Chairman Ander Crenshaw

Subcommittee on Financial Services and General Government
House Committee on Appropriations

FY 2017 Budget Hearing: Department of the Treasury
March 16, 2016
Opening Statement As Prepared

Good morning. The hearing will come to order.

I would like to welcome our witness, the Secretary of the Department of the Treasury, Jack Lew. Today, we look forward to discussing the Department's own budget request, as well as some of the assumptions and policies included in the President's overall request for fiscal year 2017.

Last month, we had a very lively discussion with OMB Director Shaun Donovan about the debt generated by the President's budget. While there's more than one way to measure the size and effect of the debt on the economy, in the simplest of terms, the President's budget spends more than it takes in, which results in more debt. This debt is an economic burden that must be repaid by our grandchildren and their grandchildren because the President's final budget does not address the unavoidable question of how to distribute the economic costs of an aging population across generations.

The Federal debt, in gross terms, exceeds $20 trillion for the first time in history. It took 233 years to accumulate the first $10 trillion in debt, but only eight additional years to acquire the next $10 trillion.

Because of this, Mr. Secretary, I strongly urge you to think back to your first tenure as OMB Director, when you predicted that the United States would be debt-free by 2013. Obviously, a lot has changed since then, but the formula for retiring debt has not. Spending, as a percentage of GDP, must be lower than its historical average; and revenue, as a percentage of GDP, must be higher than its historical average. The budget before us, however, projects that both spending and revenue, as a percentage of GDP, will remain above their historical average through 2026. In other words, this budget is a permanent source of debt.

Growing along with the debt, is Treasury's own budget request. For fiscal year 2017 the Treasury Department is requesting a massive 12 percent increase including a $1 billion, or 9 percent increase, for the IRS. Instead of making tough budget choices, Treasury proposes unrealistic increases, budget gimmicks, and new mandatory spending. The IRS request is unrealistic. IRS has not received either a dollar or percentage increase of that magnitude over the past 20 years. The IRS request assumes a discretionary cap adjustment that the Budget Committees have rejected for five consecutive years. And in addition, the Treasury seeks to spend an additional $8.5 billion outside of the appropriations process.

The request also proposes a new cybersecurity enhancement account to the tune of $110 million dollars. Without a doubt, cyber threats are both real and serious. This Committee has been continually supportive of funding for cybersecurity as part of agencies' annual budget requests. However, I would caution this Administration against the temptation to create an endless number of new accounts across the government and calling that a cybersecurity plan in order to get new funding for an old problem. Make no mistake, we must harden our nation's information technology infrastructure, but it should be done with a critical eye. New programs with new names will not solve the Federal government's perpetually out-of-date, over-budget, behind-schedule IT. I hope with further discussion today, we can find some common ground to work together on.

As you know, a matter of great interest and concern to me is the Financial Stability Oversight Council's process for designating Systemically Important Financial Institutions and in particular, non-banks. Following up on our conversation from last year, I hope to shed new light on how F-SOC has improved transparency with regard to entities under consideration for SIFI designation as adopted last year.

Another issue of importance I would like to bring to your attention; in the fiscal year 2016 Omnibus I required the SEC's Division of Economic and Risk Analysis to report back to this Committee within a year of enactment on the combined impact that the Volcker Rule, Basel III and other financial regulations have had on access to capital for consumers, investors, and businesses, and the impact on market liquidity. I look forward to reading that report later this year, but in the meantime, I would like to hear from you how Treasury will work with the SEC economists, if and when asked. I have serious concerns that the cumulative effect of layers of regulations has resulted in an alarming lack of liquidity in U.S. markets, particularly fixed income markets. I believe we need to continue to monitor this issue closely and I look forward to discussing these concerns with you later today.

Lastly, in the Omnibus, Congress included an additional $5 million for Treasury's Alcohol and Tobacco Tax and Trade Bureau to expedite label and formula processing. I believe that by appropriating these funds for the Bureau we can help countless small businesses that depend on Treasury for approval of their labels and formulas to get their products to market. Mr. Secretary, I hope that this funding makes it clear that this is a priority for Congress and I hope that that the Department will assist the Bureau in accomplishing their mission.

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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