



CHAIRMEN

MITCH DANIELS
LEON PANETTA
TIM PENNY

What We'd Like to See in President Trump's FY 2019 Budget February 9, 2017

PRESIDENT

MAYA MACGUINEAS

DIRECTORS

BARRY ANDERSON
ERSKINE BOWLES
CHARLES BOWSHER
KENT CONRAD
DAN CRIPPEN
VIC FAZIO
WILLIS GRADISON
WILLIAM HOAGLAND
JIM JONES
LOU KERR
JIM KOLBE
DAVE MCCURDY
JAMES MCINTYRE, JR.
DAVID MINGE
MARNE OBERNAUER, JR.
JUNE O'NEILL
PAUL O'NEILL
BOB PACKWOOD
RUDOLPH PENNER
PETER PETERSON
ROBERT REISCHAUER
ALICE RIVLIN
CHARLES ROBB
ALAN K. SIMPSON
JOHN SPRATT
CHARLIE STENHOLM
GENE STEUERLE
DAVID STOCKMAN
JOHN TANNER
TOM TAUKE
PAUL VOLCKER
CAROL COX WAIT
JOSEPH WRIGHT, JR.

The Trump Administration is slated to release its budget outlining the President's priorities for Fiscal Year (FY) 2019 and the next decade on Monday.

This year has been full of deficit-financed policy changes. Between a \$1.5 trillion tax cut, a \$320 billion spending increase, and other items, legislation signed over the past year will increase the debt by roughly \$2.5 trillion. If both the budget deal and the tax bill are ultimately extended, more than \$4 trillion will be added to the debt over the next ten years.

In light of the worsening fiscal situation, the President's budget represents an opportunity to show the fiscal restraint that was missing from the past year. The President's budget should outline the Administration's top priorities and how to achieve them. Fiscal responsibility should be one of those priorities. Specifically, President Trump's second budget should:

- 1. Put Debt on a Clear Downward Path Relative to the Economy.** The national debt is currently higher than at any time since just after World War II – and if recent tax and spending bills are extended, it will ultimately exceed that record within a decade. Debt cannot grow faster than the economy indefinitely, and the President's budget should slow debt growth to allow the economy to catch up.
- 2. Pay for New Initiatives with Specific Offsets.** Rather than charging new tax cuts and spending bills to the national credit card, as was done over the past year, all new initiatives need to be fully offset with lower spending and/or higher revenue.
- 3. Propose Realistic and Responsible Spending Levels.** The recent budget agreement increases discretionary spending by \$150 billion per year over two years. It would be unrealistic to assume spending is immediately slashed in year three, but irresponsible to continue ballooning the deficit. The President should propose a realistic glide path to responsible discretionary spending levels.
- 4. Use Realistic Economic Growth Assumptions.** Last year's budget relied on achieving sustained 3 percent economic growth, a number far exceeding outside forecasts that would require exceeding the economic performance of the 1990s. Rosy growth should not be used to paper over the dire fiscal situation.
- 5. Avoid Gimmicks and Unspecified Savings.** As a general rule, the budget should avoid relying on "magic asterisks" or other placeholders that assume budgetary savings without policies to back it up.
- 6. Propose Entitlement Reforms to Slow Cost Growth and Improve Solvency.** Social Security and Medicare are the two largest spending programs and among the fastest-growing – and both are on a path toward insolvency. To improve the



long-term debt outlook and secure the health of these programs, the President must propose significant reforms to slow the growth and finance both Social Security and Medicare, as well as other entitlement programs.

- 7. Propose Additional Revenue To Supplement Tax Reform.** While President Trump had called for revenue-neutral tax reform in his previous budget – with dynamic gains going to deficit reduction – the tax bill Congress enacted will instead cost \$1.5 trillion over ten years. The President’s budget should include further base broadening and/or other revenue to assure tax reform doesn’t result in permanently higher deficits.

The nation’s future debt trajectory rose dramatically due to legislation signed in the past year, and the President’s budget offers a chance to reverse course and abandon the fiscal free-for-all that has defined the last few months.