Chairman Ander Crenshaw

Subcommittee on Financial Services and General Government
House Committee on Appropriations

FY 2016 Budget Hearing – U.S. Department of the Treasury
March 4, 2015
Opening Statement As Prepared

Good afternoon. The hearing will come to order.

The Subcommittee welcomes the Secretary of the Department of the Treasury Jack Lew today to discuss the President's fiscal year 2016 budget request as well as the Department's budget request. The request was submitted on the first Monday in February in accordance with the Congressional Budget Act for the first time since 2010. While timeliness is appreciated, a budget that spends more, taxes more, and borrows more is not.

At its peak, in fiscal year 2009, the deficit was a record-setting $1.4 trillion, or nearly 10 percent of GDP. The deficit declined in fiscal year 2014 to $485 billion, which is a reduction of $928 billion. Only the most superficial analysis would lead anyone to believe that this is a credible policy accomplishment by the Administration.

As we all know, the deficit is the difference between spending -- or outlays as we like to call it -- and revenue. When you look closely at what accounts for recent deficit reduction, you find that increased revenue accounts for 98.8 percent of that $928 billion deficit reduction, whereas decreased outlays only account for the remaining 1.2 percent.

If you look more closely at the decreased outlays, all of it is attributable to the discretionary side of the government's ledger. Over the fiscal year 2009 through 2014 period, discretionary spending decreased by $58.8 billion, whereas mandatory spending and interest increased by $47.3 billion. This means all the spending restraint for the past five years is the result of the hard work of the Appropriations Committee under the leadership of the Full Committee Chairman Hal Rogers.

Nonetheless, even as the deficit has declined, total public debt outstanding has grown to a record high of more than $18 trillion. The demographic changes underway in this country means that the benefits of Social Security, Medicare, and Medicaid enjoyed today are bills to be paid tomorrow by our children's grandchildren. Regrettably, the President's budget does not address the unavoidable question of how to distribute the economic costs of an aging population across generations.

Because of this, Mr. Secretary, I strongly urge you work with the Budget Committees and authorizing committees to lift the yoke off the back of the younger generations of hard-working Americans.

The Treasury Department's budget request for this year is strikingly similar to last year's request, with the exception of the IRS. Instead of a $1 billion increase, the Department is now requesting a $2 billion increase for the IRS. I described last year's request as troublesome, but perhaps it would be more appropriate to describe this year's request as even more troubling.

The request also seeks to pay certain IRS employees salaries and bonuses that are bigger than what is allowable under the civil service system, while eliminating requirements to: prevent IRS targeting, review the appropriateness of IRS videos, comply with the Federal Records Act, guard against excessive conference spending, and uphold the confidentiality of tax returns.

To me, these are common-sense, good government reforms that helps to heal some of the IRS' self-inflicted wounds. More reforms, however, may be necessary if the incorrect tax information sent to 800,000 low-to-moderate-income households foreshadows yet more difficulties with the administration of the Affordable Care Act.

I am also troubled by the Department's desire to cut funding for the Office of Terrorism and Financial Intelligence. It seems particularly ill-conceived when cutting off funding for the terrorist group ISIL must be a priority as the group continues capturing and brutally killing hostages; when monitoring the Iranian economy and financial transactions will be necessary with or without a final nuclear deal; and when additional economic pressure on Russia may need to be considered if the ceasefire with Ukraine does not hold. The Administration's decision to normalize relations with Cuba is also of deep concern, especially with regards to increased people-to-people contacts and the trafficking of confiscated properties, and one that the Subcommittee will follow closely and carefully.

Still, I want to hear from you, Secretary Lew, about the most important aspects of the President's budget and Department's budget request. Perhaps we can find some common ground to work together on.

In addition, I am interested to hear from you today about the recently adopted FSOC guidance that attempts to improve transparency with regard to entities under consideration for SIFI designation. While I believe this is a step in the right direction, FSOC's actions did not address concerns on how it mitigates systemic risk. I question why FSOC would not create a process to allow companies, or primary regulators, to address identified risks before designation. It seems to me this would save a lot of time and resources for the Council as well as ensure stability within our financial system.

Secretary Lew, before we move to your testimony, let me identify that just a few hours ago, the Supreme Court heard oral arguments for *King v. Burwell*. That case has the potential to outlaw subsidies inherent in the Affordable Care Act for millions of Americans who enrolled for health coverage through the Federal exchange. If you recall, the Treasury Department was totally and completely unprepared for the earlier decision in *Loving v. IRS*, which determined that the IRS has no authority to regulate paid tax preparers.

The financial and personal implications of *King v. Burwell* for American families are by far more consequential and complicated than *Loving v. IRS*. It would be irresponsible for Treasury not to have contingency plans in the event of a ruling in *King v. Burwell* that outlaws subsidies.

Secretary Lew, I hope to hear from you today about what the Treasury Department will do to prevent millions of Americans from entering a prolonged period of uncertainty surrounding their healthcare and tax liability, if *King v. Burwell* is decided for the plaintiffs. These are ordinary and customary questions that any prudent organization would undertake to manage their legal risk – no different than the contingency plans that Treasury, FSOC, and other financial regulators are asking from the private sector for all sorts of possibilities.

Lastly, I would like to take a minute to highlight landmark legislation that was signed into law last year, the Achieving a Better Life Experience Act, or the ABLE Act. The ABLE Act creates 529 savings accounts for people with disabilities. The ABLE Act finally levels the playing field for millions of families across our country by allowing them to use tax free savings accounts to save for future expenses, just like they can for any other child through a 529 college savings account. As you know, states are responsible for administering the program, but the Department needs to issue regulations and I look forward to your testimony today on this statutory mandate.

Again, thank you for taking the time to meet with us today Secretary Lew. I look forward to hearing your testimony. Let me turn now to Ranking Member Serrano for his comments.

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