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PRESS BRIEFING  
BY OMB DIRECTOR MICK MULVANEY  
PREVIEWING THE PRESIDENT'S FY18 BUDGET

James S. Brady Press Briefing Room

11:27 A.M. EDT

MR. CZWARTACKI: Good morning. This is Director Mulvaney's review of the 2018 budget blueprint. I want to reiterate again that this is on background -- this is embargoed. His remarks are on the record, but embargoed until 12:01 tomorrow, or in other words, tonight. 12:01 a.m. is -- until the embargo is holding. And with that, Director Mulvaney will come up. He will be on the record, and have a few words. Thank you.

DIRECTOR MULVANEY: Thanks, John. And I apologize, I'm going to try and speak a little bit more loudly than I ordinarily do. They tell me there's folks on the phone who can't hear. So if you hear me projecting a little more than normal, that's for the benefit of the folks who aren't here.

Thanks for coming. I apologize for being a few minutes late. The simple message is fairly straightforward. You've heard from me before, so I'll make a very brief comment, and then we'll take your questions, which is: This is the "America First" budget. In fact, we wrote it using the President's own words. We went through his speeches, we went through articles that have been written about his policies, we talked to him, and we wanted to know what his policies were, and we turned those policies into numbers. So you have an "America First" candidate, you have an "America First" budget.

Knowing what you know about the President, you could imagine what that budget would look like before you even see it, which is that there will be more money on defense -- \$54 billion. We could talk about more of that in a second. There's more money for enforcing security at the border. There's more money for enforcing laws on the books just generally. Then there's more money for things like private and public school choice.

Conversely, since the President wanted to do that without adding to the already-projected \$488 billion deficit in fiscal year 2018, there were reductions elsewhere to offset dollar for dollar, all of those increases. So we say, plus-up the defense topline number by \$54 billion. You

will, in other parts of the budget, find a corresponding \$54 billion's worth of reductions. So the President accomplishes his priorities without adding to the deficit. That's not to say the balance of the budget is balanced next year. It doesn't. We've simply not added to the deficit in order to accomplish these policies.

As a result, you'll see reductions exactly where you would expect it from a President who just ran on an "America First" campaign. You'll see reductions in the State Department. We'll talk more about that in a second. You'll see reductions in the EPA. In fact, you'll see reductions in many agencies as he tries to shrink the role of government, drive efficiencies, go after waste, duplicative programs, those types of things. If he said it on the campaign, it's in the budget.

I'll talk about the defense line for a second. We've worked very closely with the Defense Department to make sure a couple of things -- that this funds their needs, but does so in a responsible fashion in terms of what they can actually spend this year. The Defense Department has told us this is the amount of money they need and can spend effectively this year. We're not throwing money after a problem and claiming that we have fixed it. The Defense Department has given us every assurance they can spend -- this full \$54 billion -- next year in a responsible fashion. And I believe General Mattis when he tells me that.

Regarding some of the reductions, you'll see a fairly dramatic reduction in State Department. That is not a commentary on the President's policies towards the State Department. That is a comment on the President's policies towards what's in their budget. The foreign aid line items in the budget, many of them, just happen to fall within the State Department functions. The President ran saying he would spend less money overseas and more money back home. So when you go to implement that policy, you go to things like foreign aid, and those get reduced. If those had been in the Department of Education, you'd see a more dramatic decrease in education. If they had been in energy, you'd see the decrease there. It just so happens, under the way we spend money in this country, that the foreign aid line items fall within State Department. So I think the number you're going to see in the State Department is fairly significant. Off the top of my head, it's 28 percent reduction.

Anyway, I can take some questions. We'll go through the specifics, and I think we're releasing the document when?

AIDE: 7:00 a.m. tomorrow.

DIRECTOR MULVANEY: Sorry?

AIDE: 7:00 a.m.

DIRECTOR MULVANEY: 7:00 A.M. tomorrow morning. Yes, sir.

Q You said that you went through the President's speeches and this reflects that. The President, also during the campaign, had railed against the national debt, which is approaching \$20 trillion. I know you say you're not adding to projected deficits, but yet you are willing to

take on deficits of hundreds of billions of dollars. And my basic question is why, if the President railed against the national debt that keeps on skyrocketing?

DIRECTOR MULVANEY: Yeah, and I'm sorry. Should I repeat the question for the benefit of the people who are gone, or should I -- okay, for the people who are not here, the question relates to debt. And if I was going to paraphrase, the President railed against the deficits, yet doesn't reduce them in this blueprint. Is that your question?

Q Yeah, I mean, the national debt keeps rising and --

DIRECTOR MULVANEY: That's fine. So the national debt keeps going up. Why then haven't we done something about that in the blueprint? Is that an accurate restatement of your question, more or less? And I apologize if I butchered that.

The answer is pretty simple, which is that this is a budget blueprint, not a complete budget. So what you will not see here: You will not see revenue projections, you will not see larger policy statements, and, importantly, you will not see anything having to do with mandatory spending. And anybody who looks at the deficit and knows the issues of the deficit knows that you cannot balance the deficit in the discretionary budget. The balance budget is not balanced this year. We expect the budget deficit to be roughly the \$488 billion for FY2018, as estimated by the CBO, and we're assuming that to be the case.

The President's commentary on deficits, though, that is contained in this budget blueprint is that he wanted to accomplish all of the things I just laid out regarding defense, immigration, law enforcement, VA benefits and education, without adding to the deficit. All right? In previous administrations, what they would do is they would lay out their priorities and all that money would be borrowed, and they would increase the deficit. Whatever the deficit happened to be that year would go up by that President's priorities. That's not the case here.

Yes, sir.

Q Can you walk us through the 28 percent reduction at the State Department?

DIRECTOR MULVANEY: No, we can go through it tomorrow. I mentioned that number because I think there was some numbers that were leaked that were different than that, and I make that point to say that they weren't accurate. I will say this, John, which is that we believe that we have protected the core diplomatic function of State. And that's why I say this is not a reflection of the President's policies regarding an attitude towards State.

The President believes very strongly in what Mr. Tillerson is doing, and I think Mr. Tillerson has already had at least one dramatic success since he's been here in the agreements he reached with Iraq. What you see in the State Department budget is the reflection of the reductions in the foreign aid programs. You have a follow-up on that?

Q Yes, can you give us some other idea of percentage reductions across some of the other agencies?

DIRECTOR MULVANEY: No, because I can't remember them off the top of my head. I know the Defense Department was up ten, I believe that Homeland was up six, and I cannot remember -- and a lot of them were in the ten to twelve range, but, again, I don't remember the list off the top of my head.

Yes, sir.

Q On the EPA, my understanding is that 25 percent cut roughly -- 24, 25 -- proposed \$2 billion, about 3,000 jobs. Scott Pruitt did not quarrel with those figures at a macro level. There were a couple of disagreements on environmental cleanup that basically said, yes, we're happy with this. The (inaudible) internally. Now there are discussions about making even deeper cuts to the EPA. Could you talk a little bit about that?

DIRECTOR MULVANEY: A couple things, yeah. We absolutely believe, again, as with State, that the core functions of the EPA can be satisfied -- in fact, beyond the core functions can be satisfied with this budget. We've worked very closely with Mr. Pruitt. He's done a tremendous job to try and prioritize things over at the EPA. And we worked with him on those priorities.

Regarding job reductions, you mentioned 3,000 people. I will tell you the same thing that I told Mr. Pruitt and told the other agencies, which is, we will work with you -- which is a different process this year. Ordinarily, a President's budget will come and say, you were going to spend this amount of money and you were going to take the reductions over there. And that's not how that this President worked. We did set the topline numbers, worked with some of the agencies on adjusting some of those numbers as they saw fit. But we have given them a tremendous amount of flexibility within their own agencies this year. So I can't -- I wouldn't comment on the number of proposed job reductions, because ultimately it will fall to Mr. Pruitt to how to implement those topline numbers.

Q And that's the point I've been told. But what I want to understand is, how much more aggressive a topline level are you discussing in terms of -- right now it's at about that \$2-billion-level. How much more aggressive?

DIRECTOR MULVANEY: I can't remember the line-item reduction of the EPA, and I don't have the document in front of me.

Let me go in the back, and then I'll come back. And I understand people on the phone can't ask questions.

Q Can I just ask, what exactly are we going to see tomorrow? Are we going to see agency-level funding? Will there be any fiscal year '17 numbers? And will there be a supplemental for this?

DIRECTOR MULVANEY: So three questions is one question.

Q Yes. (Laughter.)

DIRECTOR MULVANEY: That's okay.

Q What are we going to see tomorrow?

DIRECTOR MULVANEY: All right. The question is, what are we going to see tomorrow, and then I'll go ahead and answer the '17 budget. And then what was your other one?

Q Supplemental.

DIRECTOR MULVANEY: Supplemental. Okay. Thank you very much. All right, what are you going to see tomorrow? You're going to see the actual budget blueprint, which will hit the highlights. It will show you the total funding for the agency, and there will be bullet points on each one as to where we might have plus-up spending, and also details on where we've lowered spending. You will not see a --

Q For each department and agency.

DIRECTOR MULVANEY: You will not see a spreadsheet that goes line by line to the budget. Again, that's up to the agencies to implement. FY17 will be rolled out at the same time, so we'll be talking about that. I met with Senate appropriators over the course of the last couple weeks. I met with several of the House appropriators yesterday. And we will be rolling out '17 Thursday, as well. What day of the week is it, folks?

Q Wednesday.

DIRECTOR MULVANEY: Is it Wednesday? So when I say Thursday, what I mean is tomorrow. (Laughter.) More importantly, the day before St. Patrick's Day, which is all that really counts.

Regarding the supplemental -- yes, part of our '17 request will include a supplemental request -- \$30 billion for defense and primarily border. That includes \$1.5 billion for the wall this year. There will be money in the FY2018 money for a wall, as well, as you can possibly imagine. And the '17 proposals that we have sort of dovetail into the '18. So by the same token, there's also proposed reductions in '17. So if you took sort of '18 and compressed it into a little version of '17, which you'll see in '17 follows the same sort of general outline: more spending on defense, more spending on border enforcement, some other line items, and also reductions elsewhere, and money for the wall.

Yes, ma'am, I told you I'd come back there.

Q Can you speak to how you try to balance policy? The President also talked about projecting strength in the world. So if you have this dramatic reduction at State, and sometimes foreign aid is used to try to bring stability to parts of the world that could be a threat, how did

you find that balance so that 28 percent, which sounds so substantial, where are you comfortable with the potential risk of reducing that aid?

DIRECTOR MULVANEY: Sure. There's no question this is a hard-power budget. It is not a soft-power budget. This is a hard-power budget. And that was done intentionally. The President very clearly wants to send a message to our allies and our potential adversaries that this is a strong power administration. So you have seen money move from soft-power programs, such as foreign aid, into more hard-power programs. That's what our allies can expect, that's what our adversaries can expect, that's what the President wanted us to relay. And I think we've done an effective job of that.

Q Is he (inaudible)?

DIRECTOR MULVANEY: I implement the President's policies. The President decides what he wants to do, and we put it into practice, and that's what this budget does.

Yes, sir.

Q Sir, you talked about the budget being an "America First" budget and taking what the President campaigned on on the trail, and turning that into budgetary policy. And one agency you haven't mentioned is HUD, but we understand there's going to be some significant cuts in HUD, as well. Can you just explain how the President's promise on the campaign trail to fix the inner cities and rebuild a lot of those communities fits with cutting grant programs and other housing programs?

DIRECTOR MULVANEY: Sure. A couple different answers to that. First off, one of the other things the President said was he was going to go after wasteful programs, duplicative programs, programs that simply don't work. And a lot of those are in HUD. We've spent a lot of money on Housing and Urban Development over the last decades without a lot to show for it. Certainly there are some successes, but there's a lot of programs that simply cannot justify their existence, and that's where we zeroed in.

To the larger issue about how do you want to work with the inner cities, a lot of the other President's policies -- education, for example -- speak to his work that he wants to see done in the inner cities. Plus, don't discount -- by the way, this is a larger point -- don't discount the infrastructure program, as well. You will see reductions, for example, in other agencies on infrastructure programs. And people might say, well, goodness gracious, that doesn't line up with what the President said about a commitment to infrastructure. That was done intentionally.

The Department of Transportation, you'll see some line-item reductions for infrastructure programs. Why? Because we believe those programs to be less efficient than the infrastructure package that we're working on for later on this year. So what we've effectively done is try to move money out of existing, more inefficient programs, and hold that money for what we expect to be more efficient infrastructure programs later on.

Q Are you then funding any new programs that the President thinks are going to be more efficient or better or changed --

DIRECTOR MULVANEY: We moved money around in HUD, but I don't think we created any new programs. Again, I talked to Secretary Carson, and he has the flexibility to move money around, so I would think that -- Secretary Carson came to us, came to the President more specifically, and said, look, you gave me this pot of money, I want to move money out of this existing program into this new idea I have. He would have a tremendous flexibility to do that. In fact, that's why President Trump appointed him and everybody else to those types of positions.

Yes, sir. In the back.

Q You said \$1.5 billion for the wall. Is that the first step, given that this --

DIRECTOR MULVANEY: Yeah, it's all that we think that we can spend this year. We haven't settled on a -- and the next question is going to be, how many miles of wall does that build, right? And we don't know the answer to that question because we haven't settled on construction types. We haven't settled on where we're going to start. I think the funding provides for a couple of different pilot cases. I don't know what else to describe them -- as different kinds of barriers in different kinds of places, as we try and find the most cost-efficient, the safest, and also the most effective border protections. They may be different in different areas.

So the \$1.5 billion allows us to start that program. We come along with additional funding -- \$2.6 [billion] in 2018 -- and obviously when we get to that fuller budget -- the "fuller budget," that's not a very good word -- when we get to the full budget in May, you'll also start seeing some projections out in throughout the 10-year window.

Yes, sir.

Q So all of your increases are offset on the other side. Does it add up? Or are you making extra room for tax cuts in there?

DIRECTOR MULVANEY: No, sir. This is apples to apples. This is discretionary budget only. So if we spend an extra dollar on a discretionary program within this blueprint, we reduced a dollar within discretionary someplace else in the blueprint. We have not gone to tax policy. We have not gone to mandatory spending. We have not gone outside of that wedge. You all have seen the graph about the \$4 trillion we spend. A trillion dollars of it is discretionary funding. This blueprint stays entirely within those lanes.

Q So you get the money for tax cuts solely out of the repeal and replace of Obamacare, or what?



DIRECTOR MULVANEY: Well, I mean, again, we're not addressing -- this is not a tax policy document. This is a discretionary spending budget. That may be a question better asked once we start formulating specific details on tax policy.

Yes, ma'am.

Q Where is the money for the wall coming from?

DIRECTOR MULVANEY: From the general treasury.

Q Okay, so you can't give us any specifics on what programs it's moving out of?

DIRECTOR MULVANEY: Oh, no, it's not -- I'm sorry, that's okay. That's a fair question. The question is, "Where is the money from the wall coming from?" And I thought you were asking me if it was coming from Mexico, and it's coming out of the Treasury. (Laughter.)

No, we did not say, okay, we need \$1.5 billion for the wall, let's go over and reduce this program over at Education, and move that \$1.5 billion over to the wall. We dealt with it more holistically. We plussed-up the various items I've talked about, and then we went looking for the most inefficient, most wasteful, most indefensible programs in other areas. So you couldn't follow it dollar for dollar. But when you put it all together in a whole, they offset dollar for dollar.

Yes, ma'am.

Q Two questions. One, the federal workforce, in general -- can you talk about any numbers in terms of reductions?

DIRECTOR MULVANEY: No, because it's going to up to -- there's a great deal of discretion, more so than is typical for the various agency secretaries.

Q Okay, and second question: There's been some leaks about Coast Guard reductions, and I just wondered, if that's true, how that squares with border security, because obviously that also helps.

DIRECTOR MULVANEY: Regarding the Department of Homeland Security budget, as I think I mentioned earlier, the DHS budget, I think, is increased about 6 percent. There was a leak, I think, about a discontinuation or a proposed discontinuation of a Coast Guard cutter. That wasn't -- that's not accurate. So DHS actually has a 6 percent increase.

Yes, sir.

Q Is the Coast Guard being reduced overall?

DIRECTOR MULVANEY: Again, it's sort of hard to say because the Department of Homeland -- is it a secretary or is it a director? I can't remember. It's secretary, thanks. I'm



sort of new at this -- will have discretion as to how he wants to -- General Kelly will have -- Secretary Kelly will have the discretion as to how he wants to allocate.

In the back, with the computer. Yes, sir.

Q In the President's address to Congress, two of the sort of grander things he touched on were both curing diseases and exploring other planets. So with that in mind, what are NIH and NASA potentially looking at in this budget? And then, second question: Does anything in this budget assume the passage of the AHCA?

DIRECTOR MULVANEY: To the last question, no. The question is, does this budget assume passage of the Affordable Care Act. There may be some places that are sort of ancillary to the ACA, where we went in and pulled them. But generally speaking, the answer is no. That would be reflected in the larger budget that we do in May.

Regarding curing diseases and exploring other planets, the overall NASA budget, I think, is reduced by a very small number. I think it's 1 percent. Is that right? One percent. But a lot of the programs within there are actually increased in order to align with the President's priorities, and that includes some of the exploring other planets. I think we changed one of the missions to a moon at Saturn or Jupiter, but I can't remember the details on that. But the general response is, yes, to the extent it was consistent with what the President wanted us to do, and space exploration is part of his priorities. Those programs actually are increased within the NASA budget which is reduced by a very small amount at the topline number -- 1 percent.

Last time, curing diseases -- I thought that was a tremendous part of the speech. It's something I've talked about for the last couple years when I was in the House. The young woman who was there has what we call an "orphan disease," which is a disease that not that many people have, and but for federal funding, that research for those diseases will not take place. There's not enough people who have that disease in order to encourage the free market to develop a cure, because if they did, not enough people can buy it. And our budget preserves the ability to do exactly that.

Yes, sir.

Q When you say that anyone who seriously looks at the budget knows you can't balance it without going after entitlement programs --

DIRECTOR MULVANEY: "Going after" is not the word I would use, but go ahead.

Q Fair enough. Okay, without dealing with entitlement programs. Is that -- obviously, the President has promised not to make changes in Social Security and Medicare. So are you saying he's not going to balance the budget, or are you saying, once you explain the budget to him, he's going to change his position on those?

DIRECTOR MULVANEY: What I've said, and I think I've said a couple times, is that the FY2018 will not balance, okay? We are looking at a \$488 billion --

Q I'm talking about --

DIRECTOR MULVANEY: It's way too early, and, really, I'm not trying to dodge your question, but we've been focusing on this. We will not know where we are within that 10-year budget window, which is that traditional sort of perspective we put it in when we talk about a House budget or a Senate budget or an executive budget, we look at the 10-year window. We're not ready yet to start talking about that. That will be contained in the May document.

Q But do you anticipate that you are going to be able to -- and others are going to be able to persuade him to change his position on those thing, which is what the Speaker has said?

DIRECTOR MULVANEY: I can confirm for you the President is going to keep the promises he kept regarding those programs.

Yes, sir, you had a question.

Q One is a rather narrow and the other is pretty broad. The narrow question is, are you guys going to zero out funding for the Corporation of Public Broadcasting?

DIRECTOR MULVANEY: Yes.

Q Zero out?

DIRECTOR MULVANEY: No, I'm sorry, I was too quick with that. No, we propose ending funding, but technically what you'll see -- is that one of the \$121 million ones? I think it is. Corporation of Public Broadcasting? Yes, it's -- you'll see it's an elimination, but you'll see an amount of money in that budget, and that is for -- it is actually a sum amount of money that's necessary for us to unwind our involvement with the CPB. So you won't see a zero next to it. But the policy is that we're ending federal involvement with the Corporation for Public Broadcasting.

Q Over a period of years.

DIRECTOR MULVANEY: Well, this year.

Q This year?

DIRECTOR MULVANEY: Probably next year you might see it be zero, but it may take a while to unwind that relationship. It's just the nature of contracts and so forth.

You had a more general comment?

Q The broad question was, there was a piece in the paper this week that suggested that we're in for the largest reduction of proposed reduction of the federal workforce since World

War II. Can you speak to the concerns in this area about the impact on property values and the Washington reception?

DIRECTOR MULVANEY: I work for the President of the United States. The President of the United States, he represents the District of Columbia, Northern Virginia, and Southern Maryland, but he also represents the rest of the country. And I can assure you that we did not write this budget with an eye towards what it would do to the value of your condo. (Laughter.)

Yes, ma'am.

Q Or Trump properties I'm sure you mean in there, too. When it comes to -- I'm trying to get my hands around when you emphasized foreign aid cut, to emphasize that phrase. There are some soft-power things the State Department does that are in concert with DOD, like military training programs or food aid that U.S. Marines go out and deliver. Are you essentially moving those things from State to DOD? Or are these just hard cuts to entire programs?

DIRECTOR MULVANEY: Let me see if I can answer it this way. It's a technical answer, and I'm not sure it will satisfy you, but this is how we look at it in the budget world. The 050 function, which is what we call defense -- there's a line item in the budget which is 050 -- that goes well beyond just the Department of Defense. There are defense-related functions in many agencies. The easiest example to think of -- and this is actually applicable to this year's blueprint -- is inside the Department of Energy is a 050 section for the nuclear arsenal. The 050 is what got plussed-up \$54 billion. So it's not just within the Pentagon. In fact, we did increase the 050 spending at the Department of Energy for the nuclear triad. So to the extent your question is, are 050 functions within the State Department part of the increase, the answer is yes. But I can't speak to where individual programs fall in terms of whether or not they're 050 or not.

Q So when you are emphasizing foreign aid, you are not including those programs. Can you explain what you mean you think you're cutting? Or is that all up to Tillerson to decide?

DIRECTOR MULVANEY: When you see the blueprint, we identify the specific names. And I don't want to get lazy, and I don't want to be sloppy with which programs are identified. But you'll see specific programs within the State Department budget that we do reduce, and that may answer your question.

Q A clarification. Twenty-eight percent reduction at State, is that across State or just --

DIRECTOR MULVANEY: Yes, sir, that's across State.

Q The State reduction, do you have a dollar figure on that? And is State the largest dollar-figure reduction by any agency? What gets you the farthest along to the \$54 billion?

DIRECTOR MULVANEY: I can't remember, and I honestly don't want to guess in terms of either the percentage or the dollar figure. And I apologize -- again, I just don't -- that will be readily knowable to you in the document tomorrow, and I don't want to misspeak.

Yes, ma'am, for the last one.

Q I just wanted to ask you a little bit more about the EPA cuts and specifically enforcing the Paris climate change agreement. Obviously, the President has said he doesn't support that. What cuts would impact enforcement on that? I mean, because that goes to the Clean Power Plan, that goes to CAFE standards, and I know there's going to be an announcement today. And then, of course, there's the Green Climate Fund that the President -- the last President committed to fund. And I don't know if that was going through EPA; I think it was going through appropriations. But would that be cut as part of this budget movement?

DIRECTOR MULVANEY: I don't want to speak to specific line items in there, because, again, I don't want to misspeak. But I'll answer your question this way, which is that you can expect reductions in the EPA that don't line up with the President's view on things like global warming and alternative energies. So you will see a reduction in subsidies, a reduction in participation, and those types of programs. I won't speak specifically to the Paris accords because I don't know off the top of my head what that involves in terms of the line items in the budget. But to the extent there are reductions at EPA, and they are, and they are significant, you could expect that that would be one of the places where we focused heavily.

Look, I'm going to stop this, because, quite frankly, my mouth is dry and I need a glass of water -- (laughter) -- but I don't want a Marco Rubio. But I'll be coming back again to do this tomorrow at --

Q You'll join Sean.

DIRECTOR MULVANEY: At 1 o'clock it's Sean, and then by then you'll have that chance to look at the blueprint and ask specific questions.

Thank you all very much.

END 11:53 A.M. EDT