



The coming Republican fight on spending

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President Trump fired the opening salvo for war over government spending with his first federal budget blueprint last month. But this "skinny budget" was limited to the new president's outlook on discretionary spending levels set by lawmakers each year, leaving special interests to compete for slices of a shrinking pie.

So the real action lies ahead on Capitol Hill.

"It's the president's suggestions essentially to Congress," said Marc Goldwein of the Committee for a Responsible Budget. He added it "doesn't give them a lot of details to start their own budget resolution."

Some of President Obama's budgets won zero votes in Congress. His 2016 spending plan was rejected 98 to 1 in the Senate, and his 2015 blueprint went down 413 to 2 in the House. It's ultimately the appropriations process that matters.

Trump's spending priorities may fare little better. Democrats and centrist Republicans balk at deep cuts in domestic spending. National security hawks believe Trump is skimping on defense, while some budget hawks believe he's excessively generous to the Pentagon, blowing through the Budget Control Act caps that were arguably the biggest fiscal concession Republicans extracted from Obama.

The State Department budget would be slashed 28 percent. The Environmental Protection Agency would fare worse, with a 31 percent cut. The Department of Health and Human Services budget would tumble 18 percent. Funding for the Corporation for Public Broadcasting, National Endowment for the Humanities and National Endowment for the Arts would be zero — not a nickel.

"My vision includes the elimination of the defense sequester, which has imposed steep cuts on our military," Trump said aboard the aircraft carrier Gerald R. Ford in March. "My budget will give America's armed forces the resources they need to achieve full and total military preparedness to meet any and all global challenges — and meet them we will. Investing in the military means investing in peace."

James Miller, former director of the Office of Management and Budget under President Ronald Reagan, says, however, that "the president is in a box." Miller points out that if you leave major entitlement programs untouched, essentially Social Security, Medicare and Medicaid, while increasing the military budget, non-defense discretionary spending is going to get squeezed.

With control of both elected branches of the federal government, Republicans have an opportunity to show whether they can get the nation's finances in order after complaining about Obama-era spending and borrowing for eight years. On the heels of an unsuccessful bid to repeal and replace Obamacare, whether they can agree sufficiently to avoid a government shutdown will say a lot about their ability to govern.

"It's gonna be a long spring, long summer, probably a fall and winter, too," said Heritage Foundation defense budget expert Thomas Spoehr. "There's no clear legislative path to get through the Senate with something that a.) repeals the Budget Control Act, and b.) subsequently adds to defense."

Many members of Congress are only just starting to think about spending for the next fiscal year after all the energy spent on Obamacare. "I want to look at it in greater detail," said Sen. David Perdue, R-Ga. "I'm concerned about the late start we got."

Sen. Tim Scott, R-S.C., told the *Washington Examiner* he hadn't given the new fiscal year much thought. "I'm working on staying within the caps," he said. "I certainly think we should do whatever we can to plus-up the defense side, the question is how do we do that and stay within the caps."

"[Trump] made some obvious priorities as it relates to how to get there from the cuts in the other areas," Scott added. "I'd like to see how that all plays out."

Rep. Thomas Massie, R-Ky., said of Trump's blueprint, "It's a little light. You could read it in an hour."

Trump didn't talk much about spending cuts during the campaign, aside from rooting out the usual suspects of waste, fraud and abuse. He nevertheless gained credibility with strong fiscal conservatives when he picked one of their own, former House Freedom Caucus member Mick Mulvaney, as director of Office of Management and Budget.

"I trust that President Trump wants to reduce the budget," said Rep. Ken Buck, R-Colo. "The OMB director is a friend and, I know, a fiscal conservative, so I'm expecting that they will help us get to a lower budget."

Perdue said, "You're going to somebody there that is going to work with us over here in a way that maybe we haven't seen before, and I look forward to getting at some of the bigger issues."

Chris Edwards, a Cato Institute budget expert and the editor of *Downsizing Government*, added, "Mulvaney listed a lot of cuts ... I think they will get some of them."

"What is interesting is that Trump has given Mulvaney enough space so far to propose cuts much bigger than what [the George W. Bush administration] proposed. There wasn't a lot of smoke and mirrors in it."

Miller is also bullish on Mulvaney and the possibility of spending restraint. "He can excite [Trump] with opportunities" to cut spending, he said of the OMB director.

"Mick Mulvaney had kind of a strong reputation as a fiscal hawk," Goldwein said. "He's one of the folks in Congress who really stood up against this war spending gimmick." This is a reference to the overseas contingency operations account, a funding stream for the Pentagon separate from its budget and not subject to spending caps.

It is precisely that kind of spending that can derail a budget agreement. "The American people need to know about the state of our military," Sen. John McCain, R-Ariz., told reporters. He added that he is "very concerned" about a government shutdown, perhaps as soon as April.

"It means sitting down and negotiating with our friends across the aisle," McCain said. "That's the way we do the defense bill, and that's why every year we get a defense bill signed by the president. You have to work across the aisle."

McCain voted against Mulvaney's confirmation as budget director because he was concerned about his record on defense spending while a member of Congress for South Carolina. The senator wants a bigger defense increase than the \$54 billion in Trump's budget.

"I've been somewhat critical of the request," said Mackenzie Eaglen, a security studies fellow at the American Enterprise Institute. "It's only 3 percent above Obama's." She argued that it is inadequate for Trump's goal of repairing and rebuilding the military.

Spoehr made a similar argument about the fiscal 2018 defense funding levels, describing them as "not enough I think ... for the wholesale rebuilding of the military that President Trump has committed to."

"It's a modest increase, and it cannot accomplish rebuild," Eaglen said. "It can accomplish repair." She also expressed skepticism about offsetting new defense spending with non-defense cuts of the magnitude Trump demanded.

"He's actually proposing each dollar from defense will be taken from non-defense," Eaglen observed. "Completely ignores political reality, 100 percent. It will never pass. It's dead on arrival."

Still, it reveals spending priorities that divide Republicans. "I'm glad that they've found a way to balance the military spending, but I would have been happier applying that toward deficit reduction, all those savings," Massie said. "At best case we're producing a budget that has the exact same deficit as Obama's last ... appropriation, unless we collect more taxes of course."

"I wish instead of taking all that money we saved and pouring it into the military, we started spending on debt reduction. Of course, that wasn't part of Trump's campaign or for that matter anyone's but [Rand] Paul's."

"Less is better, that's my thought on spending," Buck said. "I think we can get lower on the non-defense side. At some point, you've [also] got to take a serious look at defense."

Sen. Tom Cotton, R-Ark, took the opposite position in an interview with conservative commentator Hugh Hewitt in late March.

"The president made a step in the right direction by increasing the topline defense number to \$603 billion," Cotton said. "I hope that we in the Congress can find a way to add some more money this year, and also much more over the five-year defense plan."

Defense Secretary Jim Mattis is also a critic of the defense sequester. "It has done more damage to our readiness, sir, than the enemies in the field," he told a Senate Appropriations Committee hearing.

What Mulvaney represents to budget hawks, Mattis is to defense hawks. Rep. Tom Rooney, R-Fla., is critical of the cuts to the State Department, like some other national security-minded lawmakers.

"Bad guys seem to thrive in those situations, and then you can never know what's going to happen, if it spins out of control, do we find ourselves there militarily when we could have avoided it with a foreign-aid-type situation," he said.

"I know that Gen. Mattis likes it, so I would support it," Rooney added, referring to the spending levels. "If Mattis says it's sufficient, then I trust him."

Nevertheless, concerns remain. "Both the Navy and Trump have talked about 350 ships," Spoehr said. "Gotta add 75 ships or so. They are retiring ships, too. In order to get to the size of the Navy the nation needs, you've got to have robust shipbuilding program. Increase shipyards, build more. The number announced isn't enough to do that."

These differences alone could blow up the spending fight if one side digs in. Then there are contentious issues such as Planned Parenthood funding. Conservatives in search of a victory after Obamacare might try to defund the country's largest abortion provider through this process, over the objections of centrists.

House Speaker Paul Ryan, R-Wis., warns against using this process to strip Planned Parenthood of taxpayer money. He suggests a separate bill that will be passed through reconciliation in the Senate. A government shutdown over Planned Parenthood would probably damage Republicans politically.

Avoiding a shutdown is a high priority for Republican leaders. Shutdowns have worked against the GOP politically when they have controlled Congress while a Democrat is in the White House. If the government is partially shut down while Republicans run both ends of Pennsylvania Avenue, it will suggest political dysfunction.

Republicans do not have the votes in the Senate to break a Democratic filibuster, so spending measures that cannot be passed through reconciliation will also require bipartisan support. They

will likely target the 10 Democratic senators who are seeking re-election next year in states Trump carried to win the votes they need.

Trump is also pushing for more money to fund his promised wall along the Mexican border, and immigration enforcement more generally. The wall has faced opposition from Texas Republicans whose districts would see the greatest impact, as well as from some fiscal conservatives who object to its cost.

All this will play out as Republicans take halting steps toward tax reform. The House plan would tax imports, perhaps bringing in \$1 trillion in revenue. But those receipts are intended to offset reductions in corporate tax rates, not to finance new spending.

"Sen. McCain, first thing out of his mouth was 'We didn't get enough for defense.' And then you've got a bunch of Democrats saying, 'Oh, you cut the environmental programs,' " Buck said. "Everybody whined that they needed more money. Nobody said, 'we can do without.' We've got to find ways to tighten our belt."