

EXECUTIVE SUMMARY

THE PRESIDENT'S FISCAL YEAR 2018 BUDGET

The President believes that we must restore the greatness of our Nation and reject the failed status quo that has left the American dream out of reach for too many families. The policies of previous administrations have resulted in a broken and stagnant economy, more than \$20 trillion of debt, and a Government that dramatically underserves the needs of its citizens.

The 2018 Budget, *The New Foundation for American Greatness*, will balance our Nation's spending and reduces the national debt as a percent of GDP immediately. It makes substantial changes to the priorities of the previous administration to ensure that our citizens are safe and prosperous in the future. It ensures that the Federal Government spends precious taxpayer dollars only on worthwhile policies, and in the most efficient, effective manner. And, the *Budget* supports broader efforts to streamline Government, which will drive an economic boom and raise incomes and expand job opportunities for all Americans.

NEW POLICIES FOR JOBS AND GROWTH

The *Budget* brings Federal deficits and debt under control, sparks job creation, and finances important new priorities. These proposals complement ongoing efforts – including a roll-back of burdensome regulations, the reorganization of Federal agencies, and the reduction of the Federal civilian workforce – that are part of a new approach to support American workers and job creators.

Balance the Federal Budget. To avoid loading our children and grandchildren with unsustainable levels of debt, the *Budget* includes \$3.6 trillion in spending reductions – the most proposed by any President in a Budget – to reach balance within 10 years. This plan will reduce publicly held debt to 60 percent of GDP, the lowest level since 2010, when the economic policies of the last administration took effect. The *Budget* will:

- **Repeal and Replace Obamacare.** The *Budget* assumes deficit savings as part of the President's commitment to rescue Americans from the failures of Obamacare, and to expand choice, increase access, and lower premiums in health care.
- **Reform Medicaid.** To realign financial incentives and provide stability to both Federal and State budgets, the *Budget* proposes to reform Medicaid by giving States the choice between a per capita cap and a block grant and by empowering States to innovate and prioritize Medicaid dollars to the most vulnerable populations.

The Budget also follows through on a campaign promise and prohibits any funding in the Labor-HHS appropriations bill for certain entities that provide abortions, including Planned Parenthood. This prohibition applies to all funds in the bill, including Medicaid.

- **Provide a Path Toward Welfare Reform.** The *Budget* encourages able individuals to return to the workforce and includes a number of reforms to tighten welfare eligibility to

those most in need. This includes SNAP reforms and proposals that strengthen child support and limit the Earned Income Tax Credit and the Child Tax Credit to those authorized to work in the United States.

- **Reduce Improper Payments Throughout the Government.** While the majority of Government payments are proper, any waste of taxpayer money is unacceptable. The *Budget* proposes to curtail Government-wide improper payments by half through actions to improve payment accuracy and tighten administrative controls.
- **Redirect Foreign Aid Spending.** The *Budget* supports the proper and appropriate activities of the Department of State and other international programs, while refocusing their work on the highest priorities and strategic objectives. It also proposes to reduce or end direct funding for international programs and organizations whose missions do not substantially advance United States foreign policy interests.
- **Reduce Non-Defense Spending and Redefine the Proper Role of the Federal Government.** In March, the President outlined a plan to reduce non-defense discretionary (NDD) spending by \$54 billion in 2018, to offset increases in defense spending. To build on this approach and achieve a balanced budget by 2027, the *Budget* reduces NDD spending by two percent each year.

Simplify the Tax Code and Provide Tax Relief. A comprehensive overhaul to our tax code will boost economic growth and investment. A simpler, fairer, and more efficient tax system is critical to growing the economy and creating jobs. Earlier this month, the Administration articulated several core principles that will guide its discussion with taxpayers, businesses, Members of Congress, and other stakeholders. The President is committed to working with these stakeholders to create a tax system that is fair, simple, and efficient – one that puts Americans back to work and puts taxpayers first.

Reform Immigration Policy. The *Budget* supports commonsense immigration standards that protect American workers, and reduce burdens on taxpayers and public resources. When fully implemented, these changes have the potential to save American taxpayers trillions of dollars over future decades.

NEW PRIORITIES FOR FEDERAL SPENDING

The *Budget* reprioritizes spending in several important ways.

Invest in Defense and Reverse the Defense Sequester. The *Budget* includes \$639 billion for the Department of Defense (DOD), reversing the defense sequester and filling critical gaps in our warfighting readiness. These resources provide for the military forces needed to conduct ongoing operations, deter potential adversaries, and protect the security of the United States. At the same time, the *Budget* lays the groundwork for an ambitious defense reform agenda to reduce the costs of military programs wherever feasible without reducing effectiveness or efficiency.

Increase Border Security and Investments in Public Safety. The *Budget* includes \$44.1 billion for the Department of Homeland Security (DHS) and \$27.7 billion for the Department of Justice (DOJ), including critical law enforcement, public safety and immigration enforcement programs and activities, such as:

- *Border Security Infrastructure and Technology.* The *Budget* secures our borders by investing \$2.6 billion for Customs and Border Protection to deploy high-priority tactical infrastructure and border security technology, including funding to plan, design, and construct a physical wall along the southern border.
- *Immigration Enforcement.* The *Budget* strengthens border security and immigration enforcement with more than \$300 million to recruit, hire, and train 500 new Border Patrol Agents and 1,000 new Immigration and Customs Enforcement (ICE) law enforcement personnel.
- *Enforcing the Nation's Laws.* The *Budget* enhances ICE's ability to enforce of our Nation's immigration laws with an additional \$1.5 billion for expanded detention, transportation, and removal of illegal immigrants.
- *Investing in Law Enforcement.* The *Budget* provides critical resources for DOJ to confront terrorism, reduce violent crime, tackle the Nation's opioid epidemic, and combat illegal immigration.
- *Investing in Cybersecurity.* The *Budget* supports the President's focus on cybersecurity to ensure strong programs and technology to defend the Federal networks we operate on behalf of the American people.

Support \$1 Trillion in Infrastructure Investments. If the United States continues to underinvest in infrastructure, we will continue to fall behind other nations and our economic performance will suffer. The *Budget* provides for the President's target of \$1 trillion in infrastructure investments, that will be met with a combination of new Federal funding, incentivized non-Federal funding, and expedited projects that would not have happened but for the Administration's involvement (for example, the Keystone XL Pipeline). The impact of this investment will be amplified with other administrative and regulatory actions the Administration plans to pursue.

Support Families and Children. The *Budget* proposes a fully paid-for proposal to provide six weeks of paid family leave to new mothers and fathers, including adoptive parents, so all families can afford to take time to recover from childbirth and bond with a new child without worrying about paying their bills. Building on the Unemployment Insurance System as a base, the *Budget* proposes to allow States to establish paid parental leave programs that are most appropriate for their workforce and economy.

Reform Student Loans. The *Budget* streamlines student loan repayment by consolidating multiple Income Driven Repayment (IDR) plans into a single plan that caps monthly payments at 12.5 percent of discretionary income and forgives any balance for undergraduate borrowers after 15 years. The *Budget* also supports Year-Round Pell to incentivize students to complete their degrees faster, helping them reduce their loan debt and enter the workforce sooner.

A New Foundation for a Balanced Budget

This Budget makes it clear that the President will reverse the damaging trends from previous administrations and restore the American Dream. This plan will put our Nation's budget back into balance and begin to reduce the national debt through fiscally conservative principles that respect American taxpayers – all while preserving Social Security and Medicare.

Unlike any budget proposed by the previous administration, the Fiscal Year 2018 Budget achieves balance within the 10-year budget window and begins to reduce the national debt within that same window.

- The previous administration's economic policies resulted in a near doubling of the national debt from \$10.6 trillion in 2009 to nearly \$20 trillion in 2016.
- After running massive deficits over the past 15 years, this Administration will restore fiscal discipline and make the hard decisions to put our country on a path to repay the debt in full.

The policies in this Budget will drive down spending and grow the economy. By 2027, when the budget reaches balance, publicly held debt will be reduced to less than 60 percent of GDP, the lowest level since 2010, when the economic policies of the last Administration took effect.

Under this plan, the debt will continue to fall both in nominal dollars and as a share of GDP, putting us on a path to repay the debt in full within a few decades.

Many hard choices were necessary to reach the 2018 discretionary budget cap. The spending reductions in this budget are reflective of President Trump's charge to reduce the size of the Federal workforce and create a leaner, more accountable, less intrusive, and more effective Government.

No Cuts to Social Security

The President's Budget does not cut core Social Security benefits.

The President's budget also funds the administrative component of Social Security at the same levels as 2017, ensuring there are no cuts to customer service for beneficiaries and applicants.

- SSA's administrative budget level for FY 2018 is kept flat to FY 2017 CR level and +\$65 million from FY 2017 enacted.
- Program integrity funding is \$1.7 billion, an increase of \$309 million over the FY 2017 CR level, which includes the authorized cap adjustment level of \$1,462 million for 2018.

No Cuts to Medicare

During his presidential campaign, the President promised not to cut Medicare benefits. And it does not.

A New Foundation for American Jobs

For too long, too many Americans have been left behind. This budget provides a new foundation of federalism that aligns with the President's agenda to improve the overall climate for all working Americans. This budget's combination of regulatory, tax and welfare reforms will provide opportunities for economic growth and job creation.

Regulatory Reform

- The Washington Post recently reported, "President Trump has embarked on the most aggressive campaign against government regulation in a generation, joining with Republican lawmakers to roll back rules already on the books."
- The Fiscal Year 18 Budget projections include the recently acted upon Congressional Review Act resolutions to rollback Obama era regulations, which have generated annual cost savings of approximately \$600 million to \$1.2 billion per year.

Welfare Reform

- This budget strives to replace dependency with the dignity of work through welfare reform efforts.
- Promotes a better system for the American taxpayer and more effectively targets benefits toward their intended recipients.
- Provides SNAP reforms that tighten eligibility and encourage work, strengthen child support, and limit Earned Income Tax Credit and the Child Tax Credit to those who are authorized to work in the U.S.
 - Combined SNAP reforms generate nearly \$193 billion in savings over 10 years.
- Temporary Assistance for Needy Families (TANF) proposals save \$21 billion over ten years.
- Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) reforms save \$40 billion over ten years.
- The "Reform the Welfare System" budget proposal, which includes the above items as well as other key proposals, saves \$274 billion over 10 years.

Tax Reform

- Tax reform, for both individuals and businesses, will grow the economy and make America a more attractive business environment.
- The President's tax plan is not just a tax cut; it is tax reform to make our tax system simpler and fairer. While cutting tax rates, it also eliminates loopholes and deductions.
- The lower corporate tax rate and lower income tax rate will spur investment and create jobs.
- The Trump Tax plan will streamline the tax code, reducing the tax rate on American businesses while increasing economic growth and fueling job creation, giving one of the biggest business and middle-income tax cuts in history.
 - The reform shrinks the current system from 7 to 3 brackets – 10%, 25%, and 35%.
 - The Trump Tax plan would cut the tax rate on businesses to 15%.
 - The plan would make many small businesses eligible for the business rate of 15%.

A New Foundation for a Secure Nation

Defense Increases:

The President is requesting \$54 billion, or 10 percent, more than the defense level President Obama signed into law for both the 2017 CR and the 2018 budget cap. This increase balances the need to rebuild the military with the need for disciplined, strategy-driven, executable growth. This budget:

- Proposes to work with Congress to invest \$6.7 trillion to restore America's military might to defend our interests at home and abroad.
- Reverses the defense sequester, fully offset by non-defense discretionary reductions, by increasing the national defense budget by \$54 billion in 2018.
 - This includes a \$52 billion increase for the Department of Defense (DOD), and \$2 billion of increases for other national defense programs.
- Ends the depletion of our military, reversing end strength reductions and funding critical maintenance and procurement shortfalls.
- Lays the groundwork for a larger, more capable, and more lethal joint force, consistent with a new National Defense Strategy.
- Invests in major elements of force structure, including:
 - 56,400 more military servicemembers in 2018 than the end strength planned by the Obama Administration
 - 84 fighter aircraft, including 70 Joint Strike Fighters and 14 FA-18 Super Hornets
 - 8 battle force ships (the FY 2017 Omnibus funded 10 battle force ships, 3 above the request)

Border Security and Immigration Enforcement

The Budget includes over \$2.6 billion in new infrastructure and technology investments in 2018 to give CBP frontline law enforcement officers the tools and technologies they need to deter, deny, identify, track, and resolve illegal activity along the border.

- \$1.6 billion for new and replacement border wall in locations identified by the Border Patrol as operational priorities to impede the flow of illegal crossings;
- \$239 million for aircraft and other aviation assets to help identify and track border crossings and support enforcement actions on the ground;
- \$202 million for critical equipment and facility needs, such as vehicles, radios, weapons, and computers;
- \$197 million for surveillance technology, such as towers, radars, cameras, and sensors, to give the Border Patrol situational awareness in high-risk areas;
- \$111 million for road construction and maintenance to give Border Patrol access to difficult to reach locations;
- \$109 million to recapitalize non-intrusive inspection equipment at ports of entry, anticipating that stronger enforcement between the ports may lead to increased contraband flowing through official border crossings.

The Budget proposes more than \$300 million to support recruiting and hiring additional agents, officers, investigators, attorneys, and support staff at CBP and ICE, as well as investments at the Federal Law Enforcement Training Center to begin training the surge of new enforcement staff.