials.**

I had no contact with the Obama Administration.

**b. In any communications you had with the Obama Administration, did you propose offsets to fund emergency relief to South Carolina, in response to this disaster or others? If so, what offsets did you propose?**

I had no contact with the Obama Administration.

**c. In December of 2015, you voted against spending legislation that included disaster relief for residents in South Carolina. Why did you vote against this legislation?**

The aid was not offset, and the proposal was included in a massive omnibus spending bill, which I opposed for a variety of reasons.

**d. How would you advise the President to use OMB's existing authorities to reprogram federal money to help respond to natural disasters and other emergencies?**

I believe there is an important federal role in responding to major disasters that are too large for one state or local government to handle alone. If I am confirmed, I would work to ensure the President is provided with the best information possible to respond to a major disaster or emergency when it occurs, including considering if funds used to address such problems could be reprogrammed or offset with reductions in programs that are not providing returns for the taxpayer.

**Senator Whitehouse**

**(5) President Trump said, "On day one, we will begin working on an impenetrable, physical, tall, power, beautiful southern border wall" and "any money spent, for the sake if [sic] speed, on building the Great Wall, will be paid back by Mexico."**

**a. How much do you estimate this wall will cost?**

**b. How will the Administration compel Mexico to reimburse the United Sates for the costs of constructing the southern border wall?**

**c. Until the Mexico reimburses the United States, how will the wall be paid for?**

It is my understanding that the Executive Order signed on January 25th directed Secretary Kelly to begin construction of the wall using available funds and to develop long-term funding requirements for the project. If confirmed, I will work closely with Secretary Kelly, other relevant Departments and agencies, and the Appropriations Committees to ensure sufficient funds are available to implement the Executive Order as well as options for reimbursement from Mexico.

**Senator Whitehouse**

**(6) President Trump has said he will propose a large infrastructure program that will address our deteriorating infrastructure. According to a 2013 GAO report, state and local governments are faced with growing gaps between what revenues they have available and future spending needs for fixing their transportation and infrastructure (see http://www.gao.gov/assets/660/654255.pdf).**

**a. What would your preferred means of financing an infrastructure plan be?**

**b. Do you think an expansion of toll roads should be considered in such a plan?**

a. My understanding is that Administration is currently considering these very questions as it works to develop a FY 2018 budget proposal. If confirmed as OMB Director, I would expect to advise the President on a variety of options to pay for enhanced infrastructure.

b. I would think that toll roads, public-private partnerships, innovative financing tools (special tax districts, for example) and expanded use of traditional financing methods would all bear close examination as part of a large infrastructure plan.

**Senator Whitehouse**

**(7) As you may be aware, Executive Order 12866 of September 30, 1993, as amended by E.O. 13258 of February 26, 2002 and E.O. 13422 of January 18, 2007 (see https://www.dol.gov/ites/default/fils/ebsa/law-and-regulations/laws/executiveorders/eo12866.pdt) requires agencies to disclose changes made to proposed rules following review by the Office of Information and Regulatory Affairs (OIRA) as well as "substantive oral communications" with outside parties.**

**a. Can you provide assurances that, should you be confirmed as Director of the Office of Management and Budget (OMB), you will comply with the Executive Order described above, as amended?**

**b. What is your understanding of the phrase "substantive oral communications?" Please provide concrete examples of meetings or contacts that you (i) would view as "substantive" and (ii) not view as "substantive."**

a. If confirmed, I will follow the principles and processes established in the Executive Orders governing regulatory review.

b. I am not familiar with the exact language you mention. I look forward to learning more about these processes currently work.

**Senator Whitehouse**

**(8) Last year, GAO released a report on opportunities for improving transparency in rulemaking at OMB (see http://www.gao.gov/assets/680/675810.pdf). In this report, as in four previous GAO reports, the agency made a series of recommendations to OMB. As of last March, OMB had adopted nine of these transparency-related recommendations.**

**a. Will you carefully review all of GAO's recommendations to improve transparency in rule making?**

**b. Will you make improving transparency in rule making, including implementation of GAO's recommendations, a priority?**

a. Yes.

b. I believe transparency is an important part of decision making in our regulatory system, but without further review I cannot commit to pursuing a particular GAO recommendation at this time.

**Senator Whitehouse**

**(9) I believe we must make efforts to identify and root out regulatory capture. Given President Trump's campaign promises to "drain the swamp" and prioritize the interests of ordinary Americans over special interests, I assume his Administration shares this objective.**

**a. What is your understanding of the term "regulatory capture?"**

**b. Do you agree that preventing and addressing regulatory capture should be a priority? If so, what measures might OMB take to guard against it?**

**c. I had several discussions with former OMB Director Shaun Donovan about the importance of identifying and addressing regulatory capture. With his support, the Administrative Conference of the United States held a forum designed to define and discuss the issue. May I count on you to work with me on efforts to prevent, identify, and rectify instances of regulatory capture?**

I believe a reasonable definition of regulatory capture is when any particular party has an undue influence on regulations. Having any one party or group of parties with some sort of special access or influence on the regulatory process can lead to poorly designed, expensive, and ineffective regulations. If confirmed, I can commit to taking a close look at the recommendations of the Administrative Conference of the United States on this issue.

**Senator Whitehouse**

**(10) What are your views on the metrics used in the regulatory impact assessments for the regulations promulgated by the federal agencies (reviewed by OMB) under the President's Climate Action Plan? (see https://www.epa.gov/cleanpowerpJan/regulatory-actions#regulations)**

I am unfamiliar with the metrics used in the regulatory impact assessments for the regulations you describe, but look forward to learning more about them.

**Senator Whitehouse**

**(11) In late November, President Trump said "I will formulate a rule which says that for every one new regulation, two old regulations must be eliminated." In all of the Republican fervor about how regulations harm our economy, many seem to take for granted the safety and reliability that a regulated world has built. Medicines are no longer snake-oil mysteries. Boilers rarely explode in our homes. Automobiles have seatbelts and airbags. Smokestacks have pollution controls. Stock jobbers have a harder time gulling innocent investors. Most insurance policies actually pay when the insured risk occurs. And regulations can bring big economic rewards. For example, according to EPA, for every dollar that polluting utilities spend to comply with the Clean Air Act, the American public has enjoyed $30 in benefits.**

**a. Do you acknowledge that many federal regulations are necessary to protect the health and wellbeing of the American people?**

**b. Does President Trump plan to follow through on his regulatory PAYGO plan? If so, will clean water and air regulations be exempt? Health regulations? Workplace protections?**

**c. Please name five federal regulations that you think should be repealed.**

**d. Please name five federal regulations that you think should not be repealed.**

a. Yes

b. I have not discussed this with the President and do not know how he plans to address these questions.

c. I am not sufficiently familiar with the benefits and costs of specific regulations to state at this time. However, as has been the case for over thirty years, I would expect that cost-benefit analysis would play a key role in any such decisions.

d. I am not sufficiently familiar with the benefits and costs of specific regulations to state at this time. However, as has been the case for over thirty years, I would expect that cost-benefit analysis would play a key role in any such decisions.

**Senator Whitehouse**

**(12) In your confirmation hearing before the Senate Budget Committee, Senator Graham asked you "if you took the entire wealth of the one percent, everything including their dogs, could you repair the [long-term Medicare] gap?" You responded, "you could confiscate everything they have, and the answer to your question would be no." According to CBO's 2016 Long-Term Budget Outlook, if we cut the deficit by $330 billion per year--through new revenue or spending cuts--we could stabilize the deficit for at least the next three decades (see https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51580-ltbo-2.pdf). According to the IRS, the adjusted gross income for the top 1% in 2013 was $1.7 trillion (see https://www.irs.gov/uac/soi-tax-stats-individual-income-taxrates-and-tax-shares).**

**a. In light of these facts, do you care to revise your assertion that the top 1% of American income earners lack the resources to close our budget deficit?**

I believe the question pertained to the long-term structural deficiencies in Medicare funding, not annual deficits. According to the recent report by the Social Security and Medicare Trustees, the long-term Medicare gap (over the 75-year window) is somewhere between $27.9 and $36.8 trillion. My understanding is that the accumulated wealth of the top 1% is less than that amount.

**Senator Whitehouse**

**(13) According to CRS, in 2016 alone, tax spending--in the form of credits, deductions, exclusions, and other loopholes--exceeded $1.3 trillion. As I mentioned at your hearing, that's more than the $1.1 trillion we spent on all of the federal health care programs combined. When we had our courtesy meeting, you said you planned to recommend closing the carried interest loophole and other wasteful tax spending in the President's first full budget request.**

**a. Would you acknowledge that spending through the tax code is real spending?**

**b. If the government offers you a $1 bill or $1 of savings on your taxes, that's economically the same thing, correct?**

**c. Would you agree that as we look for ways to reduce the deficit, it makes sense to review all spending, whether it comes in the form of a benefit check or a tax rebate?**

**d. Will you commit to putting forth bipartisan proposals for deficit reduction that include closing unjustified tax loopholes?**

If confirmed, I will advocate for policies that bring the budget into balance as soon as possible. A piece of that effort would be tax reform, which will make the tax code simpler, fairer and more efficient. To develop a tax reform proposal, I would examine which tax provisions enhance efficiency and economic growth and which provisions should be removed from the tax code.

**Senator Whitehouse**

**(14) For all of the partisan attacks against the Affordable Care Act, we've seen a dramatic improvement since 2010 on the budgetary outlook for health care spending. If we extend the 2010 baseline for Medicare, Medicaid, and other federal health spending out to the current budget window, we see that today's projections are $2.9 trillion lower than they were just after the ACA passed. That's a staggering figure even in this town. While researchers continue to study what caused this lower health care cost growth, it is becoming increasingly clear that the ACA had a lot to do with it. For instance, last year, CBO Director Hall testified that CBO had found "no direct link between the recession and slower growth in spending for Medicare."**

**Things are moving in the right direction, but with health spending amounting to 16.6 percent of GDP, we still spend a larger share of our economy on health care than any other OECD nation. The second-highest health spenders are Switzerland and Japan at 11.4 percent. And for all of the extra money we spend, we don't necessarily get better outcomes, at 78.8 years, U.S. life expectancy is well below nations that spend much less on health care. So I ask you:**

**a. Do you acknowledge that CBO projections for federal health spending have fallen dramatically since the enactment of the ACA?**

**b. Do you support preserving the pieces of the ACA that have driven cost-cutting and care-improving delivery system reforms?**

a. I do believe that there are certain CBO projections that reflect the data you mention.

b. I would advise the President to carefully consider any and all policies that could drive cost-cutting and improve health care delivery systems. I look forward to working with the Department of Health and Human Services and others to promote efforts that increase efficiency and reduce waste in healthcare. If confirmed, my role would be to advise the President on the economic and fiscal ramifications of current and proposed healthcare policies and recommend policies that put the budget on the path to balance in a manner consistent with the Administration's healthcare priorities.

**Senator Whitehouse**

**(15) In your confirmation hearing before the Senate Budget Committee, Senator Kaine asked, "do you accept that climate change is caused by human activity, at least in part, and that poses a risk?" You responded, "I recognize the fact that there is some science that would indicate that, I am not yet convinced that it is a direct correlation between man-made activity and the change in the climate, which I do believe is real."**

**a. On what information do you base your belief that there may not be a direct correlation between man-made activity and the change in the climate?**

As I mentioned in my testimony, I am not convinced by the evidence presented. I did not make a reference to any evidence to the contrary.

**b. Are there specific institutions and/or scientists who share your belief that there may not be a direct correlation between man-made activity and the change in the climate? If yes, please provide the names.**

I know there are various groups that challenge the veracity of anthropogenic climate change, but I am not familiar with any of them specifically.

**c. What state officials, academics, or other experts in South Carolina have you spoken with about the potential of climate change in your state? Which of those share your belief that there may not be a direct correlation between man-made activity and the change in the climate?**

I have spoken to no such officials.

**d. Given that you seem to believe the science on climate change is unsettled, do you support robust federal investments in climate research, including research conducted by NOAA and NASA?**

As I mentioned in my hearing, I support robust federal research in areas where private research is not taking place or unlikely to take place.

**Senator Whitehouse**

**(16) Do you believe that the biennial GAO High Risk List provides a valuable assessment of the federal government's vulnerabilities to waste, fraud, abuse and mismanagement? Are there any items on the list that you believe do not merit priority attention from the federal government (and OMB specifically)? If so, please explain your concerns with each of these items.**

I look forward to reviewing the upcoming GAO High Risk List recommendations, set for release in February. If confirmed, I look forward to engaging with GAO and federal agencies to address recommendations put forth by the report.

**Senator Wyden**

**Question 1**

**Congressman Mulvaney, you admitted that you failed to pay $15,583.60 in FICA and unemployment taxes for a household employee from 2000 to 2004, before penalties and interest. I would note that as a South Carolina state senator in 2009, you sponsored a bill (S. 736) that would have prohibited candidates from being on the ballot if they had not paid all federal and state income taxes over the past 10 years. You offered another bill (S. 738) that would have prohibited the governor from appointing anyone who had not paid all federal and state income taxes over the past 10 years. Then, as a U.S. Congressman, you voted for H.R. 1563, the Federal Employee Tax Accountability Act of 2015, which among other things "authorizes the head of an agency to take personnel actions against an agency employee who willfully failed to file a required tax return or willfully understated federal tax liability."**

- **Given that you failed to pay over fifteen thousand dollars of FICA taxes on time -- you only paid them because the nomination process brought your failure to pay your taxes on time to light -- and your public stances against appointing persons who have failed to pay their taxes, would you confirm someone who had failed to pay their taxes as you have done? Why should my colleagues and I confirm you as OMB Secretary?**

Yes. The bills you reference were designed to encourage those seeking public office (via election or appointment) to bring their taxes into compliance with the law and to discourage recalcitrant tax cheats from taking positions with government. I hope that you and your colleagues confirm me for the OMB Director because 1) I am qualified for the position, 2) the President has indicated an express desire to have me in his cabinet and 3) as to the taxes, I immediately self-reported the mistake and have taken the appropriate to redress nonpayment of tax as soon as the issue came to light.

**Senator Wyden**

**Question 2**

**Congressman Mulvaney, given your public stance against appointing persons who have failed to pay taxes, I'd like to ask you whether these views extend to the highest office in the land -- the Presidency.**

**In October, the then-President-elect admitted to having paid no federal income tax for years on end, claiming that not paying those taxes was "smart."**

• **Do you think the President is "smart" to not pay federal income tax? Earlier this year I introduced the Presidential Tax Transparency Act, which would require the president and candidates for president to publicly disclose the most recent three years of tax returns, just like every president and presidential candidate has done since Nixon.**

I am not familiar with the details of the President's taxes. I do know that tax laws contemplate deductions for various activities, including certain investments and losses (including loss carry-forwards). I also know that a proper application of the tax laws to such circumstances can and does result in individuals and/or corporations or other entities not having tax obligations from time to time.

• **Do you believe Donald J. Trump should release his tax returns?**

I believe firmly that the President should follow the law. If there is no specific law on a topic, then I believe it is up to the President, in the exercise of his best judgment, as to whether he releases his tax returns.

**Senator Wyden**

**Question 3**

**The President has proposed a $1 trillion infrastructure plan but has provided very few specifics. A paper from Wilbur Ross and Peter Navarro suggested federal tax credits could be used to finance the full $1 trillion. Comments from other cabinet nominees have suggested other federal financing programs, including an infrastructure bank, are under consideration.**

**• Do you and the President intend to solely use tax credits in an attempt to finance $1 trillion of infrastructure?**

**• With state and local budgets straining, do you and the President support increasing federal spending to improve our nation's infrastructure?**

**• If you and the President intend to provide a $1 trillion increase in infrastructure investment through a mixture of spending and financing tools, how large of an increase in spending would be included?**

**• If you and the President intend to rely upon federal financing tools, would you continue to abide by the guidelines set by the Federal Credit Reform Act (FCRA), or would you pursue changes? If so, what changes?**

**• What is included in your and the President's definition of infrastructure? Does it include waterways, schools, hospitals, and the electric grid?**

**• Does federal investment in key areas of the economy, such as infrastructure, increase long term economic growth?**

**• The Transportation Infrastructure Finance and Innovation Act (TIFIA) program provides federal credit assistance for surface transportation projects in the U.S. The proper credit subsidy rate for the TIFIA program is a subject of intense debate by outside groups. Should the credit subsidy rate for the TIFIA program be lowered?**

I know that the Administration is currently considering these very questions as it works to develop a FY 2018 budget proposal. However, I have not yet been privy to those discussions. I look forward to contributing to this effort if I am confirmed as Director of the Office of Management and Budget. In regards to your specific question on the Federal Credit Reform Act (FCRA), I would follow the law for producing cost estimates set forth in FCRA. Any changes would need to be enacted by Congress. I would need to discuss any recommendations with the President before supporting any specific changes.

**Senator Wyden**

**Question 4**

**Within the Senate Finance Committee's jurisdiction are several programs that fund critical human services. At least three are mandatory funds because they were bargains with states that converted open-ended funding to fixed block grants with an understanding that this funding would be guaranteed to the states. These include Temporary Assistance for Needy Families, the Social Services Block Grant, and the Child Care Entitlement to States. Notably, these programs have faced effective cuts because their funding levels have not kept pace with inflation. Other programs, like Promoting Safe and Stable Families, that address child welfare and protection services have been cut through the appropriations process over the past decade.**

**Some members of the House of Representatives have discussed re-allocating or re-designating mandatory funds to the discretionary category to increase oversight through the appropriations process, a process that has not been completed on-time for all appropriations bills in approximately two decades.**

**• What are your views on moving mandatory human services funds to the discretionary column?**

**• How would you ensure states have adequate federal support and predictability in funding levels and commitments when it comes to critical human services programs?**

As I stated during my confirmation hearing with this Committee, I have not yet been engaged in the Administration's ongoing budget development process and, therefore, have not had a chance to analyze the proposal you mention. If confirmed, I look forward to working with this Committee and other members of Congress, as well as staff at the Office of Management and Budget and other relevant agencies, to develop budget proposals, including for human services programs, that best serve the interests and needs of the American people.

**Senator Wyden**

**Question 5**

**In 2011, President Obama and Congress forged an agreement in the Budget Control Act that set spending caps for defense and non-defense discretionary spending through Fiscal Year 2021.These caps on discretionary programs were designed to reduce federal discretionary funding by more than $1 trillion over the ten years from 2012 through 2021. In general, there has been bipartisan agreement on the concept of "parity" between the defense and non-defense caps. Throughout the course of the campaign, President Trump indicated that he wanted to increase defense spending, which would necessitate raising the cap imposed by the Budget Control Act.**

**However, if the overall spending caps are not raised, to raise defense spending would mean reductions in spending on non-defense discretionary programs. This would mean less money for important programs that help children like Head Start, services for trafficking victims, Emergency Medical Services for Children, and Title V Maternal and Child Health Block Grant.**

**According to the 2016 Children's Budget developed by First Focus, the share of total federal spending on children decreased 5.1 percent from 8.25 percent in 2014 to 7.83 percent in 2016. If the non-defense portion of federal discretionary spending is cut to pay for increased defense spending, this would jeopardize federal funding for children even more.**

- **If confirmed as Director of OMB, would you advocate that parity be maintained between defense and non-defense spending, or would you propose that non-defense discretionary outlays -- like spending on important children's programs like those mentioned above -- be cut to pay for a large increase in defense spending?**

If I am confirmed as Director of OMB, I will look at all discretionary spending, both defense and non-defense, while preparing the FY 2018 Budget. I have not yet been engaged in the Administration's ongoing budget development process, and I would need to discuss any recommendations with the President before supporting any specific changes.

**Senator Wyden**

**Question 6**

**I want to ask about improving government IT, increasing efficiency and reducing improper payments, while also improving the service that the government provides to citizens in need. Specifically, I want to talk about the administrative budget of the Social Security Administration.**

**With the aging of the Baby Boomers, the number of Americans receiving Social Security has grown by more than 10 million over the past decade, yet SSA has less funding for its basic operating costs today than it had in 2010.**

**There is no question that funding for program integrity is integral to ensuring that benefits are paid to the right person, in the right amount, at the right time. The increase in dedicated program integrity funding that SSA received between FY2010 and FY2016, however, masks the fact that SSA's core operating budget fell by 10 percent during that time after adjusting for inflation -- leaving SSA with insufficient resources to perform essential functions of determining eligibility for retirement, survivor and disability benefits, conducting appeals hearings, paying benefits accurately and on time, responding to taxpayers who call or visit seeking help, and updating benefits when circumstances change.**

**SSA has made significant progress in updating some key IT products that should greatly increase efficiency and case processing once fully implemented nationwide. But SSA needs the resources to do this important work. SSA needs a budget that will allow it to maintain progress in modernizing IT, and to hire more judges and support staff to reduce the disability hearings backlog, while also addressing other key workloads that impact our constituents every day.**

- **Can you commit to me that you will look closely at SSA's administrative budget and make sure the agency has the resources it needs to bring down the backlog of over one million people waiting for a hearing, serve our constituents efficiently and have a modern IT infrastructure?**

Yes. I will look closely at SSA's administrative budget and whether or not it has the resources it needs. SSA is vital to millions of American citizens and needs to be efficient and effective.

**Senator Wyden**

**Question 7**

**America's public lands are a national treasure, belonging to all citizens to visit and enjoy. Keeping public lands in federal ownership benefits the lands, the wildlife habitats and waterways those lands support, and the millions of visitors that enjoy those lands every day.**

**• What is your position on the House budget rule passed in January that overwrites the value of federal lands, effectively allowing the federal government to transfer ownership of federal lands to states without it being scored as a loss?**

I did not vote on the rules package for the 115$^{th}$ Congress, and have no position on the rule.

Senator Wyden

**Question 8**

**Since 2001, rural communities have relied on the Secure Rural Schools (SRS) program to fund schools, libraries, road maintenance, and search and rescue operations. The federal government has a responsibility to these communities to ensure they can provide basic services to their citizens. If this program goes away, the need for those services and the need for funding does not. Counties will then need to search for funding assistance from a variety of federal government programs, requiring multiple applications, and sometimes rigid requirements for how the money is used. The benefit of the SRS program is that through one payment it directs money to states and counties, and lets the states and counties decide how to use it within the requirements of the SRS program which focuses on schools, roads, and search and rescue. This program is a vital lifeline for rural communities in Oregon and across the country.**

**• As OMB Director, will you support this program and help to ensure that rural communities continue to receive the vital funds they need?**

I have not yet been engaged in the Administration's ongoing budget development process, and I would need to discuss any recommendations with the President before supporting any specific changes. I would like to understand more about the issue and would be happy to work with you and your colleagues to learn more about economic development in these rural communities.

**Senator Wyden**

**Question 9**

**I introduced a bill, the Wildfire Disaster Funding Act, to fix the way federal agencies pay for fighting wildfires. Every year, wildfires burn bigger, hotter, and burn for longer, and so the cost of fighting those fires goes up. When the agencies have to spend more to fight the fires than they have budgeted for, they have to "borrow" funds from other accounts to pay to put out the fires. Since 2002, the Forest Service has been forced to fire borrow eight times -- 2002, 2003, 2006, 2007, 2008, 2012, 2013, and 2015. And often, the accounts the agencies dip into are the accounts that pay for wildfire prevention projects that clean the fuels out of forests. When wildfire prevention projects are tabled due to lack of funds, those forests are at a great risk for bigger, hotter fires, particularly in areas of the west dealing with severe drought. So you can see, this is an issue that needs to be fixed without delay, so we can get more work done in our forests, prevent future fires, and fight current fires with available resources. It is time to start treating wildfires like the disasters they are and managing them like disasters.**

- **As OMB Director, will you support the bipartisan efforts in Congress to fix wildfire budgeting? If not, what is your plan to address this critical need?**

I agree that the current manner in which wildfire fighting is funded has not served us well. I would like to work with Congress on a budget approach to determine how to appropriately fund wildfire suppression needs. I look forward to working with you and your colleagues to develop an effective solution for these issues while protecting the American taxpayer.

**Senator Wyden**

**Question 10**

**Being committed to infrastructure must include our ports and inland waterways. That doesn't mean only our largest ports, it means smaller ports like those in my home state of Oregon. While these small ports are not responsible for tons and tons of cargo, they are the economic drivers in some of the most rural parts of Oregon. Keeping these ports open requires dredging, and it requires maintaining our jetties, and dredging and jetty maintenance requires that the Corps of Engineers has sufficient funding.**

**There is a funding source that is supposed to be dedicated to keeping our ports open -- the Harbor Maintenance Trust Fund. Unfortunately, a large portion of the money in this Trust fund isn't used to dredge our ports. We don't know where it goes, but it certainly isn't coming to Oregon.**

**• Will you commit to using all of the money in the Harbor Maintenance Trust Fund for its intended purpose of dredging and jetty maintenance? It's the only thing that will keep rural communities along the Oregon Coast open for business.**

It is my understanding that although receipts from the harbor maintenance tax are mandatory, expenditures from the Harbor Maintenance Trust Fund are discretionary – and are therefore counted against the overall discretionary caps. If confirmed as the Director of OMB, I will look at all discretionary spending to make sure it is allocated to the highest priority needs of the Nation as we prepare the FY 2018 Budget.

**Senator Wyden**

**Question 11**

**The Office of Management and Budget plays a critical role related to the implementation of the Endangered Species Act (ESA). As Oregon knows firsthand, it can be far better to engage in collaborative efforts up front to conserve habitat and multiple land uses, rather than running the risk of steeper declines that ultimately require even more cumbersome regulatory measures in the future. I believe it is both possible and essential, even if it is sometimes challenging, that effective stakeholder collaboration can find the right balance between the ESA's short- and long-term effects on species habitat and rural economic interests.**

**• Should you be confirmed, can you describe what steps you will take to find an effective balance on policy pronouncements, changes to regulations, legislative proposals, and any other initiatives that cross your desk affecting the human and natural communities in my state?**

**When he appeared before the Energy and Natural Resources Committee, Interior Secretary designate Zinke discussed with me the essential need to identify the right scientifically sound metrics and standards on which those decisions should be based, for the greater, joint benefit of local communities and of the species he would be charged with protecting.**

**• Will you work to ensure that annual Administration budget submissions include sufficient funding for species programs, including listing and pre-listing work, to assure that we have the tools needed to make informed decisions?**

The Office of Information and Regulatory Affairs conducts centralized executive branch review of rules and policies related to ESA implementation. If confirmed, I look forward to future discussions with you and the Secretary of the Interior regarding the ESA, both nationally and in Oregon specifically.

**Senator Wyden**

**Question 12**

**Donald Trump has spoken time and time again about the need to fix our infrastructure. Within my home state of Oregon, we are at the early stages of critical efforts to improve the levee system along the Columbia River, the largest river in the Pacific Northwest. This area is a commercial and manufacturing link for the West Coast and supports millions of jobs for hard working Americans. Once these efforts get underway, the OMB will play an important role in moving the project forward.**

**• How will you as OMB Director work to protect and advance lifesaving infrastructure investments such as levee improvements along the Columbia?**

While I share your concern for public safety, I am not familiar with these levees or the need for their improvement. If confirmed as the Director of OMB, I will ask my staff to work with the affected Federal agencies to develop recommendations on these and other proposed investments.

**Senator Wyden**

**Question 13**

**With the nation's debt and deficit continuing to climb, Congress must finally get serious about accountability and budget discipline at the Pentagon. You have repeatedly supported cutting runaway military spending in order to reduce the national debt. In 2013 you wrote a column calling for reducing Pentagon spending. In 2015 you criticized House Republicans for using war funds as a way to raise defense spending beyond the statutory limit.**

**• If confirmed as Director of OMB, will you continue to advocate for cutting military spending?**

**I ask because the President has repeatedly advocated for large increases in military spending, like proposing to grow the Navy from 272 ships to 350. The CBO estimated recently that a 350 ship navy would cost $25 billion per year, a whopping 60 percent above the historical average!**

**• As a committed deficit hawk, will you hold the line against this unaffordable 350 ship plan and other attempts to lard up the military with wasteful and unnecessary spending?**

If confirmed, I will provide my candid advice to the President on the financial implications of his strategic options for the military, and will work with the Secretary of Defense to fund the military consistent with the President's strategic direction. I will always strive to make sure every defense dollar is well spent, and will use OMB's oversight role to reduce costs and eliminate unnecessary spending where needed.

If confirmed, I will review the Defense budget request for wasteful and unnecessary spending. A strong defense is essential, which is why making sure each dollar is well spent will be top priority. I will work with the Secretary of Defense to ensure the Navy budget supports the type of Navy we need to implement our national security strategy consistent with Presidential direction.

**Senator Wyden**

**Question 14**

**The White House website states that "President Trump will end the defense sequester," but you have been a public supporter of the sequester and spending caps.**

**• Do you still believe in maintaining the sequester caps on defense spending, or have your views changed? If you support the defense sequester, how would you advise the President as OMB Director, considering that he wants to eliminate it? If you no longer support the defense sequester, what caused you to change your view?**

**As you know, the Overseas Contingency Operations (OCO) account has become a way to continuously increase defense spending while skirting budget caps. You have been a critic of OCO funding and previously advocated moving OCO into the base DoD budget.**

**• If OCO were moved onto the base budget, would you support: (1) raising the defense and nondefense budget caps by equal amounts, (2) only increasing the defense sequester cap, (3) violating the defense sequester cap, or (4) cutting defense spending dollar-for-dollar to stay under the cap?**

**You and I agree that Congress cannot continue to use OCO to get around statutory spending caps on military spending. At the same time, the OCO account now includes vital assistance for aid programs to help respond to the unprecedented level of humanitarian need in the world right now. Many Americans, including faith communities across the country, support our life-saving foreign assistance programs.**

**• If you succeed in reducing the OCO account or moving it into the regular budget, will you commit to maintaining or increasing funding for America's vital humanitarian assistance accounts?**

If confirmed, it would be my responsibility to make sure defense budget totals provide the resources needed for the President's national security strategy. My intent would be to advise the President on the costs and benefits of his strategic choices, and to then advocate for the funding our Armed Forces need in order to carry out the President's direction. At all times, I will try to reduce waste. If our Armed Forces require resources above the sequester caps to carry out the President's direction, I would advocate to raise the caps, and to offset those increases elsewhere.

I agree that it is inappropriate to use OCO to circumvent the Budget Control Act caps. I plan to consult with the Secretary of Defense on any plans to responsibly move enduring OCO funding into the base budget while avoiding negative impacts to ongoing operations, defense readiness, and acquisition programs.

While I can't commit to particular future funding levels, I can commit to seriously reviewing humanitarian needs in each budget year in conjunction with other budget priorities, while also working with State and USAID to ensure that the U.S. is maximizing the efficiency and effectiveness of the relief assistance it provides and not providing a disproportionate share of humanitarian assistance.

**Senator Wyden**

**Question 15**

**In January, Trump campaign adviser Newt Gingrich wrote an op-ed calling for an overhaul of the Congressional Budget Office. He said that the CBO's "corrupt" scoring system should be replaced with a "competitive" scoring system involving alternate scores provided by different private firms -- despite the fact that the CBO is one of the most respected institutions on or off Capitol Hill, and financial institutions and market makers regularly rely on its scores.**

**• What is your position on this issue and the proper role of the CBO in the budget process?**

I appreciate the nonpartisan analysis produced by CBO, but I do not believe that the government has a monopoly on good data. While I would have to learn more about the system proposed by Mr. Gingrich before commenting on it specifically, I am open to alternative analysis from credible sources to inform decision making. I don't think CBO would disagree -- their reports and estimates are informed by their review of external research.

**Senator Wyden**

**Question 16**

**The Senate's "Conrad" Rule, named for former Senate Budget Chairman Kent Conrad, required that reconciliation bills could not add to deficits or reduce surpluses in the first ten years of the budget window. Republicans, however, repealed the Conrad rule in 2015 to make it easier to repeal health care coverage and enact large tax cuts for the wealthy.**

**• Given your commitment to deficit reduction, do you support reinstating the Conrad Rule, which would prevent reconciliation from raising deficits?**

If confirmed, I will advocate strongly for an executive budget that reduces the deficit and puts the budget on a path to balance. I fully appreciate the separation between the role of the legislative and executive branches in government, and would not presume any role for the OMB Director to become involved in congressional rules.

**Senator Wyden**

**Question 17**

**In your responses to Budget Committee pre-hearing questions, you stated that any budget "that does not include some sort of macroeconomic feedback (dynamic scoring) is of questionable value."**

**You also stated in a February 2011 House Budget Committee hearing with Secretary Lew that, "I am familiar with budgets, I've written them, I've read them, and I can assure you sir that if you let me play around with the assumptions I can make you a budget that looks as good or as bad as I want it to."**

**As you are likely aware, this is precisely the concern with dynamic scoring: that in contrast to conventional scoring, dynamic scoring allows such wide-ranging manipulation of macroeconomic assumptions that any given policy proposal can be made to look good or look bad. For example, tax cuts that would blow up the deficit could be dynamically scored as raising revenue if unrealistically large GDP growth was baked into the economic models. The economics literature is riddled with examples of vastly divergent dynamic scores of the very same proposal, some showing that the proposal raises revenue and some showing that it loses revenue.**

**• If confirmed as OMB Director, what methodological safeguards would you put in place to ensure the integrity of OMB's economic models, and to prevent the manipulation of macroeconomic assumptions in order to create more favorable scores for Administration priorities?**

It is my understanding that a dynamic scoring approach to budget estimates can produce figures that are transparent and easy to understand. It is also my understanding that such methodologies are widely available, and that CBO has itself made certain details of their dynamic scoring procedure public. If confirmed as OMB Director, I would ensure that any dynamic scoring approach adopted by OMB would reflect reality and have analytic rigor.

**Senator Wyden**

**Question 18**

**In a February 2011 House Budget Committee hearing with Secretary Lew, you criticized the President's FY2012 budget for not containing credible economic assumptions. You said: "You take a look at' the GDP, another one of your assumptions - Mr. Ryan mentioned it earlier, the Washington Post beat you up on it today - you're assuming rates of growth in the economy that dramatically exceed even what the CBO is assuming." For this and other reasons, you called the budget "not a credible document."**

**The Trump White House website states the Administration's economic policies will return the nation to sustained 4 percent real annual GDP growth. In his January hearing before the Senate Finance Committee, Treasury Secretary nominee Mnuchin also expressed confidence that sustained 3 to 4 percent real GDP growth within the next few years was achievable.**

**Yet, for the next 4 years (FY2017-2020), CBO's 2017 Budget Outlook projects real GDP growth to average 1.9 percent, significantly below the 4 percent estimate of the Administration. By comparison, President Obama's FY12 budget, which you described as not credible, assumed an average of 4.0 percent GDP growth from FY12 to FY15, while CBO assumed an average of 3 .4 percent growth. There was roughly a 0.6 percentage point difference between the CBO and the Administration in FY12, compared to the 2.1 percentage point difference between the CBO and the current Administration.**

- **If confirmed as OMB Director, will you commit to producing Presidential Budgets that meet the "Mulvaney Credibility Test," namely by making economic growth assumptions that are much closer to the CBO's assumptions and are therefore "credible"?**

If confirmed as OMB Director, I am committed to producing Presidential Budgets that use realistic assumptions about economic growth and other factors.

**Senator Wyden**

**Question 19**

**When President Obama took office eight years ago, the economy had already lost 4 million jobs and the unemployment rate was 7.8 percent. As the Trump Administration takes over, employers have added 15.6 million jobs over a record 82 straight months, and the unemployment rate is down to just 4.7 percent - that's a net increase of 11.3 million jobs. While the economic gains haven't always been even and there is still more work to do, Democrats are handing off a well-functioning economy to the President and his economic team.**

**The Trump White House website states the Administration's economic policies will create 25 million jobs over the next 10 years. Yet, according to the January 2017 CBO projections, total nonfarm civilian employment over the next 10 years will increase by 7.6 million, from 146.26 to 153.86 million jobs. The difference between the Administration and CBO estimates is over 17 million jobs.**

- **Keeping in mind the "Mulvaney Credibility Test" discussed above, will you commit to producing Presidential Budgets with job growth estimates that do not veer far outside the scope of nonpartisan economic projections from the CBO, as the current job growth claims made by the Administration do?**

If confirmed as OMB Director, I am committed to producing Presidential Budgets that use realistic assumptions about economic growth and other factors.

**Senator Wyden**

**Question 20**
***The Hill* reported in January that the President's budget team is planning on reducing federal spending by $10.5 trillion over 10 years.**
**• If this is the President's plan, please outline - with specific numbers and specific programs - where the $10.5 trillion in cuts will be made.**
**• Please explain in detail how the Administration could possibly cut $10.5 trillion over 10 years without making cuts to Medicare, Medicaid, and Social Security benefits.**

I have not yet been engaged in the Administration's ongoing budget development process, and I would need to discuss any recommendations with the President before supporting any specific changes.

Senator Wyden

**Question 21**

**Estimates of the cost of Donald Trump's proposed wall along the U.S.-Mexican border vary. A 2009 GAO report found that a mile of border fence cost an average of $3 .9 million, with higher end of the estimate being $15.1 million per mile. With 670 miles of the 1,989 mile southern border already fenced, 1,319 miles remain. The estimated cost to cover the length of the border therefore ranges from $5.14 billion at the GAO average, to $19.92 billion at the top end of the estimate range. Politico reported in August that Trump's immigration plans could cost a total of $166 billion.**

**In your responses to Budget Committee pre-hearing questions, you stated that you would advocate for policies that would "bring the budget into balance as quickly as possible."**

**• Given this commitment, do you support spending $5.14 billion to $19.92 billion on building a border wall? If confirmed as OMB Director, how would you advise the President to pay for over $150 billion in new immigration-related spending, so that it does not blow up the budget deficit?**

**Media reports indicate that the incoming administration will request appropriations from Congress to fund the construction of a border wall. In response to these reports, Donald Trump stated on January 6th that any U.S. taxpayer dollars spent on a border wall will be reimbursed by the Mexican government.**

**• Do you support Congress appropriating the funds for a border wall before the wall is paid for? If confirmed as OMB Director, would you advise the President that extracting onetime payments from foreign governments is a fiscally responsible way to pay for massive spending increases?**

If confirmed, I will work to develop a Budget that reduces the deficit and seeks to approach balance. I will also work closely with Secretary Kelly, other relevant Departments and agencies, and the Appropriations Committees to ensure sufficient funds are available to implement the President's Executive Orders as well as options for reimbursement from Mexico for constructing a border wall.

**Senator Wyden**

**Question 22**

**On January 3rd, the House passed a rules package that reinstated the Holman Rule, which allows House members to offer amendments to appropriations bills that cut the salaries of specific federal employees or the funding for specific programs. You did not vote on the rules package. Before the rule change, House members could cut agency budgets broadly, but civil service protections prohibited amendments targeting specific employees and programs. The arcane Holman Rule is from 1876 and pre-dates the nonpolitical civil service.**

**• As Director of OMB, what conditions would you advise the President must be met before an individual federal employee could be targeted for compensation cuts through the Holman Rule?**

**• What safeguards would you put in place to ensure that civil service protections are not violated in attempts to reduce spending on the federal workforce?**

While the Administration has an obligation to reduce and eliminate wasteful government spending, I would want to make sure that any use of the Holman Rule is carried out in an appropriate manner consistent with the law. I would not support any measure that seeks to use the Holman Rule to unfairly target an individual Federal employee.

**Senator Wyden**

**Question 23**

**In a Facebook post from last September on the Zika virus, you questioned: "do we really need government-funded research at all."**

**• Were you arguing against federal research to respond to the Zika virus? Or were you arguing against *any* federal research? Simply put: should the Trump administration follow in the footsteps of its predecessors by continuing to support funding research into scientific breakthroughs, technological advances, and potential cures?**

**• If you support the longstanding, bipartisan consensus behind federal research, do you agree that American citizens should have free access to the research paid for with their tax dollars?**

The Facebook post was about government funding of research in response to the Zika virus, and was made at a time when there was a piece of publicly available academic research questioning the connection between Zika and microcephaly. I am not aware of the current state of that debate. I believe there is a proper role for the federal government in research, especially in areas not addressed by the private sector. If I am confirmed, I will look at government research funding in terms of what we can get for taxpayer dollars and not just the amount spent.

In general, I support the idea of public access to government funded research. There are, of course, exceptions - such as access to classified research.

**Senator Wyden**

**Question 24**

**As OMB Director, you would be responsible for leading the Office of Information and Regulatory Affairs (OIRA), an office within OMB that oversees the implementation of regulations and reviews draft regulations. OIRA ensures that the federal government follows vital principles of rulemaking that protect the Constitution, the rule of law, and the public's right to contribute in the rulemaking process.**

- **Do you intend to change the review process from the current process established by Executive Order 12866?**

- **Do you intend to require rules promulgated by independent regulatory agencies, such as the Federal Reserve and the CFPB, to go through OMB regulatory review?**

- **Do you support the current cost-benefit analysis requirements under Executive Order 12866 and OMB Circular A-4, or would you expect to broaden the requirement to include more rules - including rules that do not currently qualify as "economically significant"?**

- **Then there's this Trump campaign pledge: "I will formulate a rule which says that for every one new regulation, two old regulations must be eliminated." How do you do that practically? How will you define "old" and "new" regulations? What safeguards will you put in place that ensure that rules are not artificially broken down into multiple rules, allowing the Administration to satisfy this campaign pledge in name only?**

At this point, while I fully support a robust and transparent regulatory review function led by OIRA, I have no views on whether procedural changes would be appropriate. I expect that, if confirmed, I would learn more about this process and discuss it with the incoming OIRA Administrator after he or she is confirmed.

My understanding is that regulations issued by independent agencies are currently not subject to OMB review, and I know that Congress has a strong interest in the oversight of independent agencies.

As a general matter, I strongly support the use of cost-benefit analysis to ensure that the anticipated impacts of regulations are fully considered before they are issued. If confirmed, I will work with the new OIRA Administrator to review existing OMB practices and guidance to determine if any changes would be appropriate.

Your questions about the President's pledge are among many that will need to be carefully considered and addressed to implement this program. If confirmed, I will ask OIRA to take the lead on developing a specific proposal that, among other things, sets out the scope of the initiative and ensures that we achieve meaningful reductions in regulatory burdens while maintaining important protections for all Americans. Regardless of the particular procedures governing any regulatory reform process, if confirmed, I am committed to taking a hard look at regulations currently on the books and modifying or repealing that ones that no longer make sense.

**Senator Wyden**

**Question 25**

**In your pre-hearing responses to Budget Committee questions, you said: "I do believe that defaulting on America's debts would have grave worldwide economic consequences. I do not believe that breaching the debt ceiling will automatically or inevitably lead to that result." You appear to hold the view that debt prioritization following a debt ceiling breach could stave off a default on our national debt.**

**Debt prioritization by the Treasury Department involves paying holders of U.S. government bonds, such as foreign investors, before servicing other government debt, such as our obligations to Social Security beneficiaries, Medicare beneficiaries, and veterans.**

**• Will you acknowledge that debt prioritization would require the federal government to pay foreign bondholders before paying the earned benefits of American citizens?**

**In addition to going back on the promises Congress has made to the American public, debt prioritization would severely damage the federal government's creditworthiness. Following the 2011 debt ceiling standoff - which only flirted with default, but did not ultimately breach the debt ceiling - Standard and Poor's downgraded the long-term credit rating of the U.S. government for the first time. Merely by increasing the perceived risk of default, which leads to higher interest rates on Treasury bonds, the standoff cost the federal government billions of dollars. Debt prioritization would go even further than the 2011 brinksmanship, by breaching the debt ceiling and picking and choosing which payments the U.S. government will and will not make.**

**• Will you acknowledge that the 2011 debt ceiling standoff damaged the creditworthiness of the U.S. government and cost the federal government billions of dollars in interest payments?**

**• Will you acknowledge that debt prioritization would damage the creditworthiness of the U.S. government and cost the federal government billions of dollars in interest payments? Will you also acknowledge that this would be a terribly ironic result -- that effort to curb spending by failing to raise the debt limit would actually lead to increased government spending in the form of higher interest payments?**

Bumping up against the debt ceiling is undesirable. I am optimistic that the President will be able to work with the Congress to address the debt limit in a timely manner, so that we do not reach the point of needing to consider prioritization of payments. However, if it becomes necessary, I think we need to look closely at all of the options available. Such options could include prioritizing a range of Federal obligations, pursuant to longstanding federal policies, such as those memorialized in the 1985 GAO opinion I mentioned at the hearing, and which were apparently relied on by the Obama Administration during its tenure.

In the past, there may have been short-term costs associated with debt-ceiling standoffs. However, at several times in the past, such standoffs have also provided the impetus to enact much-needed fiscal reforms that provided long-term fiscal benefits.

**Senator Wyden**

**Topic: Repeal Regulations**

**The House Freedom Caucus, which you helped found, issued a special report outlining a number of recommended policy updates for Mr. Trump's first 100 days, more than 50 of which pertain to healthcare.**

**These include regulations on coverage of certain preventive services under the Affordable Care Act, regulations relating to the child care and development fund, payment rates for Medicare and confidentiality of patient records.**

**• Do you agree with the Freedom Caucus that these regulations referenced in the report should be repealed or rolled back?**

I was not involved with the preparation of the report. While I have no specific knowledge or involvement in these particular actions, I understand that the new administration is in the process of reviewing the regulations and administrative actions that were completed during the last administration. I look forward to learning more about this ongoing regulatory review if I am confirmed.

**Senator Wyden**

**Topic: Cuts to Medicare, Medicaid or Social Security**

**In his campaign, President-Elect Trump said he was the only Republican who wouldn't cut Medicare and Medicaid. Rep. Mulvaney has been extremely critical of Medicare and Medicaid in the past, advocating for major reform to the programs including a Medicaid block grant and Medicare premium support.**

**Premium support is a general term used to describe transitioning the Medicare program from an open-ended entitlement to a defined contribution program. According to CBO, a standard premium support proposal would increase Part B premiums by about 30 percent and the proportion of beneficiaries that spend at least 6 percent of its household income on premiums would double. Most Americans oppose turning Medicare into a premium support system. The majority (70%) of people support keeping Medicare as it is today, with only 26 percent supporting a shift to premium support.**

**The Republican 2017 budget repeals Medicaid expansion and block-grants Medicaid, leading to combined Medicaid cuts of $2.1 trillion over the next ten years.**

**In the past, Republicans have supported privatization of Social Security and cuts to Social Security through increasing the retirement age, changing the COLA formula, and cutting benefits for higher income workers. Trump stated very clear in the campaign that he opposes changes to Social Security say "I will do everything within my power not to touch Social Security, to leave it the way it is."**

**Your past support for radical changes and cuts to these programs is completely contradictory to the President's promise. You have said "We have to end Medicare as we know it" and that "Medicare as it exists today is finished." You've supported a Medicaid block grant model that would result in trillions of dollars of cuts and you've advocated for raising the retirement age.**

**• As director of OMB, will you recommend that President Trump veto any legislation that cuts either Medicare, Medicaid or Social Security?**

I believe that entitlement programs must be fixed in order to make sure they support our current retirees, remain available for future generations, and do not further exacerbate our country's fiscal challenges. I believe the Director of OMB has a responsibility to present the President with hard facts under difficult circumstances, including the financial and economic consequences of failing to address the major drivers of our debt and deficit. If confirmed, I will present the President with options that are consistent with the Administration's policy priorities.

# EXECUTIVE BUSINESS MEETING ON THE NOMINATION OF THE HONORABLE MICK MULVANEY, OF SOUTH CAROLINA, TO BE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET

**THURSDAY, FEBRUARY 2, 2017**

UNITED STATES SENATE,
COMMITTEE ON THE BUDGET,
*Washington, DC.*

The Committee met, pursuant to notice, at 11:11 a.m., in Room SD–608, Dirksen Senate Office Building, Hon. Michael B. Enzi, Chairman of the Committee, presiding.

Present: Senators Enzi, Grassley, Sessions, Crapo, Graham, Toomey, Johnson, Corker, Perdue, Gardner, Kennedy, Boozman, Sanders, Murray, Stabenow, Whitehouse, Warner, Merkley, Kaine, King, Van Hollen, and Harris.

Staff Present: Eric Ueland, Republican Staff Director; and Warren Gunnels, Minority Staff Director.

## OPENING STATEMENT OF CHAIRMAN ENZI

Chairman ENZI. I will call this meeting to order.

I want to thank you for meeting today to consider the nomination of Representative Mick Mulvaney to be the Director of the Office of Management and Budget. I believe that Mr. Mulvaney's experience as a small business owner and Member of Congress makes him uniquely qualified to lead the Office of Management and Budget. He is a proven budget hawk that has been vocal about our need to rein in Government overspending and debt. I strongly support Mr. Mulvaney and will be voting favorably to report his nomination.

Now, Committee practice and precedent allow for statements from the Chairman and Ranking Member before moving immediately to a vote. Other Committee members may submit statements for the record prior to 6:00 p.m. this evening. This is how Budget Chairmen from both sides of the aisle have conducted the Committee's previous nomination hearings, and today's hearing will follow those precedents.

Committee members have had a month to review Representative Mulvaney's background and financial information. He complied with Committee rules by submitting all required documents on time; he responded in a timely fashion to all pre- and post-hearing questions; and he participated in a thorough public hearing in which members were allowed two full rounds of questioning.

There are many pressing budgetary issues requiring the attention of a new administration. Foremost among those is the staggering $20 trillion debt burden that America now shoulders. We need the OMB Director confirmed as quickly as possible so that the administration can confront these hard fiscal realities and explain to us how they are going to solve them. The nominee has received full consideration by this Committee and deserves a vote today.

Would Senator Sanders like to make a statement?

Senator SANDERS. I would and I will. I would hope—Mr. Chairman, given the importance of this nomination, this nominee will be the most important one that this Committee deals with. I would hope that members on both sides would be able to make brief statements given the importance of this nomination. Is that something that you would consider?

Chairman ENZI. Actually, the precedent on this has been for people to submit their statements, and they become a part of the record.

Senator SANDERS. Well, I think that is unfortunate because I think this is a nomination of significant consequence, and I know that members on my side would like the opportunity to say a few words. I do not know about your side.

Chairman ENZI. I appreciate that. I delayed this vote by a day so that you would have the opportunity to review the FBI files.

Senator SANDERS. Which I did.

Chairman ENZI. I would like to get on with it. So do you want to give your statement?

**OPENING STATEMENT OF SENATOR SANDERS**

Senator SANDERS. I do, and the essence of my statement is really less about Mick Mulvaney, who seems to be an honest and straightforward gentleman who has an extreme right wing economic point of view, which is his prerogative. But what disturbs me very much about this nomination is that virtually everything economically that Mr. Mulvaney stands for and has fought for is in direct contrast to what President Bush told the American people——

Senator MURRAY. Trump.

Senator SANDERS. And that bothers me very much. President Bush, when he campaigned——

STAFF. Trump.

Senator SANDERS. Trump, Trump. Thank you. Sorry.

[Laughter.]

Senator SANDERS. President Trump, when he campaigned, when he campaigned for his office, said to the elderly and working people that he was going to stand with them, that he would not cut Social Security, that he would not cut Medicare, that he would not cut Medicaid. And yet you have a nominee who prides himself, who is a deficit hawk, who has said over and over again that he will do exactly the opposite of what President Trump campaigned on. As I mentioned before, on November 3, 2015, Trump said, "I will save Social Security, I will save Medicare. People love Medicare. I am not going to cut it."

But Mr. Mulvaney has a different point of view. When he talked about programs like Social Security, he called it a "Ponzi scheme." He talked about raising the retirement age of Social Security to 70 years of age. Now, that is his point of view, and as a Congressman, more than entitled to hold that point of view. But it is not the point of view that President Trump talked to the American people about.

The truth is we have a major retirement crisis in this country today. Half of older workers in America, not widely talked about, have zero in their savings account as they prepare for retirement. And yet we have a nominee who thinks it is appropriate to cut Social Security and a President who has nominated that gentleman.

In 2015, Congressman Mulvaney led the effort to shut down the Federal Government in order to deny 2.5 million women the health care they need by defunding Planned Parenthood.

Last week, Congressman Mulvaney told this Committee that he doubted that human beings are contributing to climate change, in direct opposition to what virtually the entire scientific community believes. And they believe that climate change is a great threat to this planet.

Finally, Mr. Chairman, there is the issue of Mr. Mulvaney's taxes. After Congressman Mulvaney was nominated to become the next OMB Director, it was revealed that he failed to pay over $15,000 in taxes for a nanny that he employed from 2000 to 2004. Here is what Congressman Mulvaney wrote about this issue in response to a question I asked him on January 11th, and he said, and I quote: "I have come to learn during the confirmation review process that I failed to pay FICA and Federal and State unemployment taxes on a household employee for the years 2000 to 2004. Upon discovery of that shortfall, I paid the Federal taxes. The amount in question for Federal FICA and unemployment was $15,583.60, exclusive of penalties and interest, which are not yet determined. The State amounts are not yet determined."

Now, Mr. Chairman, this is a very serious issue. As you will recall, 8 years ago Senator Daschle withdrew his nomination as Secretary of HHS after it was discovered that he failed to pay taxes for one of his domestic workers.

Mr. Chairman, on this issue I agree wholeheartedly with Minority Leader Schumer, who said, "When other previous Cabinet nominees failed to pay their fair share in taxes, Senate Republicans forced those nominees to withdraw from consideration. If failure to pay taxes was disqualifying for Democratic nominees, then the same should be true for Republican nominees."

So, in conclusion, we have a nominee whose ideology is in direct contrast to what President Trump ran on. Trump told working people and seniors he would not cut Social Security, Medicare, and Medicaid. Congressman Mulvaney is on record as wanting to cut Social Security, Medicare, and Medicaid. So over and beyond Mr. Mulvaney's, Congressman Mulvaney's qualifications is the issue of whether we should be voting for somebody whose views are in direct contrast to what the President of the United States campaigned on.

Thank you, Mr. Chairman.

Chairman ENZI. Thank you, Senator Sanders. And I would be remiss if I did not mention that the Secretary of the Treasury, Mr. Geithner, did not pay personal income taxes and headed up the IRS after being confirmed. So it is not—and on Daschle, I do not think that it was Republicans that drove him out. It was the thought of what was going to happen.

So Senator Sanders has requested a roll call vote, so we will proceed to that now. "No" votes can be by proxy, but "aye" votes have to be present.

The question before the Committee is the nomination of Mick Mulvaney to be the Director of the Office of Management and Budget. A quorum is present. I support the nominee and urge a "yes" vote. I move that the Committee report this nomination to the Senate with the recommendation that the nominee be confirmed. Is there a second?

Senator GRASSLEY. I second.

Chairman ENZI. There is. The clerk will call the roll.

The CLERK. Mr. Grassley.

Senator GRASSLEY. Aye.

The CLERK. Mr. Sessions.

Senator SESSIONS. Aye.

The CLERK. Mr. Crapo.

Senator CRAPO. Aye.

The CLERK. Mr. Graham.

Senator GRAHAM. Aye.

The CLERK. Mr. Toomey.

Senator TOOMEY. Aye.

The CLERK. Mr. Johnson.

Senator JOHNSON. Aye.

The CLERK. Mr. Corker.

Senator CORKER. Aye.

The CLERK. Mr. Perdue.

Senator PERDUE. Aye.

The CLERK. Mr. Gardner.

Senator GARDNER. Aye.

The CLERK. Mr. Kennedy.

Senator KENNEDY. Aye.

The CLERK. Mr. Boozman.

Senator BOOZMAN. Yes.

The CLERK. Mr. Chairman.

Chairman ENZI. Aye.

The CLERK. Mr. Sanders.

Senator SANDERS. No.

The CLERK. Mrs. Murray.

Senator MURRAY. No.

The CLERK. Mr. Wyden.

Senator SANDERS. No, by proxy.

The CLERK. Ms. Stabenow.

Senator SANDERS. No, by proxy.

The CLERK. Mr. Whitehouse.

Senator WHITEHOUSE. No.

The CLERK. Mr. Warner.

Senator WARNER. No.

The CLERK. Mr. Merkley.

Senator MERKLEY. No.

The CLERK. Mr. Kaine.

Senator KAINE. No.

The CLERK. Mr. King.

Senator KING. No.
The CLERK. Mr. Van Hollen.
Senator VAN HOLLEN. No.
The CLERK. Ms. Harris.
Senator HARRIS. No.
Chairman ENZI. The clerk will report.
The CLERK. Mr. Chairman, 12 yeas, 11 nays.
Chairman ENZI. The nomination is reported with the recommendation that the nominee be confirmed. Thank you for your time. Statements can be submitted until 6:00 p.m. tonight.
The meeting is adjourned.
[Whereupon, at 11:38 a.m., the Committee was adjourned.]

Jeffrey A. Merkley

**Statement for the Record**
**From Senator Jeffrey A. Merkley**
**Voting for Mick Mulvaney to be Director of the Office of Management and Budget**
**February 2, 2017**
**Senate Budget Committee**

Chairman Enzi, I am voting in opposition today to Mick Mulvaney on behalf of the millions of Americans who've been cheated by Wall Street, stand to lose access to Social Security, Medicare, and Planned Parenthood, and suffer from the impacts of Climate Change and a Federal Government Default.

The Director of the White House Office of Management and Budget should be a voice of reason and sanity as the steward of the people's budget. The Director should base his decisions on facts and serve all Americans. Mr. Mulvaney as evidenced by his words and actions, has shown little concern for America's poor and seniors and especially those impacted by natural disasters, climate change, and Wall Street's misconduct.

There is absolutely no doubt that Mr. Mulvaney's opposition to the CFPB will hurt consumers. He has called the CFPB "a joke in a sick, sad kind of way." This is disturbing way to talk about an agency that has returned nearly $12 billion to families cheated by big banks, payday lenders, debt collectors, and other financial institutions. I cannot support an individual who would support abolishing the CFPB by subjecting it to Congressional appropriations and removing the one director structure.

Mr. Mulvaney also denies facts and reason. As a prominent climate change denier, he has stated that global warming is "based on questionable science."

Mr. Mulvaney has abandoned America's poor and seniors. He has called Social Security a Ponzi scheme and called for an "end to Medicare as we know it."

Mr. Mulvaney spearheaded a letter signed by 38 House Republicans – all men – that stated opposition to any legislation to fund the government that also continues to fund Planned Parenthood.

Planned Parenthood is an essential provider of health care services to women across America and an attack against Planned Parenthood is an attack on women's health.

It is for these reasons, I vote no and strongly encourage my colleagues to join me.

Patty Murray 1/4

**Statement for the Record of the Executive Session to Consider the Nomination of Mick Mulvaney to be Director of the Office of Management and Budget**
Senator Patty Murray
Thursday, February 2, 2017

**I join my colleagues in urging opposition to the nomination of Congressman Mick Mulvaney to lead our federal budget office as director of OMB.**

**We all know that a budget is more than just numbers on a page.**

**A budget represents our values and our priorities.**
- **The kind of nation we are now—**
- **and the kind of nation we want to be.**

**And Congressman Mulvaney isn't shy about where he stands on this.**

**I sat down with him on Tuesday, and I appreciated his candor.**

**He has made it very clear that he would like to use our budget to radically reshape our country in a way that I believe would be devastating to families, to seniors, to veterans, to the middle class—and so many others.**

**Congressman Mulvaney has said he wants to make drastic, radical cuts to federal investments—trillions of dollars, across the board.**

**His budget proposals would slash federal funding for education—**
- **leaving students across the country with fewer opportunities to learn and succeed.**

**They would cut investments in jobs and training—leaving more workers scrambling to keep up in a changing economy.**

**They would eliminate support for children and families that need a hand up to get back on their feet.**

**They would eliminate basic medical research that create jobs and lead to lifesaving cures.**

**They would continue the work President Trump has done to destroy health care in America and create even more chaos and confusion.**

**They would lead to dramatic cuts to Medicare and Medicaid—betraying the commitments we have made to our seniors.**

**And so much more.**

**And he wants to do all of this while giving even more tax cuts to the wealthiest Americans and biggest corporations.**

**In other words—Congressman Mulvaney's nomination is another perfect example of how President Trump is breaking the promises he's made on the campaign trail to stand with workers, seniors, and the middle class.**

**I want to make two more points.**

**First, Congressman Mulvaney is someone who was at the fringes of the Republican Party just a few years ago.**

**He is one of the most extreme members of the Tea Party wing of the Party.**

**...who supported the government shutdown when others were working to end it.**

**...who failed to show the proper concern about a potentially catastrophic breach of the debt limit—**

- **and remains cavalier even now, telling me he would advise the President against accepting a clean debt limit.**

**...who wasn't even willing to support the budget deal I reached with Speaker Ryan.**

**He is someone who responsible members of his own Republican party scorned just a few years ago—**

- **and whose budget ideas they rejected as damaging, unworkable, and political suicide.**

**But now—he is the person who Republicans are holding up as a budget leader.**

**And as we see this nomination—**

- **and as we see Republicans use the budget process to slam through a partisan plan to destroy our health care system—**
- **it is clearer than ever how far the Republican Party has moved even from the days of our bipartisan budget deal.**

**Second, and finally—I am extremely troubled by Congressman Mulvaney's failure to pay taxes and comply with the law.**

**I know I'm not the only one who has been here long enough to see cabinet nominees withdraw over less egregious breaches than this.**

**Congressman Mulvaney's explanations, justifications, and defenses have simply not been credible—**

- **and it's hard to believe that every single one of my Republican colleagues feels comfortable with putting someone with such a serious lapse of judgment in charge of the budget in the Administration.**

**So for those reasons—and many more—I will be opposing this nomination and urge my colleagues to do the same.**

**Statement for the Record**
**by Senator Sheldon Whitehouse**
**on the nomination of Mick Mulvaney**
**February 2, 2017**
**Senate Budget Committee**

There's been a lot of talk about Congressman Mulvaney being a "straight shooter," and I appreciated his courtesy meeting with me and his participation at his confirmation hearing. Unfortunately, his 6-year record in the House of Representatives makes it impossible for me to vote for him as our nation's chief budget officer.

In the House of Representatives, Congressman Mulvaney repeatedly put our economy in jeopardy by voting to let the federal government default on its obligations. He had an opportunity after his nomination to pivot to a more mainstream, responsible position, and he refused. In an answer to a pre-hearing question, he said "I do believe that defaulting on America's debts would have grave worldwide economic consequences. I do not believe that breaching the debt ceiling will automatically or inevitably lead to that result."

Mr. Mulvaney's unsupported faith that a debt default wouldn't be a big deal ignores basic economics and the guidance of liberal and conservative economists and experts alike, including Douglas Holtz-Eakin, Ben Bernake, Hank Paulson, Janet Yellen, and Jack Lew. Tom Donahue of the Chamber Of Commerce noted that even a small increase in Treasury rates "would translate into hundreds of thousands of jobs every year."

A member of the self-styled "Shutdown Caucus," Mr. Mulvaney chooses to ignore the fact that his fiscal brinksmanship has cost the American people. According to the Wall Street firm Standard and Poor's, the 16-day government shutdown he helped cause in 2013 cost the economy $24 billion. That's not to mention the unnecessary stress it brought on millions of government workers and contractors who weren't certain they'd get paid.

Mr. Mulvaney's blind faith isn't limited to economics. He disregards science too. In response to my hearing questions, he said he is "not convinced by the evidence presented" that climate change is at least partly driven by human activity. According to NASA, "multiple studies published in peer-reviewed scientific journals show that 97 percent or more of actively publishing climate scientists agree: Climate-warming trends over the past century are extremely likely due to human activities." So 97% of experts agree, and Mr. Mulvaney isn't convinced. How do we trust someone who ignores such facts to be in charge of our nation's budget?

And while he claims to be a deficit hawk, when I asked him if he was ready to take on hundreds of billions of dollars in wasteful tax loopholes, he evaded the question. From his record in the House, it appears that Mr. Mulvaney would rather balance the budget by targeting our seniors and slashing Social Security and Medicare benefits.

Someone who is a straight shooter when it happens to agree with his politics, but is a flat-out denier when it doesn't, is not my idea of a straight shooter.

Congressman Mulvaney is possessed by conservative ideology that I suspect will prevent him from working across party lines on the budget, on health care, or on other major policy issues. His counsel could pull President Trump further to extremes, which would be the wrong direction for the country.