

FINANCIAL SERVICES AND GENERAL GOVERNMENT APPROPRIATIONS FOR 2025

HEARINGS BEFORE A SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES ONE HUNDRED EIGHTEENTH CONGRESS SECOND SESSION

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FINANCIAL SERVICES AND GENERAL GOVERNMENT APPROPRIATIONS FOR 2025

THURSDAY, MARCH 21, 2024.

PRESIDENT BIDEN'S FISCAL YEAR 2025 BUDGET REQUEST AND ECONOMIC OUTLOOK

WITNESSES

HON. JANET YELLEN, SECRETARY, DEPARTMENT OF THE TREASURY
**HON. SHALANDA YOUNG, DIRECTOR, OFFICE OF MANAGEMENT AND
BUDGET**
**HON. JARED BERNSTEIN, CHAIRMAN, COUNCIL OF ECONOMIC ADVIS-
ERS**

Mr. WOMACK. Before we get started here this afternoon, first of all, I want to apologize for the delay. We had this thing called voting on the floor, which is something we do here in the House. So we're getting underway just a little bit late this afternoon.

I want to remind everyone that we will follow the five-minute rule for opening remarks, questions, and comments. Members will be recognized in order of seniority based on who is seated at the beginning of the hearing, going back and forth between the parties. Latecomers will be recognized in the order of their arrival, again, going back and forth between the parties.

As a point of personal privilege, I would like to welcome our newest member to the subcommittee, the gentleman from North Carolina, Mr. Chuck Edwards. Chuck, welcome to the Subcommittee on Financial Services and General Government.

So with that out of the way, let's get started. The Subcommittee on Financial Services and General Government will come to order. Welcome to our first subcommittee hearing on the fiscal 2025 president's budget request.

Appearing before the subcommittee today are Treasury Secretary Janet Yellen, Office of Management and Budget Director Shalanda Young, and Chairman of the Council of Economic Advisors Jared Bernstein. I want to thank each of you for taking the time out of your busy schedules to be with us today. This will be an important discussion that should not be taken lightly.

We are here today to discuss the Biden administration's fiscal year 2025 budget request and our nation's economic outlook. I am happy to share that this is the first time in over a decade that this committee has had a panel with the Treasury Secretary, OMB Director, and a council chair. Thank you for being here. Going forward, we hope to have you back more frequently. It is important for the American people to have more transparency into the financial direction of the country.

It is my opinion that the reckless spending and out-of-control regulatory expansion driven by this administration and democrats in Congress have pushed us into an economic downturn. Over the course of the Biden administration, we have seen families struggle to put food on the table, gas in their cars, and roofs over their heads. This is not the American way.

President Biden has continued to ignore the hardships that these policies and irresponsible spending have unleashed on the American people, further evidenced by his fiscal 2025 budget request. This unsustainable trajectory is one of the greatest threats to American prosperity, also to America's security and future generations. Our nation's debt grows every day. However, President Biden refuses to claw back wasteful spending, as seen by the \$7.3 trillion price tag on his requested budget.

This budget is absent of improvements to mandatory spending. I want to say that again: it is absent of improvements to mandatory spending. That's 73 percent of our federal spending, and it remains on autopilot. Without implementing common sense structural changes, that percentage will continue to rise and the discretionary spending that funds our nation's defense, biomedical research, infrastructure, and much more will continue to shrink under the pressure.

I would also be remiss if I didn't mention President Biden's regulatory regime, which has continued to harm small businesses, banks, and the taxpayers in Arkansas and across the nation. These burdensome and unnecessary regulations range from the SEC's consolidated audit trail whereby the SEC exceeds its statutory authority in collecting every American investors' personally identifiable information without their consent or knowledge to the Treasury's mature unredeemed debt, which remains unclaimed by millions of Americans because of the Treasury's unwillingness to turn information over to the states. This includes \$214 million in my home state alone.

In conclusion, it is obvious that I won't be able to support the level of spending included in the president's budget. Our members are taking a hard look at the spending request line by line and will determine the level of funding that prioritizes putting our fiscal house in order, consistent with the Fiscal Responsibility Act.

I look forward to your testimony today and working with you on these important issues. And with that said, I will now recognize my colleague and my dear friend, our ranking member from Maryland, Mr. Steny Hoyer.

Mr. HOYER. There it is. Thank you very much, Mr. Chairman. I appreciate your comments. I may not agree with them, but I appreciate them. And I appreciate the way in which we are able to work together, notwithstanding differences, to come to a conclusion on behalf of the country.

That this hearing occurs the same week that we finish our fiscal year 2024, we hope, appropriations, some six months after the fiscal year started, is a testament to how broken our appropriations process is. I know many of my colleagues on both sides of the aisle, including Chairman Womack, share that view. I am pleased that we are close to seeing final legislative text on a sensible, bipartisan funding deal. It shouldn't have taken this long, however. If my Re-

publican colleagues honored the deal that 314 members of the House came to last summer, we would have finished these appropriations months ago. We must avoid these same mistakes as we start our work on appropriations for fiscal year 2025. I believe my friend, the chairman, shares my hope that we can pursue that mission in a more collaborative fashion. That includes working with the Biden-Harris administration to ensure that our federal agencies receive the resources they need to enforce the law, build a more resilient economy, and help the American people get ahead. President Biden's budget proposal is a great template for how we can continue investing in America.

I must say, Mr. Chairman, as an aside, I am looking forward with great anticipation to the actions your party proposes with respect to the mandatory spending of which you speak. We will have some discussions about that, I am sure. By supporting the policies, including in the Inflation Reduction Act and other historic laws we passed last Congress, the president's budget would help lower Americans' costs. That includes essentials like health care premiums, prescription drugs, energy, insulin, and high-speed internet.

As chair of the Regional Leadership Council, I am eager to hear from Secretary Yellen about the progress we have made to implement those laws in every corner of the country. I also look forward to hearing Director Young's insights on the other ways this budget invests in America and in Americans, whether it is expanding access to childcare or ensuring the integrity of our elections. Crucially, the budget accomplishes all of this while also reducing our deficit by \$3.2 trillion over the next decade.

Now, we can argue back and forth, but there is no doubt that the chairman is correct: we need to address the fiscal crisis confronting our country in terms of our debt, and we need to do that across the aisle. And it will be tough, but we need to do it. I am a big believer in fiscal responsibility, as are many of my friends across the aisle. Fiscal responsibility, however, means looking not only at spending but also at revenue. That ought to include providing much-needed funding to the IRS to enforce existing tax laws. I was not pleased this year at the figure that we have come because IRS, under both parties by the way, has been underfunded. While the Inflation Reduction Act's funding for the IRS has greatly improved the agency's taxpayer services, we must do more through the appropriations process to support its enforcement efforts. Every dollar we give to the IRS to collect legally-owed taxes, not increase in taxes, legally-owed taxes from high earners yields \$12 in return, so that every one dollar we cut from enforcement, one could extrapolate costs us \$12 in collections. If we are serious about reducing the deficit, we cannot afford to ignore revenue owed under laws already on the books.

This is another strong budget, but I am disappointed that, for the first time, it doesn't maintain pay parity for military and civilian federal employees. I have expressed that disappointment to my dear friend, the budget OMB Director. Instead, it includes a 2-percent cost-of-living adjustment for federal civilian workers and a 4.5-percent COLA for members of the military. Now, let me explain what that means. You have a military guy, maybe he is a sergeant,

a three-striper, a four-striper, he is sitting, he is running a machine. You have a civilian sitting right next to him running the same machine, doing the same thing with the same responsibility, and getting a disparate pay, both living in the Washington, D.C. area. I hope our guests can shed some light on that discrepancy and what we can do to resolve it.

I know Secretary Yellen, Director Young, and Chair Bernstein are here to discuss fiscal year 2025 appropriations. Many of us, however, would also like to hear their perspective on one of the most pressing issues facing our Congress today, and that is securing supplemental aid for our Ukrainian and Israeli friends. I have spoken three days in a row on money for Ukraine. We are going to go for a two-week vacation. We call it a district work period, and we all work, so it is not a vacation at all. The young men and women on the front lines in Ukraine are going to have no two weeks off. The young people flying their planes, which are not many, are going to have no time off. The people backing them up are going to have no time off. We need to pass the Ukraine supplemental now, and it is a damn shame that we haven't done that already. So I thank our guests for doing their part to support that effort, and I hope Congress will follow suit.

Again, I want to count myself very, very fortunate to be the ranking member of a committee chaired by Steve Womack, who, in my view, is one of the most straightforward, honest, and effective leaders in this Congress. Thank you, Mr. Chairman.

Mr. WOMACK. Thank you. Thank you for your kind words, Steny, and the feeling is mutual. At this time, the chair would like to recognize the ranking member of the full committee, the gentlelady from Connecticut, Ms. DeLauro.

Ms. DELAURO. Thank you so much, Chairman Womack, and thank you, Ranking Member Hoyer, for really holding this very important hearing. And I want to say a big thank you to our witnesses, our guests today, Director Young, Secretary Yellen, Chairman Bernstein. Thank you for being here. Thank you for your public service to our country.

Like the Appropriations Committee, the Office of Management and Budget and the Department of Treasury touch every corner of our nation and impact people at every stage of their lives: OMB, by preparing the president's budget request and then distributing funding after enactment; and Treasury, by paying our nation's bills and collecting our revenue that enables us to invest in families and in communities.

Like appropriations bills, the president's budget presents a vision, a vision for our nation. It tells the story of what the administration cares most about in this country. The stakes for the American people are incredibly high, and I am thankful to all of you and we all agree that we take this responsibility that we have very, very—sorry. So thank you for taking your very important jobs so seriously.

You directly influence government programs and services that hardworking Americans need in these challenging times for families, programs and services that help with the cost of living, lower their taxes, reduce drug and childcare costs, and support small businesses. Most importantly, you share our vision to strengthen

workers' hands in winning higher wages, weaken the hand of the biggest corporations and Wall Street.

Most families today are living paycheck to paycheck. It is not a sound bite or a campaign slogan; it is the fact. They struggle with the high cost for food, for childcare, for health care, and education for their children. And while fiscal year 2024 is not yet closed out, I am pleased that Democrats and Republicans in the House and Senate united to reach a compromised spending agreement that supports working and middle class families, keeps our communities safe and our economy more equal. We are helping with the impossibly high cost of living. We are siding with the hardworking majority of Americans. We are protecting women's rights. We are reinforcing America's global leadership, and we are helping our communities be safe and secure.

To continue this critical work, President Biden's 2025 budget calls for vital increases in investments in the programs and the services that hardworking people, small businesses, and communities in need rely on. The president said during the State of the Union, and I quote, "The way to make the tax code fair is to make big corporations and the very wealthy begin to pay their share." The president's budget request shows how we can invest in American families while lowering the deficit by increasing taxes on the wealthiest Americans and big corporations.

My colleague, Mr. Hoyer, mentioned this, but I hear the argument from my colleagues on the other side of the aisle all of the time that we have a spending problem. I would disagree. We have a revenue problem in this country, and the President of the United States is prepared to fix that revenue problem. Too many corporations pay little or no tax at all: 55 pay no tax, another 39 don't pay their share of taxes. And the chronic underfunding of the IRS has allowed tax cheats and evaders to get by with limited scrutiny. I will continue to fight to ensure the IRS has the resources it needs to protect honest American taxpayers from those who skirt the law.

I know that this budget blueprint would not be possible without the tireless and dedicated work of the staff in your agencies that adapt and respond to the economic challenges of our day. Secretary Yellen, I am glad to see a request for increased funding at the Department of Treasury. I look forward to discussing how the department will ensure the wealthiest Americans and large corporations pay their taxes, improve the taxpayer experience, increase community development and job creation, combat money laundering, help implement the outbound investment review program, and support the sanctions activity to weaken Vladimir Putin, Iran, and others of our adversaries, and, particularly, Putin's assault on Ukraine.

But I have to say this, and the three of you will understand my saying this. While I have the three of you, and, Secretary Yellen, I want to say thank you to you for all of your work on the Child Tax Credit. People told me that the IRS would never get it out on a monthly basis. And to Director Young and to Chairman Bernstein, you know there were people who said we will never be able to get \$3,600 and \$3,000. There has never been a federal program that has had such a profound impact in such a short amount of time. The Child Tax Credit is the most effective tool we have in the fight against rising costs. It is the antidote to inflation. It is about

financial stability for families. I am proud of our hard work in securing what was the largest tax cut for working families in generations, and we must continue fighting to make the full expanded credit permanent.

As the appropriations process turns the page to 2025, I certainly hope that is the case after 11:00 tomorrow morning. I will continue to work with my colleagues in both chambers on both sides of the aisle to pass the final funding bills that continue to help hard-working people.

Thank you so much to our witnesses for being here today, for the work that you do day-in and day-out, and for your testimony. With that, I want to say thank you to Chairman Womack and Ranking Member Hoyer, and I yield.

Mr. WOMACK. I thank the gentlelady. The written testimony of each of the three witnesses, though you are in three separate ZIP codes today, have been entered into the record, and we will proceed now with testimony.

Madam Secretary, it is an honor to have you in front of this subcommittee today. We welcome you, and we will turn the floor over to you at this time. Thank you.

STATEMENT OF HON. JANET YELLEN

Secretary YELLEN. Thank you, Chairman Womack, Ranking Member Hoyer, Committee Ranking Member DeLauro, and members of the subcommittee. Thank you for the invitation to testify.

Over the past three years, the Treasury Department has helped drive an historic economic recovery, including through our implementation of the American Rescue Plan. We are now playing a leading role in advancing President Biden's medium- and long-term economic agenda, including through our implementation of the Inflation Reduction Act. Today, our economy is growing. The labor market is historically strong, and inflation has declined substantially. Companies have announced \$650 billion in clean energy and manufacturing investments since the start of the administration.

We have also been focused on taking necessary action beyond our borders to advance our economic priorities and national security, including continuing to respond to Russia's invasion of Ukraine as part of this strong global coalition. Our coalition recently imposed additional Russia-related sanctions. Here at home, the Senate passed a bipartisan national security supplemental package that provides critical support for our allies, including Ukraine, and is vital to our national security. I urge the House of Representatives to send it to the president's desk.

Treasury also continues to closely monitor the conflict in the Middle East and use all the tools at our disposal to counter the financing of Hamas, other Iranian proxies and their facilitators, stabilize the West Bank, and help humanitarian aid reach Palestinians in Gaza. Securing funding for fiscal year 2024 is crucial to achieving these and other priorities, including to support a fair tax system, promote access to capital in disadvantaged communities, and combat terrorism and financial crimes.

Let me now briefly highlight several key requests included in the president's fiscal year 2025 budget request. First, the budget requests \$12.3 billion in discretionary resources to the IRS. Decades

of underfunding the IRS had done a disservice to American taxpayers and undermined our country's economic strength. Now, funding from the IRA and discretionary appropriations have driven unprecedented improvements in customer service, technology, and enforcement to ensure that wealthy taxpayers pay their fair share and help reduce the deficit. We need to continue IRA investments and maintain base funding to sustain this momentum.

The budget also requests \$325 million for the Community Development Financial Institutions Fund, which is key to our efforts to increase fairness and grow our economy through support for historically underserved and low-income communities.

Second, the budget requests funds to allow Treasury to address emerging threats, such as \$312 million for Treasury's departmental offices, including to support promoting investment security in sensitive technologies and the stability of the financial system. Treasury is also requesting \$150 million to enhance cybersecurity to protect and defend sensitive agency systems and information.

Third, advancing our work abroad requires \$231 million to the Office of Terrorism and Financial Intelligence, which provides critical financial intelligence and sanctions-related economic analysis, including to support sanctions related to Hamas, Iran, and Russia. We have also requested \$216 million for the Financial Crimes Enforcement Network. This will allow us to build on this significant milestone of launching the Beneficial Ownership Reporting System while taking other actions to protect the financial system and combat illicit finance.

All of Treasury's work is enabled by my dedicated and skilled colleagues who should be equipped with the tools and resources they need to advance key priorities on behalf of the American people. I am happy to take your questions.

[The information follows:]

Statement by
Janet L. Yellen
Secretary
United States Department of the Treasury
before the
Financial Services and General Government Subcommittee
Committee on Appropriations
U.S. House of Representatives
March 21, 2024

Chairman Womack, Ranking Member Hoyer, and Members of the Subcommittee: Thank you for the invitation to testify.

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Securing funding for fiscal year 2024 is crucial to achieving these and other priorities, including to support a fair tax system, promote access to capital in disadvantaged communities, and combat terrorism and financial crimes. Let me now briefly highlight several key requests included in the President's Fiscal Year 2025 Budget.

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All of Treasury's work is enabled by my dedicated and skilled colleagues, who should be equipped with the tools and resources they need to advance key priorities on behalf of the American people.

I am happy to now take your questions.

Mr. WOMACK. Director Young.

STATEMENT OF HON. SHALANDA YOUNG

Ms. YOUNG. Mr. Chairman, thank you for having me here. Ranking Member Hoyer and the full committee Ranking Member DeLauro, you all tried to get me emotional here today. I get to sit in front of my old boss, Nita Lowey's very large picture, and Chairman Frelinghuysen has a very small picture by return. But this is a homecoming for me. I have not gotten to testify in this room, so thank you of having me here.

And I know a lot of disagreements happen. We clearly have different ways of tackling a lot of tough challenges we have heard here today. But the work this committee does, the American people would be proud if they saw what I get to see in working with this committee, one of which I have a lot of faith and one that taught me you may not get everything you want but you can hold your values and still find compromise for the American people. So congratulations to Chairwoman Granger, Ranking Member DeLauro, the subcommittee chairs and rankings, for pulling together and finishing fiscal year 2024. As we are here talking about 2025, I know 2024 remains in the background of what Congress has to finish over the next few days. And I, frankly, just want to say thank you and some acknowledgment it might be ugly to get there, but you got there under extreme circumstances, so thank you for that.

Turning to fiscal year 2025, while we are here, over the past year, three years, President Biden has overseen a strong economic recovery, historic job gains, amassed one of the most successful legislative records in generations, grown the economy from the middle out and bottom up, and delivered important progress for the American people. This administration has taken action to lower costs for working families from everything from prescription drugs and health insurance premiums to everyday goods and services. At the same time, the president has also restored U.S. leadership here domestically and abroad.

The president has delivered this progress for the American people all while fulfilling his commitment to fiscal responsibility. It is a fact that the deficit is more than \$1 trillion lower today than when the president took office. It is also a fact that the president negotiated the Fiscal Responsibility Act and signed into law that act which saves, roughly, a trillion dollars over the next decade. That is on top of a budget that shows a path to achieving more deficit reduction of, roughly, \$3 trillion.

This budget will lower costs for working families, invest in America and the American people. These investments will help working families keep more of their hard-earned paychecks, bolster manufacturing and industry across the nation, make our communities healthier and safer, improve our military readiness to protect Americans at home and abroad, strengthen our economy, and more. The budget protects Medicare and Social Security, rejecting efforts to cut both programs and extending Medicare solvency indefinitely by requiring wealthy people to pay their fair share toward Medicare and reducing prescription drug costs.

The budget achieves all of this while building on the president's proven record of fiscal responsibility and honoring the president's

promise that no one earning less than \$400,000 per year will pay a penny more in new taxes. His budget reduces the deficit by, roughly, \$3 trillion over the next ten years on top of also paying for new investments by cracking down on fraud, cutting wasteful spending, and making the wealthy and corporations pay their fair share. The discretionary budgets comply with the Fiscal Responsibility Act, just like the bills before you in fiscal year 2024 I know you will take up.

A few words on the Office of Management and Budget's 2025 budget, and I want to thank the team at OMB for putting together this budget and also helping Congress with a lot of behind-the-scenes work finish fiscal year 2024. Just like the Appropriations Committee I got to work on for a long time, the OMB staff just really punch above their weight, as they say, and I appreciate the staff very much, our budget team, our management team. This committee has helped rebuild that agency, frankly, the career staff to levels needed to ensure that we oversee the budget and management challenges of the federal government. Your support has enabled OMB to continue to take on significant areas of responsibility, leading the implementation of historic legislation and policy that includes the Bipartisan Infrastructure Law, the PACT Act, the Infrastructure Investment and Jobs Act, CHIPS and Science, Inflation Reduction Act. OMB plays a role in the implementation of all those laws, so thank you.

Our 2025 request asks for \$138 million, an increase of 8 percent. The largest part of that is our ITOR, or our Information and Technology Oversight and Reform Fund. The request includes \$14.5 million for the Office of the Federal Chief Information Officer and \$30 million for our United States Digital Service. Together, OFCIO and USDS ensure efficient, effective, and secure investment of the government-wide \$75 billion IT portfolio. We spend \$75 billion on IT, and I do it with a smaller and smaller staff to oversee that IT spend.

We are losing the fight on managing contractors, frankly. You see the cybersecurity breaches becoming more and more frequent, so, just as important as the budget portfolio, the management challenges of the federal government, if we want to stay ahead in how we manage and prevent cybersecurity and, frankly, IT projects that this committee has seen go over, not be served well, we need more assistance in our Office of Chief Information Officers. They work closely with every agency who has a CIO. This is the umbrella organization, and they don't get a lot of attention. The budget side does, but they really bring a small staff and leverage their knowledge to make sure the federal government gets what it is buying. And, frankly, we need more in order to catch up on contractors. The government doesn't always get what they pay for.

So with that, Mr. Chairman, I will yield back my time, or I have no time to yield back.

[The information follows:]

**TESTIMONY OF
SHALANDA D. YOUNG
DIRECTOR
OFFICE OF MANAGEMENT AND BUDGET
BEFORE
U.S. House Committee on Appropriations
Subcommittee on Financial Services and General Government**

March 21, 2024

Chairman Womack, Ranking Member Hoyer, Members of the Subcommittee:

Thank you for this opportunity to testify on President Biden's Fiscal Year 2025 Budget.

From Day One of this Administration, President Biden has tackled challenges head-on while delivering long-lasting results. Over the past three years, he has overseen a strong economic recovery with historic job gains, amassed one of the most successful legislative records in generations, grown the economy from the middle out and bottom up, and delivered important progress for the American people.

This Administration has taken action to lower costs for working families on everything from prescription drug costs and health insurance premiums to everyday goods and services. At the same time, the President has also restored U.S. leadership on the world stage while keeping Americans safe and promoting democracy at home and abroad.

The President has delivered this progress for the American people all while fulfilling his commitment to fiscal responsibility. The deficit is more than \$1 trillion lower than when President Biden took office, thanks in large part to a strong economic recovery. In addition, the President has also enacted another roughly \$1 trillion in savings over the next decade through the Fiscal Responsibility Act.

The President's FY 2025 Budget details the President's vision to build on this progress and deliver a more equitable, prosperous, and powerful America with proposals for responsible, pro-growth investments in the American people.

The Budget will **lower costs for working families** and **invest in America and the American people**. These investments will help working families keep more of their hard-earned paychecks, bolster manufacturing and industry across the Nation, make our communities healthier and safer, improve our military readiness to protect Americans at home and abroad, strengthen our economy, and more.

The Budget **protects Medicare and Social Security**—rejecting efforts to cut both programs and extending Medicare solvency indefinitely by requiring wealthy people to pay their fair share toward Medicare and reducing prescription drug costs.

The Budget achieves all of this and more while building on the President’s proven record of fiscal responsibility and honoring the President’s promise that no one earning less than \$400,000 per year will pay a penny more in new taxes. His Budget **reduces the deficit** by roughly \$3 trillion over the next 10 years – on top of paying for new investments – by cracking down on fraud, cutting wasteful spending, and making the wealthy and corporations pay their fair share.

I’d also like to say a few words about the Fiscal Year 2025 request for the Office of Management and Budget.

I would like to start by thanking members of this committee for your support of OMB’s budget during my tenure as Director. The resources have allowed us to fill critical career staff vacancies, investing in our outstanding workforce and sustaining OMB’s staffing levels.

Your support has enabled OMB to continue to take on significant areas of responsibility, leading the implementation of historic legislation and policy that includes the President’s Made in America agenda, the Bipartisan Infrastructure Law, the PACT Act, the Infrastructure Investment and Jobs Act (IIJA), the CHIPS and Science Act, and the Inflation Reduction Act (IRA). So, I thank you.

Our Fiscal Year 2025 request totals \$138.3 million – an increase of 8 percent above the Fiscal Year 2023 enacted level. These resources are critical to allowing OMB to continue rebuilding and maintaining our career staff, which is necessary for us to advance OMB’s mission.

OMB is also requesting just over \$44.5 million for the Information and Technology Oversight and Reform Fund, or ITOR. The request includes \$14.5 million for the Office of the Federal Chief Information Officer (OFCIO) and \$30 million for the United States Digital Service (USDS). Together, OFCIO and USDS ensure efficient, effective, and secure investment of the Government-wide \$75 billion IT portfolio by identifying innovative ways to solve business problems with technology, improving service delivery and customer experience, reducing overall waste in IT spending, bolstering cybersecurity defenses, and providing guidance and leadership on the use and development of AI technologies. Their focus on using modern design and technology practices is critical to the implementation of key government programs that reach millions of Americans.

Thank you for the opportunity to appear before the committee today, and I look forward to your questions.

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Mr. WOMACK. Thank you, Director Young. Chair Bernstein.

STATEMENT OF HON. JARED BERNSTEIN

Mr. BERNSTEIN. Chairman Womack, Ranking Member Hoyer, members of the subcommittee, thank you for this opportunity to testify on President Biden's 2025 budget and, in my case, the economic context within which we propose this budget plan.

I would like to start by noting that the president's budget, which includes the Biden-Harris administration's ten-year economic forecast, is the culmination of the work of hundreds of smart, dedicated people both in the Executive Office of the President and across the agencies, all of whom have put in long hours to produce this document. I offer them all my deep thanks.

As noted, the budget must implement the Biden-Harris vision within the existing and expected future economic context. It is that context I will briefly discuss this morning—or this afternoon. In his State of the Union speech, the president took us some remarkable aspects of the current economic expansion, reminding us how far we have come since he took office. The quick passage of the American Rescue Plan got shots in arms and checks in pockets, along the way standing up a highly-effective vaccine distribution program where none have previously existed. This accomplishment proved to be essential to reopening our economy and helping families and businesses get to the other side of the crisis. The ARP prevented mass evictions and business losses, supported state budgets, reduced child poverty, and ensured that the job market got quickly back to full employment.

Importantly, the U.S. job market did not just quickly get back to full employment, it has stayed there. The unemployment rate has stayed below 4 percent for 25 months, over two years. You would have to go back more than 50 years to see a comparable stretch of such low joblessness. The average black unemployment rate last year was the lowest annual rate on record. Labor force participation for prime age women, 25 to 54 year olds, is also near its historic high with data back to late 1940s.

As CEA shows in our newly-released Economic Report of the President, this persistently tight labor market has delivered strong inflation-adjusted wage gains that have grown faster for low and middle than for higher-wage workers. A key reason for these real wage gains is that consumer inflation has come down by almost two-thirds off of its peak from 9.1 percent to 3.2 percent. That is we have maintained historically-tight labor markets while achieving significant disinflation. Many economists told us this couldn't be done, that, to get this much disinflation, we need to give up many points of unemployment and growth. President Biden never believed that we could only achieve lower inflation on the backs of working Americans, and he was right to hold that line. Virtually, every forecast we have seen, including our own, has inflation continuing to ease throughout the rest of this year and next year.

The economic forecast in the budget results from joint work by the three agencies represented before you here today. Our forecasting team faces a unique challenge in that we must finalize our forecast well before we release it. In this case, in early November 2023. This can sometimes render our near-term predictions stale

relative to more up-to-date market forecasts. However, the new forecast looks good in this regard, as our near-term optimism about transitioning to steady, stable growth was broadly warranted. On a Q4–Q4 basis, we expected real GDP to grow 2.6 percent last year when the actual growth rate was 3.1 percent, meaning the expansion was even stronger than we expected. This is above trend growth, which means it is helping to generate the ongoing strength of job creation along with real wage and income gains.

On inflation, things also turned out a bit better than we expected. We thought that the CPI would be up 3.4 percent last year, but it actually came in at 3.2 percent, down sharply from north of 7 percent in 2022. On 2023 unemployment and interest rates, we came in very close to the actual results.

Over the longer-term, our forecast is largely unchanged from earlier budgets, with terminal growth and unemployment rates of 2.2 and 3.8 percent respectively. As we show and discuss in our budget release, our terminal growth rate is higher than some other forecasters because we include pro-growth effects of our policies, including investments in human and fiscal capital, physical capital, along with affordable childcare, which research shows has the potential to significantly increase caregivers labor supply.

With that, I look forward to your questions and yield back my 12 seconds.

[The information follows:]

**TESTIMONY OF
JARED BERNSTEIN
CHAIR
COUNCIL OF ECONOMIC ADVISERS
BEFORE
U.S. House Committee on Appropriations
Subcommittee on Financial Services and General Government**

March 21, 2024

Chairman Womack, Ranking Member Hoyer, Members of the Subcommittee:

Thank you for this opportunity to testify on President Biden's 2025 Budget and, in my case, the economic context within which we propose this budget plan.

I'd like to start by noting that the President's budget, which includes the Biden-Harris Administration's 10-year economic forecast, is the culmination of the work of hundreds of smart, dedicated people, both in the Executive Office of the President and across the agencies, all of whom have put in long hours to produce this document. I offer them all my deep thanks.

As noted, the budget must implement the Biden-Harris vision within the existing and expected future economic context. It is that context I'll briefly discuss this morning.

In his State of the Union speech, the President took us through some remarkable aspects of the current economic expansion, reminding us how far we've come since he took office. The quick passage of the American Rescue Plan got shots in arms and checks in pockets, along the way standing up a highly effective vaccine-distribution program where none had previously existed. This accomplishment proved to be essential to reopening our economy and helping families and businesses get to the other side of the crisis. The A-R-P prevented mass evictions and business losses, supported state budgets, reduced child poverty and ensured that the job market got quickly back to full employment.

Importantly, the US job market did not just quickly get back to full employment; it has stayed there. The unemployment rate has stayed below 4% for 25 months—over two years. You'd have to go back more than 50 years to see a comparable

stretch of such low joblessness. The average of Black unemployment last year was the lowest annual rate on record. Labor force participation for prime-age women—25-54 year-olds—is also near its historic high, with data back to the late 1940s. As CEA shows in our newly released Economic Report of the President, this persistently tight labor market has delivered strong, inflation-adjusted wage gains that have grown faster for low and middle than for high-wage workers.

A key reason for these real wage gains is that consumer inflation has come down by almost two-thirds off of its peak, from 9.1% to 3.2%. That is, we have maintained historically tight labor markets while achieving significant disinflation. Many economists told us this couldn't be done; that to get this much disinflation we'd need to give up many points of unemployment and growth.

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On a q4/q4 basis, we expected real GDP to grow 2.6% last year, when the actual was 3.1%, meaning the expansion was even stronger than we expected. This is above-trend growth, which means it is helping to generate the ongoing strength of job creation, along with real wage and income gains.

On inflation, things also turned out a bit better than we expected. We thought the CPI would be up 3.4% last year but the actual came in at 3.2%, down sharply from north of 7% in '22. On 2023 unemployment and interest rates, we came in very close to the actual results.

Over the longer term, our forecast is largely unchanged, with terminal growth and unemployment rates of 2.2% and 3.8%, respectively. As we show and discuss in today's release, our terminal growth rate is higher than some other forecasters, because we include pro-growth effects of our policies, including investments in human and physical capital, along with affordable child care, which research shows has the potential to significantly increase care-givers' labor supply.

With that, I look forward to your questions.

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Mr. WOMACK. Thank you, Mr. Chairman. We are going straight to Q&A. Let me remind our panel that we are going to be called for votes probably within an hour or so, sometime between 4 and 4:30. It is likely that we will only get a single round in if we are all kind of brief. I don't think it is practical to break for votes and then force our witnesses to stay here and complicate the dinner hour, so we will just go through one round, so be as brief as you can.

And while the subject is the fiscal year 2025 budget, my question is going to be to you, Director Young. You referenced our good friend, Nita Lowey, up here above my right shoulder. Six years ago, she and I co-chaired, as you well know, the Joint Select Committee on Budget Process Reform. And given what my friend, Steny Hoyer, said in his opening remarks about the condition we are in right now, the fact is that we are in the sixth month of the fiscal year and we still have not completed, hopefully will tomorrow, the fiscal 2024 budget appropriations measures.

That said, it is my strong belief that some of the recommendations brought about by the Joint Select Committee should be acted on by Congress. They have not. Among those, biennial budgeting with annual reconciliation and continued oversight. Is that a way out of this mess that we are in right now that continues to send a message to the American people that we can't even do our basic responsibility, and that is pass budgets on time, deliver appropriations on time, and give the agencies certainty?

Ms. YOUNG. To be quick, which this is not a quick issue, we clearly have an inherent process problem. Process, in my view, makes good results. This budget is 30 days late, the last budget six months late. We need to figure out a way to get out of that doom loop, and I am all for finding solutions.

What I do worry about, I think there is inherent value to Congress looking at a part of the budget every year. We have all heard a lot of complaints about not looking at programs that are entitlement or mandatory. Well, we still get a shot. It is ugly. We have got to find a way to make it easier. But I would hate to lose the one process where everybody is forced, I mean forced. And it is so ugly, if you are not forced to do it, you wouldn't do it, in my view. And you are talking to an old staff director here. I would hate to see anything get in the way of that angle process, but I do think, Mr. Chairman, as you pointed out, there are ways to get that process on time.

Sitting in this seat now, I will tell you managing a federal government in three-month and two-month and two-week intervals is no way to do business, and none of you would choose to do it that way, and it is clearly inefficient. We have a complex world, Department of Defense, and we can't tell them what is going to happen Saturday or Sunday. There is something wrong with that.

So I am with you. I am happy to sit down and look for solutions. We lovingly call that committee the JSCBAPR. I do think there is some pieces in there we should look for. I know fiscal year changes ideas. You are right, we have got to do something, but I also have an intense belief that there is something about this angle process and having both parties do the hard work where you literally still sit down across from each other and fight about each of these line

items. There is something really special about that, and it doesn't happen many other places in government anymore.

Mr. WOMACK. Thank you. Mr. Hoyer.

Mr. HOYER. I agree with both of you. As majority leader, I tried to get the appropriations bills done, frankly, marked up in May, to the floor in June, to the Senate in July, and reconciled in September. That is the way it ought to work. Fairly simple. We are all adults. We are bright, we are able people. We ought to be able to do that. But, frankly, everybody thinks if they keep waiting they will get their way, and the Senate doesn't like to consider appropriations bills because it takes them too long. And that is a very simplistic way to look at it, but, as somebody who has tried for 20 years as a leader in this House to get the appropriations process to run on time in a rational way.

And the question I would ask Director Young and Secretary Yellen, we ought to determine how much it costs us in lost time and productivity to do the process that we have done this last 16–17 months. You don't have that now, but I would suggest that we get that number because that is the cost. The real cost is more than that because of the lack of confidence that people have that this government can run in an efficient, effective manner. Both parties are to blame. This is not a party problem, it is a human problem of delay and dissemble, which is pretty harsh but I think that is what it is.

Now, let me ask a question: \$650 billion of investment, when was the last time we had \$650 billion of additional investment, which I think was motivated by the Infrastructure bill, by the Science and CHIPS bill, and the IRA. When was the last time we had \$650 billion in one year of additional private-sector investment?

Secretary YELLEN. I honestly can't think of a time when we have had such a response. It has been absolutely dramatic, and I think it has been driven by the trifecta of legislation, the Bipartisan Infrastructure Law, the CHIPS and Science Act, and especially the Inflation Reduction Act, which is the most dramatic, important piece of environmental legislation in history. And we are seeing an unprecedented response.

Mr. HOYER. Thank you, Madam Secretary. I would tell all the members of this committee, in 2010, I came up with an agenda that I called Make It in America. We are a lot of talk about made in America. I said made in America is what we did yesterday. Make It in America is what we do today and what we are going to do tomorrow. I think the most Make It in America Congress in which I have served since 1981 was the 117th Congress, and I think the results, not only in terms of investment but the results in terms of jobs and economic growth that we have seen. I heard the chairman's comments, but I, frankly, think that an honest analysis of what has happened over the last 36 months, from the pandemic on. We made extraordinary investments. We spent a lot of money, and we have to deal with that because we spent a lot of money and we incurred a lot of debt, but it has made an extraordinary difference in the lives of America and, indeed, the rest of the world. So that is not a question, it is an observation, but I think important to make. I yield back.

Mr. WOMACK. Mr. Moolenaar.

Mr. MOOLENAAR. Thank you, Mr. Chairman. Madam Secretary, thanks for being with us today. In your testimony, you mentioned emerging threats, but you didn't, to my understanding, mention China, nor did you mention ensuring that tax credits provided by the Inflation Reduction Act wouldn't flow to subsidiaries beholden to CCP-affiliated companies.

I am particularly concerned that some tax credits, like the 45X production credit, are essentially refundable, meaning the Treasury will be sending a check to the subsidiaries of Chinese companies for the value of those tax credits. Secretary Yellen, do you believe that tax dollars of hardworking Americans should be given to CCP-affiliated companies or their U.S. subsidiaries? In the interest of time, just yes or no would be helpful.

Secretary YELLEN. Well, really, it is our job at Treasury to implement the law that has been passed by Congress, and we are doing our best to do that. The 45X production credit, advanced production credit, is intended to onshore important energy supply chains, and it can only go when there is significant production of the components indicated in the legislation. It has to occur in the United States.

But the legislation does not preclude Chinese companies. In the case of the clean vehicle credit, 30D, there is a foreign entity of concern restriction that comes into effect this year and next. You can't qualify for that credit if there are minerals extraction or processing or battery components that are from a foreign country of concern, like China. But for the advanced manufacturing credit, that isn't true.

Mr. MOOLENAR. Okay. Well, thank you because that is one of my concerns of, you know, these investments by Chinese-based companies and their subsidiaries. We are furthering our dependence on China, and it doesn't sound like there are any current restrictions under current law that would prevent a subsidiary of a Chinese company that receives IRA tax credits from sending those payments back to China. Is there any prohibition on that?

Secretary YELLEN. Well, they would help to defray the cost of production in the United States. This can't be production in China. It has to be production in the United States.

Mr. MOOLENAR. But the credits they could send back to—there is no prohibition on that.

Secretary YELLEN. There is no prohibition.

Mr. MOOLENAR. Okay. If there aren't any restrictions under current law, was there a reason not to propose any restrictions in the administration's budget proposal? You know, I have introduced the NO GOTION Act to stop these IRA tax credits from going to companies based in Iran, North Korea, Russia, and the CCP and their subsidiaries. Do you support that legislation?

Secretary YELLEN. Well, I don't want to—we haven't discussed that, and I don't want to take a—I would need to study that and get back to you with a—I do think the legislation intended to shore up U.S. supply chains to reduce our dependence on countries like China in areas like clean energy. That is an important reason for it, and I would think about it with that goal in mind.

Mr. MOOLENAR. Okay. Well, under Chinese law, a U.S. company that wants to send income back to the U.S. must obtain

preapproval for that transfer from Chinese tax authorities. Do you support incorporating similar preapproval requirements or any other restrictions on Chinese firms sending IRA tax credit dollars back to China?

Secretary YELLEN. Well, I am not going to take a position on that. Our general stance when it comes to foreign investment in the United States is we want to make sure that there are no national security concerns. We have a CFIUS process when it involves not greenfield investment but buying out an American company or merging with it, and we would look at national security concerns. But, in general, we welcome foreign investment in the United States. China does investment in the United States, and this particular provision that you are talking about in the IRA does not preclude China from receiving these credits. China would be producing in the United States and, in that sense, enhance mitigating our dependence on foreign production.

Mr. MOOLENAR. Okay. Thank you very much, Mr. Chairman.

Mr. WOMACK. Ms. DeLauro.

Ms. DELAURO. Thank you very much, Mr. Chairman. I will just make one very quick comment about the earlier discussion about how many months it has taken us to get to having a budget for 2024. I think, at the beginning of that, you can have all of the financial gymnastics you want, at the base of this is political will to get it done and understanding what needs to get done and what our responsibility is here in view of the American public, rather than adhering to ideologies that may satisfy one soul but do nothing to help the American people.

With that, Director Young, I want to ask you a question which has to do with the WIC contingency fund, which is in the 2025 budget. This would allow an increase in WIC funding if the secretary finds in any quarter that the program has exceeded statutorily, as specified, participation and/or food cost levels. It costs about \$34 million, as I understand it. First, understand that I am for the \$7.7 billion for the program. This is not a substitute, it is an insurance policy. Just let me know—I know you work closely with USDA—just quickly, through the process of how we came to develop this solution. Is it a good solution?

Ms. YOUNG. Well, remember, the WIC estimates change constantly. It depends on uptake, it depends on economic conditions. So this contingency fund is an acknowledgment that those estimates change on a regular basis and ensuring that we have an insurance policy, a backup plan if you say. If the \$7.7 billion turns out, my guess is, by the time you pass this, that number is probably going to change. We want to ensure that we have full funding of WIC. We believe our \$7.7 billion does that, but this contingency fund idea makes sure that the ebbs and flows of participation, that we have every tool to make sure we have enough money for full participation.

Ms. DELAURO. And just a note that there was a billion dollar shortfall if that hadn't been met in the 2024 budget, which we are hopefully passing tomorrow, that, in fact, we would have seen millions of people waitlisted for that program, about 2.2 million women, infants, and children jettisoned from a program that is life-saving. So thank you.

I just want to mention, this is the Council of Economic Advisors' report on November 20th, the Anti-Poverty Income Boosting Impacts of the Enhanced Child Tax Credit. A highlight, it says between 2021 and 2022, the median post-tax real income among households with at least one child 17 or younger fell by \$4,256, due, in part, to the reduction in the child tax credit. The household median post-tax income would have been \$2,600 higher in 2022 had they received the credit. Sixty-one percent of the drop in meeting post-tax household income for families with children can be explained by this policy change. I don't have to tell you about what happened with the tax credit; you all are very, very familiar with that. But I would just say about Treasury, the IRS accurately sent 98 percent of monthly child tax credit payments, and that is commendable. And, additionally, the expanded child tax credit returns \$8 for every dollar spent.

Anybody who wants to answer very quickly, what would restoring that expanded child tax credit mean to families? In addition to lifting families out of poverty, what are the broader economic benefits of the child tax credit?

Mr. BERNSTEIN. Thank you, Congresswoman. As you well know, and your fingerprints were very much on this development, the expansion of the child tax credit that the president signed into law helped to drive child poverty to a record low of 5.2 percent. Never in this country have we had such low child poverty, and scholars of child poverty will tell us how important that is not just for year one but for the rest of that child's life.

When the CTC expired, that child poverty rate snapped back up, and the conclusion is that the level of the child poverty rate is very much a policy choice. This president in this budget, and this committee has worked with us on this, you in particular, proposes to restore the expanded child tax credit, thereby taking child poverty back down to levels I mentioned earlier and fully paid for, as well.

Ms. DELAURO. Thank you. With my six seconds, I will just say that the proposal that is in the United States Senate the moment I find to be lopsided in terms of what we provide to the richest corporations in the country versus what we do for children in our nation. Once again, it would be in keeping with what the president wants to do in looking at corporations, rather than giving them the benefit of billions or millions in tax cuts, is that we work to invest in our families and our children.

Thank you so much. I yield back.

Mr. WOMACK. Thank you, Ms. DeLauro. I apologize for the distraction. It sounds to me, as an old broadcaster, it sounds to me like we have got some RF interference in our sound system. So do your best to disregard that. There may be some kind of a transmitting device causing that. We will try to isolate that.

Ms. Hinson.

Mrs. HINSON. Thank you, Mr. Chairman. One of my top priorities in Congress is, of course, to advocate for the taxpayers in Iowa, the working families that we are all here to serve, and ensure that their tax dollars are being used responsibly to support Iowans' priorities. But, unfortunately, we have seen a lot of improper payments continue to be a source of waste for federal taxpayer dollars. Actually, according to the report from Government Accountability

Office, the federal government issued more than \$236 billion in improper payments in fiscal year 2023. For context, that is more than the entire budget of the U.S. Army annually. And since 2021, the federal government has reported a staggering \$764 billion in improper payments.

So, Director Young, I know you're over there, but I just had a quick question for you: Has the administration taken a single step to ensure that these taxpayer dollars are being spent responsibly to prevent these improper payments before they occur? \$236 billion is a lot of money.

Ms. YOUNG. Well, one, the ARP provided funds to the Department of Labor to begin the process of trying to improve the unemployment insurance program, which I think most people here will say that is one of the largest drivers of improper payments. This budget also has further proposals that would save \$2 billion on UI. So we welcome and we are starting to see some movement in some of the oversight agencies and moving on the budget proposal. It was in last year's budget, as well, to do something about some of the higher improper payment programs of the federal government.

Mrs. HINSON. Are you looking at using technology like AI to help track these things before they actually happen? I think that would be ultimately the best outcome here is if we can stop them before they go out, so we don't have to worry about trying to claw them back.

Ms. YOUNG. Well, that's one. You heard me earlier talking about the need to make sure the federal government stays ahead on technology. One thing we struggle with, frankly, and OMB is at the center of trying to figure out how to help AI talent across the federal government; and, frankly, we don't have that right now. And we need to keep up with the technology to make sure we know how it impacts the American people but also to utilize it for things like this.

UI is difficult because you've seen one UI program, you've seen one. We have a federal overlay, but each state runs it how they want. So we are interested to see how we can utilize AI; but, frankly, we at OMB are trying to deal with the AI talent deficit.

Mrs. HINSON. As a separate issue, though, from—

Ms. YOUNG. As a separate issue, but it is important. If we want to utilize these tools, we have to have the people that know how to do that. And part of our budget and part of what we're trying to do is ask for more talent there. But on UI, we are not leaning heavily into AI, but we do have proposals to try to fix those programs.

Mrs. HINSON. I hope you will commit to work with us continuing that, both on the talent side but also on just the oversight side, to prevent improper payments and make that a true top priority. That is a lot of money we are talking about.

And I want to go to one other topic really quick while I have time. FinCEN's new beneficial ownership of reporting requirements went into effect earlier this year, requiring more than 32 million small business owners, including many in Iowa, to, of course, report information about their company to a new federal database, and the penalties for non-compliance on that could include both civil and criminal action. So I know our secretary of state has post-

ed on his page in Iowa, you know, hey, this isn't a state issue, this is a federal issue. But for such a sweeping new rule, Secretary, it is very important that FinCEN is taking steps to really educate our small businesses on the impacts of this rule.

So how are you ensuring that these 32 million new affected businesses are receiving the necessary resources to be able to comply?

Secretary YELLEN. So FinCEN has a well thought-out and extensive education outreach program to make sure that businesses learn what their responsibility is, and they are trying to make it, and I have looked at the demonstrations of how this works, this is easy to file for the vast majority of businesses. It's not necessary to hire a lawyer or any help. It is a simple form on a website.

There have been more than a million filings so far. It started on January 1, and, you know, there is adequate time, I think, for businesses to comply.

Mrs. HINSON. And I see I am rapidly approaching time, so I will go ahead yield back in the interest of letting everyone speak.

Mr. WOMACK. Mr. Cartwright.

Mr. CARTWRIGHT. Thank you, Mr. Chairman. And thank you, Director Young, for being back in the room. It is nice to see you here.

I want to invite your attention to Social Security as a subject. Today, the Republican Study Committee called for an increase in the Social Security retirement age, and so it is a timely subject. Right now, Social Security is projected to run out of excess reserves in about ten years. I was pleased to see that the fiscal year 2025 budget protects Social Security benefits and extends the solvency of Social Security, and so my first question is how long will the provisions in the fiscal year 2025 budget extend the solvency of the Social Security program?

Ms. YOUNG. Well, as you know, you have heard from the president what our principles on Social Security are: no benefit cuts, ensure that we have enough funding for those with disabilities who receive payments out of Social Security, ask high-income earners to pay more into the system, and you get additional years in solvency.

We also point out something in direct control of this committee, which is Social Security Administration who has been underfunded and, as beneficiaries go up and there are more people to serve, we are seeing a decline in resources at a time when the Social Security Administration needs more. That is why this president has asked for a 9-percent increase to fund the Social Security Administration.

Mr. CARTWRIGHT. I just find it astonishing that today, of all days, when you are here to talk about the fiscal year 2025 budget, that the Republican Study Committee, the largest Republican caucus here in the House, comes out and calls for an increase in the Social Security retirement age. You know, it is one thing for people that have desk jobs, but for people that are lifting and digging and climbing and carrying, to expect them to work into their senior years doing these jobs, it is not just wrong, it is a betrayal because these are people who paid into the system, the FICA system, their whole work lives with an expectation that they would be taken care of in their senior years. And I am glad to hear that you are not endorsing that.

Let me ask you this: what more needs to be done to protect Social Security through the end of the century?

Ms. YOUNG. You heard the president's plan. It is to ask those in the top 1 to 2 percent to pay more. To deal with insolvency, the first thing we often go to are benefit cuts. Raising the age is a benefit cut. You worked all your life, and the goalpost keeps moving, that is a benefit cut. And nothing gets more spirited when I testify on Social Security, and I have been asked many, many times, like, aren't you speaking in hyperbole, you and the president, that people want to cut it. And we see these proposals come out, and I get that every member is not a member, but it is a proposal to cut, and that is why this president finds it necessary to continue to remind the American people he will not sign any piece of legislation, nor support benefit cuts, to Social Security or Medicare.

Mr. CARTWRIGHT. Now, you alluded to the starving of the Social Security Administration for resources, and I want to talk about that. Unfortunately, they have been starved for decades, making it difficult for many of my constituents. I have 175,000 constituents receiving Social Security benefits in northeastern Pennsylvania. It makes it harder for them and people across the country to access their benefits when there aren't enough people working at Social Security.

To make matters worse, budget constraints resulting from the fiscal year 2024 CRs led to the Social Security Administration imposing a hiring freeze, which is still in effect today. Director Young, can you elaborate on what the consequences of a hiring freeze are at the Social Security Administration?

Ms. YOUNG. Well, we don't have enough people today to serve beneficiaries. So if we are not adding, certainly we will see people retire from the Social Security Administration. This means they won't be replaced. The problem is going to continue to grow. And then we are going to see people who don't believe their government is there to serve them. They know they are eligible for benefits. It should not take people that long to be able to get in contact, especially if they have a complicated case.

But this is just going to get worse. We are happy we finally have a Social Security administrator on the job. He is talking to contractors, making sure we are getting what the American people buy with their dollars from services. But there is only so much we can do when we have a chart of beneficiaries going this way and staffing and resources going the opposite way.

Mr. CARTWRIGHT. Well, I was happy to see a 9-percent funding increase on that line in your budget, and thank you for your testimony and thank you for your work. I yield back, Mr. Chairman.

Mr. WOMACK. Mr. Cloud.

Mr. CLOUD. Thank you, Mr. Chairman. Thank you all for being here. It is so true that Americans right now are living paycheck to paycheck, working to make ends meet. And so much of that is due to the inflation that Americans have seen, in large part due to our massive spending. And I hope Americans are listening to this hearing because when we hear from our friends across the side of the aisle that we don't have a spending problem, that is just a notion that is beyond any sort of reality because the fact is that we have had record revenues over the last several years, up until very recently, and spending, no matter how much we are bringing in, con-

tinues to be a problem. And so we have got to address our spending issues and get things under control.

One of the things that I was concerned about is there is a request for continued funding and expansion of the IRS to go after American taxpayers. Meanwhile, the IRS, at the same time, announced earlier this year that it is setting a goal for employees to be in the office just 50 percent of the time in May. So we are being asked to employ more federal workforce, and this is true across all the agencies. Anyone who does case work knows that anything from passports to VA benefits to farm help to helping people with Social Security benefits, that the time lines to get cases solved has massively expanded while the federal workforce continues to go, quote to teleworking. And so the productivity is going down, but we are being asked to solve that by adding more people instead of finding ways to bring higher productivity.

So I would encourage us to find ways to get people back to work or expecting the people who are funding the salaries of the IRS taxpayers to get people to work. And so I would recommend that we do that. You had a thought?

Secretary YELLEN. Well, you know, we are making sure that IRS, as well as all bureaus in Treasury departmental offices meet the standards that have been set for the federal government, which is at least 50 percent time for everyone in the office, and many employees have to be there absolutely every day. And this applies absolutely to IRS employees in many parts of the IRS.

Mr. CLOUD. To the veterans that I am working to try to get cases solved for them, 50 percent isn't enough to show up at work. And, literally speaking, one of the facilities was a literal work warehouse where the VA records are stored and have not been digitized. We funded them, I think it was to the tune of \$60 million, to digitize those records. They didn't do it because of COVID protocols. We tried to put in non-teleworking. You cannot telework when you have to literally walk through the aisles and look through file cabinets, and we couldn't even get tele provisions passed by our friends on the left who oppose that provision. We have got to get people back to work so that we can solve these problems for the American people.

I wanted to talk to you about a little bigger of an issue, and that is the strength of the U.S. dollar. You know, it is essentially important to the safety, security, and freedom of the world to have a America have a strong influence. We have seen challenges against the U.S. dollar, a lot of it connected to our spending. I mean, as you know, we used to have a gold dollar, now we have a petro dollar that was based on, you know, an agreement really with Saudi Arabia to trade oil and gas using the American dollar. Very recently, we have seen, and there is conflicting reports, but, at a minimum, Saudi Arabia is considering joining BRICS, which has been built for the fundamental purpose of challenging the U.S. dollar.

I am curious about your take on that. You know, this administration has an attack on the oil and gas industry, in spite of that, and how that plays into monetary policy I am very concerned about. But then, also, this administration and President Biden when he was vice president said, and this is a quote, "We are trying to create a multipolar world." In other words, we are trying to create a

world where the United States is not the preeminent force. Now, most taxpayers would say that we should share the goal, regardless of where we are on the aisle, of the United States remaining a premier influence in the world, so I would ask you, as you are addressing spending policy and these kind of things, do you share that goal of bringing the United States down a notch and us not being the premier—

Secretary YELLEN. I do not share the goal of bringing the U.S. down a notch. I think it is essential that the U.S. shows strong leadership throughout the global economy and leadership on a full range of challenges the world faces. I strongly believe the U.S. dollar needs to remain the world's primary reserve currency, and I see few challenges, real challenges, to the U.S. dollar. It may be that there are BRICS countries would love not to be dependent on the dollar, but none of those countries seem willing to accept any of those currencies as an alternative for doing business, and there is a very good reason for that. The U.S. is a well-managed country from a macro perspective. Inflation has, for decades, been low and stable. We have the deepest and most liquid capital markets in the world and a rule of law and institutions that support the dollar used as a reserve currency.

Now, it is helpful, when we want to impose sanctions on other countries, the dollar's role enables us to do that because, by using our sanctions tools to prevent malign actors from running transactions through the financial system—

Mr. CLOUD. I understand it, but I think we would be, if we—we have a lot of strengths, but if we are not wary of the fact that, historically speaking, when a currency collapses, it happens overnight. We have got to sure fire our fiscal—

Mr. WOMACK. We need to move on. Mr. Pocan.

Mr. POCAN. Thank you, Mr. Chairman, and thanks to our witnesses. I am going to yield ten seconds to Mr. Hoyer, if it is all right, Mr. Chairman.

Mr. HOYER. Ten seconds. I just want to say to the gentleman's comment on competence in the international markets, if we don't pass Ukraine funding forthwith, we are going to lose a lot of confidence in international markets and with our allies and our foes alike.

Mr. POCAN. Great. Thank you. Secretary Yellen, a question for you. The bonus tax credits that were traded in the Inflation Reduction Act for clean energy projects require paying prevailing wages and utilizing registered apprentices, which are the most important labor standards in the IRA. I believe it is important that Treasury's final rule upholds congressional intent.

As co-chair of the Congressional Labor Caucus, I sent a letter yesterday with over a hundred of my colleagues outlining several key revisions to the proposed rule that we are urging Treasury to adopt, including treating project labor agreements as evidence of compliance and establishing a front-end monitoring system for employers that intend to claim the bonus credit for their clean energy projects.

Our collective concern is that low-road contractors in the construction industry already tried to evade federal prevailing wage laws and provide fly-by-night training to their workforce. Secretary

Yellen, what steps is Treasury taking to set up robust enforcement of these labor standards to ensure projects pay prevailing wages and utilize registered apprentices, and will those steps include our suggestions around PLAs and front-end monitoring?

Secretary YELLEN. Well, let me say that we are working with the Department of Labor closely to respond on this issue and to provide some clarity and certainty on the requirements. I will say that, when a taxpayer goes to claim that credit, that there will be rigorous procedures to make sure, given this is, in most cases, 80 percent of the total credit, so satisfying this is necessary to get most of the credit. There will be requirements when a firm is audited to provide books and records to show that every worker has received appropriate prevailing wages and the apprenticeship requirements have been met.

I would say there is now an active market for tax credits. These credits are transferrable. And you will also get a great deal of enforcement just through the market that is developing around these credits because, if I am contemplating buying a credit from a firm that, in the end, has not met, has not actually met these requirements, I will have spent money for a tax credit that may be denied. And there is an additional enforcement mechanism: we see that potential purchasers are asking for a good deal of assurance that these requirements are being met.

Mr. POCAN. We just ask you to take a look at that letter, and we hope that you can incorporate those suggestions in any final rule.

Also, I think this is something my colleague, Ms. Hinson, may also have some interest in. You know, we support biofuels, the drive for economic growth, and creating good-paying jobs and strengthening real economies. The Inflation Reduction Act establishes a sustainable aviation fuel tax credit, and the final guidance for this credit was supposed to be released on March 1 but it is still not released. In December, the Treasury Department announced that the updated GREET Model will be used as a methodology, looking at integrating key greenhouse gas emission reduction strategies and climate-smart agricultural practices. As one of the co-chairs of the Biofuels Caucus, the president has been very clear that he wants to see our country lead the world's sustainable aviation fuel production. What is the status of that fuel credit guidance, and can you ensure that Treasury will include the greenhouse gas emission reduction strategies that were promised in the department's December announcement?

Secretary YELLEN. So we are working very closely with the Department of Energy, the Department of Agriculture, the FAA, and the EPA. We want to get this GREET Model updated so that it can handle some of the things that you have mentioned connected to sustainable aviation fuel, and this has extended our time line for getting the guidance out. But we want to make sure that we do it right, and we are trying to get it out as quickly as we can.

Mr. POCAN. And I think both Representative Hinson and my office are more than glad to work with you if you have any questions on that.

Secretary YELLEN. Certainly. Thank you.

Mr. POCAN. Thank you.

Mr. WOMACK. Mr. Carl.

Mr. CARL. Thank you, Mr. Chairman. Secretary Yellen, on March the 6th, 2024, the House Judicial Committee released a report detailing the Financial Crime Enforcement Network, FinCEN, partnership with the FBI to gain access to consumers' information from major banks posted January 6th, 2021 as a way of tracking and targeting individuals it assumes could be domestic terrorists based on certain financial transactions they made, such as Dick's Sporting Goods or mobile payments that use keywords like MAGA. Are you familiar with this report?

Secretary YELLEN. I am familiar with the issue that you are—

Mr. CARL. What actions are you taking to ensure that this FinCEN is not targeting conservative Americans for their constitutional rights or political beliefs?

Secretary YELLEN. Okay. So I would like to put this in perspective, if I could.

Mr. CARL. Very quickly, if you would, because I have a second question.

Secretary YELLEN. Yes. This is activity that took place before I reached Treasury—

Mr. CARL. Well, what are you doing today?

Secretary YELLEN [continuing]. With the previous administration, and it ended in February of 2021. In the aftermath of the attack on the Capitol, there was an attempt by law enforcement to identify perpetrators of the attack. FinCEN had been authorized by Congress to work with financial institutions in a process called FinCEN exchanges to help them identify. They are required to file suspicious activities reports—

Mr. CARL. Yes, ma'am, I get that.

Secretary YELLEN. —and they wanted to get reports that would shed light on this.

Mr. CARL. I am asking you what are you doing today to prevent that from happening again?

Secretary YELLEN. This is a practice that has ended, and the—

Mr. CARL. So you are doing nothing to follow up on it?

Secretary YELLEN. There was no requirement for any bank to do anything. Banks met with some people from FinCEN to discuss how to—

Mr. CARL. But this report that came out on March the 6th, you have not followed up on anything from it to see if there is something there that you need to do?

Secretary YELLEN. We are following up to make sure that there are no abuses. But it is our obligation to work with financial institutions to help them help the government identify suspicious and illegal transactions.

Mr. CARL. Well, I can appreciate that, but innocent Americans we don't need to be doing that on. I understand where you are going with that.

Director Young, White House chief of staff requires agencies to submit action plans on OMB in January regarding their office spaces needed, but those haven't been made public and the 2025 budget process doesn't appear to realize any significant savings from building consolidation either in D.C. or throughout the country. Why are we continuing spending over \$10 billion annually on maintaining these buildings and securing leases for space that fed-

eral employees, when employees are being allowed to work hybrid schedules?

Ms. YOUNG. Well, thank you for acknowledging they work. This is about returning to the office. Let me be very clear, just like the Secretary pointed out, there are thousands of federal employees who never got any opportunity to work hybrid in the thick of the pandemic and put their own health at risk. But you are right, OMB is central, and we have put out guidance because we see the value, just like you all do. You see people face to face. There is value in meaningful in-person work. But there has been telework pre-pandemic and post-pandemic. It is about mission. Different jobs have different requirements. I have some people at OMB who work in a SCIF. They have never gotten a chance to take advantage.

So this is about mission. We think meaningful in-person presence, even for people who have office jobs that don't necessarily have to come to the office, like for SCIFs. So we are working and we are seeing improvements there.

Mr. CARL. But I am running out of time here. My question is the \$10 billion annual we are paying. We see no reductions with this staff, this group not coming back. With that said, will you commit that the OMB will lead this effort, so we can consolidate underutilized office space?

Ms. YOUNG. Mr. Carl, you, the chairman, Mr. Hoyer, I think we all have an interest, and I have talked to the chairman a lot about this, about doing something about space utilization, which, frankly, was a problem when I worked on this subcommittee more than ten years ago. And we need the tools to make sure GSA can consolidate and manage, as the manager of the federal portfolio.

There are lots of challenges here pre-pandemic that remain, and I am committed to working with you and anyone else who is interested because we need the tools to fix it.

Mr. WOMACK. Mr. Bishop.

Mr. BISHOP. Thank you very much, Mr. Chairman. I have two questions, one for Director Young and one for Secretary Yellen. The first is for Director Young. Medical debt and increasing health care costs is a real problem in the country, especially its disparate impact on minority communities. For Americans with annual income in the \$50,000 to \$100,000 range, black and Hispanic families have the highest rates of medical debt.

There are products on the market now that seek to help consumers pay for unexpected medical expenses that are not covered by their ACA-qualified health plan, and I am concerned about a regulation that is currently under review at OMB that you and I have spoken about before. In particular, I am referring to the changes that would be imposed on the fixed indemnity insurance market under a tri-agency-proposed rule that was issued last summer. Overall, if the rule were finalized as it is, it would do more harm than good for millions of Americans.

There is universal agreement that consumers should be protected from sham insurance products, and they should not be misled into believing that they are purchasing ACA-compliant plans. However, there are existing mechanisms that address these concerns without eliminating valuable financial protection that's available today through the supplemental or the fixed indemnity coverage. In fact,

the FTC just recently announced a \$100 million enforcement action against a company that was selling sham health insurance products, and this is sort of proof positive that the administration has existing enforcement tools to protect consumers. In fact, the FTC is just one of the many tools available.

And I know that you can't comment substantively on a rule that is under review at OMB, but can you tell me whether the administration did an impact analysis, specifically one for the marginalized communities on what their alternatives are to pay for expenses their underlying major medical coverage does not?

Ms. YOUNG. Mr. Bishop, I believe people interested in this are going through public comment now. You are right, I can't comment once it is in review. And your comment and those concerned, I know, have been recorded in the comment purposes. In order to even get to OMB and to OIRA, which is the regulatory office at OMB, a rule has to be seen or have analysis that shows it has a large, a certain dollar amount economic impact. So every rule has to have that sort of analysis that you are speaking about. That is how we know whether or not it has to come in for review. And we believe that process upholds the integrity of the process. It allows large rules to get the comments from the public and other agencies to make sure that we are catching all the issues you pointed out, I'm sure, have come through the comment process.

Mr. BISHOP. Thank you. Secretary Yellen, according to the IRS, in 2021, the government collected on the 86 percent of the total taxes that it was legally owed, leaving about \$625 billion uncollected. Between 2001 and 2021, the tax gap consistently ranged between 13 and 16 percent total owed taxes. Why is the tax gap so persistent, and how does your budget seek to address the tax gap and to keep IRS funded at a sustainable level which enforces the laws that are already on the books? Where does the tax gap tend to come from? Are there certain kinds of taxes or certain categories of taxpayers that contribute more to the tax gap than others? And tell me if it is true that 10 percent of the owners are responsible for two-thirds of the unpaid taxes.

In the Inflation Reduction Act, we included \$80 billion in additional funding to IRS to narrow the tax gap but also to improve customer service. Some of my colleagues want to repeal that funding, but the CBO tells us that it saves more than it costs. How much additional revenue can we gain for every dollar that is invested in IRS?

Secretary YELLEN. Well, prior to the Inflation Reduction Act, the IRS was literally starved for resources, and the auditing rates on complex partnerships, corporations, and high-income tax filers dropped to exceptionally-low levels. And the funding provided by the IRA is intended and is beginning to really change that and help us address the tax gap.

There are various estimates of the rate of return on this spending, but a simple one is that, for every dollar spent, \$7 in tax revenue is generated. Some estimates are higher than that.

Where does it come from? Well, individuals who have simple tax returns who get almost all of their income through W-2s, that income is reported to the IRS, and when the IRS has reporting the fraction that is reported on tax returns comes close to 100 percent.

So there is no tax gap relating to W-2 income at all. But when income isn't reported, an example would be rents and royalties, it is estimated that—so the IRS has no independent information, it relies on the honesty of taxpayers and audits, the reporting rate has dropped to something like 55 percent.

So really, at the end of the day, it is complex partnerships, it is high income and net worth individuals who and the lack of auditing and, you know, resources at the IRS. They are beginning to use tools like artificial intelligence to identify taxpayers who are more likely to be deficient in their tax filings.

Mr. WOMACK. We have to move along, have to move along. Mr. Edwards.

Mr. EDWARDS. Thank you, Mr. Chair. To the entire panel, thanks so much for being with us this afternoon. Secretary Yellen, the president's budget proposes increasing the corporate tax rate to 28 percent, one of the highest in the world. This tax hike would undoubtedly put America at an economic disadvantage to global competitors, like China. And even though it is touted as a tax increase on the rich, it is widely believed that as much as 75 percent of the burden of corporate tax increases fall on American workers and consumers in the form of lower wages and higher prices. So I am just curious exactly who would this tax increase be good for?

Secretary YELLEN. Well, I believe the tax increase would not really harm the competitiveness of business. Most studies that have been done suggest that there is very little, if any, economic benefit from having cut the corporate tax rate, that almost all of the gains went to the wealthiest taxpayers. And it has deprived us of the revenues we need to deal with our budget deficit. It has probably lowered TCJA, probably lowered revenues as a share of GDP, by something close to a percent, so it partly explains the deficit.

The kind of program that I think is good for American growth is the sort of legislation that President Biden has championed and has been passed by Congress, much of it on a bipartisan basis, making investments—

Mr. EDWARDS. And thank you because I am going to run out of time here. I have got a couple more questions. I would like to move on respectfully.

And so I think we have a philosophical difference on exactly who is the rich. I am referring to a corporate tax rate increase that is in the budget. A corporation is not a rich individual. A corporation is a band or a group of individuals and entities that have invested their money in order to produce jobs, buy equipment, and that sort of thing. And so if we are talking about Bill Gates, maybe we could say here is a rich person and maybe he should pay more taxes. But when we are talking about a corporate tax entity, I very much believe that we are placing American workers at risk by not being as competitive worldwide.

And so can you reconcile the difference between a rich person and a corporation?

Secretary YELLEN. Well, it depends what the corporate ownership is, but stock holdings are concentrated among relatively wealthy people and disproportionately among foreigners rather than Americans. So when we use the proceeds—

Mr. EDWARDS. And, again, respectfully, because I am going to run out of time. If we had more time, I would love to hear the whole answer there.

And so, again, respectfully, I would disagree with that statement because we are not all rich. A lot of people put a few hundred dollars in the stock market and own a few corporations, and it seems to me like a tax, an additional tax, would be very counter-productive.

Secretary YELLEN. Well, I think you have to remember that, with the revenue that we get from those taxes, we are able to do things like propose a larger child tax credit, which really goes to families and disadvantaged and do other things that are immensely helpful to working Americans.

Mr. EDWARDS. Again, it is a philosophical difference we are not going to shake out here. Mr. Chair, I am not going to have time for another question, so I will yield.

Mr. WOMACK. Thank you, Mr. Edwards. Ms. Meng.

Mrs. TORRES. Ms. Meng is my twin from New York. It is okay.

Mr. WOMACK. I am so sorry.

Mrs. TORRES. Director Young, I want to take this opportunity to also acknowledge and join my colleague on the other side of the aisle in saying that I really appreciate how much federal workers work, how hard they work, especially the people that work for you and your effort in helping me address this longstanding issue with 911 dispatchers. I don't necessarily have a question for you. I just want to acknowledge how much work you have done in helping to educate yourself and your staff on the plight of these primarily female workers that have not been recognized for the work that they do. So, thank you so much for that.

Secretary Yellen, I have two very different issues that I want to work with you on, and one of them deals with fire insurance specifically for California. The other issue is related to the work that I do internationally. I want to also take a moment to thank you and the Treasury Department employees for your pivotal work on sanctions around the world. As you are aware, I am deeply concerned about the future of democracy and the rule of law in the Northern Triangle, particularly how it impacts our southern border region.

During an attempted coup last year, corrupt actors sought to stop the peaceful transfer of power of the president of Guatemala. The Treasury Department sanctions on corrupt actors played a vital role in our commitment to supporting the people in that country and not propping up corrupt actors and wanna-be dictators. Sanctions are key to fighting MS-13, the Mexican Mafia, and other criminal networks that stretch into many of our backyards. And that is not even going into, you know, other countries, Venezuela, Iran, Russia, and many other places.

Can you share with us a little bit more about what your fiscal year 2025 budget request and the emergency supplemental funding would accomplish for our national security and what more can we do to help you staff up the positions that you need in order to further the work that our State Department is doing?

Secretary YELLEN. Thanks. Well, we take our sanctions responsibility very seriously. We have a large number. I can't remember

the exact number but more than 40 sanctions programs, and, over the last several years, the amount of time and effort we have put into sanctions has really skyrocketed, partly because we are now so focused on Hamas and trying to cut off flows of resources to Hamas and also because of the Russian situation with respect to Ukraine. So these are areas of special emphasis that we have worked globally with partners, and I won't go into the full range of—

Mrs. TORRES. Yes. And I will have an additional question that I would send your way regarding Hamas' work in Latin America. So, if I can move over to the issue of insurance, specifically for California. You know, there is no help to alleviate the crisis. My constituents have seen their fire insurance balloon from \$1,800 to almost \$6,000 per year. This is not sustainable. Non-renewals of home and fire insurance policies climbed from 11 percent in 2018 to 13 percent in 2021. Most of the top insurers in the state have either stopped writing or restricted new policies. How can the Federal Insurance Office work with states like California, Florida, and other states to help find solutions to the cost of insurance?

Secretary YELLEN. We are very concerned about this for exactly the reasons you have given. The Federal Insurance Office has now agreed to collaborate with the National Association of Insurance Commissioners to undertake a very detailed collection effort to understand exactly what is happening to the availability and cost of insurance against environmental hazards across the country. Almost all of the states are participating in this. And when we have that information, we will try to come up with some recommendations.

But I would point out this is an area where states have traditionally taken the lead, and we are going to have to figure out what we can do working together with the states to try to—

Mrs. TORRES. We are going to have to push them to do more for the consumers.

Secretary YELLEN [continuing]. A real crisis.

Mrs. TORRES. Thank you. And I yield back.

Mr. WOMACK. Thank you. I am so sorry. I should have been paying better attention.

Mrs. TORRES. It is okay.

Mr. WOMACK. It won't happen again, ma'am. It is on me. Mr. Joyce, bring us home.

Mr. JOYCE. Thank you. And thank you all for being here today. Secretary Yellen, I want to discuss with you an issue that I have been working on for a number of years. Five years ago, I brought up the same issue with your predecessor, Secretary Mnuchin, during the same budget hearing. He previously referred to the status quo as untenable during the hearing on talking about access for cannabis banking or cannabis industry, the banking. The discrepancy between federal and state cannabis laws have created a conflict in the department's ability to administer that many areas under its jurisdiction. As a former, prosecutor, I shared his concern about the business having to deal with these huge amounts of cash and not being able to put it in depository institutions for public safety reasons.

Can you tell me what is presently this administration's position on safe banking?

Secretary YELLEN. I think we would potentially welcome legislation in this area that would clarify for banks what their responsibilities are. At present, my understanding is that there is a conflict between federal law outlawing marijuana sales and many state laws. And while I believe that there is not active prosecutions, banking organizations do feel compelled to be in accord with laws. And the fact that marijuana is outlawed by the federal government creates an impediment to their willingness to provide banking services to cannabis firms, and it creates all the problems that you are familiar with. And so I think legislation may be necessary to raise the comfort level that banks have of doing this business.

Mr. HOYER. Mr. Joyce, will you yield a second?

Mr. JOYCE. I will always yield to you, sir.

Mr. HOYER. You are very kind. I agree with Mr. Joyce 100 percent. It is a shame that the Senate has not passed legislation that we passed in the House. We are putting people in a very vulnerable position where they have large amounts of cash. We are encouraging criminals to break into businesses that deal in cannabis. I am neither a user, nor a suggester of using, but the fact of the matter is every state that has voted on it has made it legal. Every state. And I appreciate your work, and, whatever I can do to help you, I am there.

Mr. JOYCE. Thank you very much, sir. So is it fair to say that you share Secretary Mnuchin's concerns and agree that the situation is untenable as—

Secretary YELLEN. I think it is a real problem that would be desirable to have legislation that alleviated this problem.

Mr. JOYCE. Thank you very much. I would be remiss if I did not address Director Young and say I really liked you more when you were on our team.

Ms. YOUNG. I am still on your team.

Mr. JOYCE. One of my other top priorities here is addressing the opioid crisis and the problems that we have had with fentanyl. And as chairman of the Homeland Security Appropriations Committee, the southern border is obviously a grave concern for all of us regarding fentanyl.

Director Young, how does the president's fiscal year 2025 budget request address the fentanyl crisis and seek to change this reality? And is there some type of whole-of-government approach that this administration is working to pursue?

Ms. YOUNG. Mr. Joyce, I got this question from a Democrat this morning in House Budget, from you here. It is one of the places that gets lost in rhetoric of the year on border. When I was here, this is one of the places where there's agreement, and I hope we can find a way to enact the parts of the president's supplemental, certainly, that do deal with fentanyl. And this budget repeats those asks: \$1.2 billion for DHS to stop fentanyl from entering the country. You know the NI equipment everyone says works, we bought a bunch years ago. We don't have money to outfit the land ports of entry to put all of those in. We also need more equipment to put in more land ports of entry.

So we have a technology that works that has not been fully implemented and utilized, and we would love to work with anybody to help get that done.

Mr. JOYCE. With all due respect, something that killed this many kids in our country, and not just kids, adults, as well, we should declare war on. I yield back.

Mr. WOMACK. Thank you. Great hearing. To our panelists, thank you so much. Madam Secretary, always an honor to have you here. Director Young, same to you. Chairman Bernstein, thanks again for your work, as well, and for being here today.

I want to remind members, if you have questions to submit for the record, please do so within seven days. In closing again, let me thank everyone for being here and we look forward to working with all of you as we continue the fiscal year 2025 FSGG appropriations process.

With that, this hearing stands adjourned.

[Whereupon, the subcommittee was adjourned at 4:35 p.m.]

QUESTIONS FOR THE RECORD

Subcommittee on Financial Services and General Government
U.S. House Committee on Appropriations

**Budget and Oversight Hearing – President Biden’s Fiscal Year 2025 Budget
Request and Economic Outlook**
March 21, 2024

Witnesses:

The Honorable Janet Yellen, Secretary, Department of the Treasury
The Honorable Shalanda Young, Director, Office of Management and Budget
The Honorable Jared Bernstein, Chairman, Council of Economic Advisers

Questions for the Record Submitted by Chairman Steve Womack

Question 1

Mature unredeemed debt are savings bonds in the U.S. Department of Treasury that have stopped accruing interest but remain unclaimed. Most of these bondholders are not even aware that they are owed this money from the Treasury. Currently, there is \$30 billion of mature unredeemed debt in the U.S. and \$214 million in my home state of Arkansas. However, the Treasury's proposed rule has prevented States from using the information for the unclaimed property process, which allows States to reach out to bondholders of these funds.

- a. *What is the Treasury Department doing to ensure the mature unredeemed debt is recovered to the proper owners of these bonds?*
- b. *How will the Department ensure that any rulemaking related to Mature Unredeemed Debt will not restrict the ability of states to publicize necessary information for the bondholders to claim their property?*

Answer: Under the proposed regulations, states may use the savings bond information provided under the program to locate savings bond owners, notify them of their bond status, and direct them to Treasury to redeem their bonds should they choose to do so, as expressly authorized in the SECURE 2.0 Act.

In order to make records more accessible and searchable, Treasury began digitizing savings bond records in 2020. To date, all savings bonds records from October 1957 through 1993 have been digitized. Treasury is currently evaluating the possibility of digitizing the remaining savings bonds records, from the 1935 through September 1957 time period.

These records have become more accessible to savings bond owners through Treasury's public online search tool, Treasury Hunt. An upgrade was completed in August 2023 which allows additional data points to be used during the searches (e.g., name, co-owners, and complete bond registration information). The tentative results include all savings bonds (not just MUD bonds) and marketable securities from legacy systems, paper accrual bonds, and current income bonds (when available). Since the launch of the upgrade, there have been over 2.3M searches and over 600K matches.

Market research has shown that redeeming savings bonds is customer-driven, meaning savings bond owners are aware they have a bond(s) and choose not to redeem them due to various reasons (e.g., tax consequences or low value of the bond, as most MUD customers have bonds valued at \$150 or less); however, Treasury is taking large measures to bring awareness to unredeemed savings bonds.

From 2021-2023, Treasury conducted outreach through letters and emails to specific groups of bond owners, which resulted in over \$280M in redemptions across over 970K savings bonds.

In 2024, Treasury partnered with a vendor and launched an outreach campaign which involved:

- Running Google Ads.
- Posting on social media (LinkedIn, Facebook, and X).
- Conducting data matching with Veterans Affairs:
 - 2021 – identified over 722K veterans (and spouses/dependents) holding approximately 3.9 million matured savings bonds. To date, over 527K MUD bonds worth more than \$209M have been redeemed by these customers.
 - In February 2024, over 947K veterans (and spouses/dependents) are holding over 4.5M matured bonds.
 - Mailed over 742K letters to these customers.
- Delivering over 113K emails to TreasuryDirect customers with MUD (two more emails will be sent this summer).
- Additional emails and letters will be sent this summer.

Question 2

Privacy is a core priority that our nation protects. Yet, with rulemakings like beneficial ownership at FinCEN, agencies are gathering more and more personally identifiable information on American citizens.

- a. *Do you have concerns with requiring comprehensive and burdensome beneficial ownership reporting on millions of businesses after a federal court has recently ruled that the Corporate Transparency Act (CTA) is unconstitutional? Does Treasury intend to make any modifications to the regulations or implementation of CTA to comply with the Court decision?*

Answer: Treasury remains committed to safeguarding the U.S. financial system from threats posed by illicit actors and advancing the transparency principles embodied in the CTA. For too long, criminals and other illicit actors have been able to use corporate structures such as shell and front companies to obfuscate their identities and launder their ill-gotten gains through the U.S. financial system. Not only do those illicit activities undermine U.S. national security, but they also threaten U.S. economic prosperity: shell and front companies can shield beneficial owners' identities and allow criminals to illegally access and transact in the U.S. economy, while creating an uneven playing field for small U.S. businesses engaged in legitimate activity. Congress passed the CTA to address the risks posed by such activities, and as implemented, the CTA is – and remains poised to be – an important means of safeguarding U.S. national security and the U.S. financial systems.

Treasury is disappointed by the district court's ruling in *National Small Business United v. Yellen*, No. 5:22-cv-01448 (N.D. Ala.), and the Department of Justice, on behalf of Treasury, has appealed that ruling. While that appeal is pending, Treasury is complying with the district court's order not to enforce the CTA against the plaintiffs in that litigation and will continue to do so as long as the order remains in effect. Treasury will otherwise continue to fully implement the CTA, in accord with its statutory obligations.

- b. *Given previous infiltrations in the Department, how is Treasury ensuring personally identifiable information is protected and will not fall into the hands of malicious actors?*

Answer: The CTA directs the Secretary of the Treasury to maintain beneficial ownership information “in a secure, nonpublic database, using information security methods and techniques that are appropriate to protect nonclassified information security systems at the highest security level.” FinCEN is implementing this requirement by receiving, storing, and maintaining beneficial ownership information in a secure IT system. Consistent with the CTA's requirement and FinCEN's recognition that beneficial ownership information is sensitive information warranting stringent security, the system is accredited at a Federal Information Processing Standard (FIPS) 199 High impact rating. A FIPS High impact rating carries with it a requirement to implement certain baseline controls to protect the relevant information, which FinCEN has implemented. System functionality varies by recipient category consistent with statutory requirements, limitations on BOI disclosure, and FinCEN's objective of minimizing access to the data as much as practicable to minimize the risk of unauthorized disclosure.

Question 3

Secretary Yellen, the proposed budget indicates the Administration wants to “continue improving service for taxpayers who are just trying to pay what they owe.” Given that, the ETAAC (Electronic Tax Administration Advisory committee) made a number of recommendations in its 2023 report to Congress to improve tax administration and taxpayer services. Recommendation #12 in the report is for the IRS to “make tax information documents digitally available in real-time, empowering taxpayers to easily export their tax data...”.

- a. *Do you agree with the recommendation and the benefits this would have for taxpayers?*

Answer: Taxpayers are able to access their digital tax information through their [individual online account](#) on irs.gov, which includes key data from their most recently filed tax return, prior year tax returns, digital copies of certain notices, and (if applicable) information about Economic Impact payments or advance Child Tax Credit payments.

- b. *Are there any impediments that would prevent the IRS from implementing these recommendations? Does IRS have the authority now to implement?*

Answer: IRS has the requisite authorities to provide taxpayers with digital tax information.

c. Can you commit to prioritizing this service for taxpayers?

Answer: Improving the overall taxpayer experience, including digital access to tax information, is a priority in the IRA Strategic Operating Plan (SOP). Thanks to Congress, IRA funding has enabled IRS to deliver new features to individual online account each quarter.

d. Some experts have opined that such a modernization effort could be done for no more than \$5M. Would you agree? Could this cost be covered by funds allocated for modernization?

Answer: I am not familiar with the expert analysis and therefore would not be able to comment.

Questions for the Record Submitted by Congressman David Joyce

Question 1

The CHIPS Act, which received bipartisan support in Congress, encourages the growth of the U.S. semiconductor industry through both grant funding and tax incentives. While grants are being provided more broadly, the proposed regulations under the tax credit in Section 48D are narrower, potentially excluding certain industries involved in the semiconductor supply chain.

Before issuing any more final regulations related to Section 48D eligibility, what steps is the Department taking to ensure harmony between the grants and the tax credits provided by the CHIPS Act to incentivize optimal investments in the domestic semiconductor industry?

Answer: In the Notice of Proposed Rulemaking (NPRM) issued in March 2023, Treasury asked for comment on the scope of the CHIPS investment tax credit. The Treasury Department and the IRS are continuing to consider comments and testimony received in response to the NPRM and are working to publish final regulations. The Departments of Commerce and Treasury are coordinating closely on the investment tax credit to ensure that incentives are complementary and advance our shared economic and national security goals.

Question 2

In the Notice of Proposed Rulemaking (NPRM) issued in March 2023, Treasury asked for comment on the scope of the CHIPS investment tax credit. The Treasury Department and the IRS are continuing to consider comments and testimony received in response to the NPRM and are working to publish final regulations. The Department of Commerce and Treasury are coordinating closely on the investment tax credit to ensure that incentives are complementary and advance our shared economic and national security goals. Both the grants and Section 48D establish prohibitions that could lead to the recapture of the grant or tax credit if violated; however, it is unclear how consistently these rules will be administered and enforced by the different agencies.

As a part of the CHIPS grant program, companies receiving a grant will negotiate and sign a grant agreement that clearly establishes the baseline of existing activities, ongoing joint research or technology licensing, and any planned or ongoing construction, expansion, or modernization in a country of concern. The 48D program has a broad set of rules regarding such activities in a country of concern.

For CHIPS Act programs, how is the Department working with the Department of Commerce to ensure consistency in agency protocols and enforcement of the guardrails established related to countries of concern, especially for those entities that may seek a Section 48D tax credit as well as grant funding from the Department of Commerce?

Answer: Please see answer above.

Question 3

In December 2023, the IRS and U.S. Department of the Treasury released guidance detailing proposed rules to qualify for and claim a new clean hydrogen tax credit, established under Section 45V of the Inflation Reduction Act of 2022. Treasury received tens of thousands of comments on the proposed rule before the deadline of February 26, 2024.

How is the Department communicating transparently with industry stakeholders who had hoped to take advantage of the tax credit but may no longer be eligible under the proposed rules? Are there additional steps that those entities should be taking during this process, in advance of a final rule being published, to communicate their position to the Department?

Answer: Input from the public has been an integral part of the IRA implementation process, and Treasury has engaged extensively with stakeholders throughout. The proposed regulations were aimed at providing the clarity and certainty for industry while ensuring environmental safeguards rooted in the statute. The Notice of Proposed Rulemaking specifically invited comment on numerous issues. As you note, Treasury and IRS received nearly 30,000 comments on the section 45V proposed regulations. Treasury and IRS also held a three-day public hearing on March 25-27 to enable additional public input. We are reviewing the public comments on the proposed regulations and will carefully consider those comments as we work to issue final regulations.

Question 4

In December 2023, the IRS and Department of the Treasury issued a new proposed rule for the “Advanced Manufacturing Production Credit” established under Section 45X of the Inflation Reduction Act of 2022, which includes regulations on eligibility and credit values for a new tax incentive for domestic production of critical minerals and electrode active material. The statutory credit value for the tax credit was set at 10% of production cost.

What steps has the Department taken to ensure it is complying with statutory requirements in its proposed regulations for Section 45X, especially regarding the tax credit value for the domestic production of critical minerals and electrode active material?

Answer: Recognizing the importance of the domestic extraction industry and that a wide range of costs are incurred in the production of electrode active materials and critical minerals, the Treasury Department and the IRS have requested comments on whether and how extraction costs and other similar value-added activities in the production of raw materials used in critical minerals and electrode active materials should be taken into account. The Treasury Department and the IRS have requested comments on whether and to what extent these costs could be included while minimizing administration challenges and risks of crediting the same production costs multiples times and other risks related to fraud, waste, and abuse. We are committed to carefully considering feedback on the proposed regulations before issuing final rules.

Question 5

Since 2022, the Office of Terrorism and Financial Intelligence (TFI) has issued more than 2,500 Russia-related sanctions designations and, alongside international partners, immobilized at least \$280 billion of Russian sovereign assets.

The FY25 Budget requests \$230.5 million to TFI to expand Treasury's capacity to conduct sanctions-related economic analysis. In addition to continuing to target Russia, the budget indicates a focus on sanctions on key Hamas terrorist group members and financial facilitators in Gaza. In 2024, the Treasury Department has also imposed sanctions on individuals affiliated with the Houthis because of their continued targeting of commercial shipping.

Given the significant increase in U.S. sanctions in recent years, have certain sanctions programs been de-prioritized as others have ramped up? How is the Department balancing these various sanctions programs and enforcement priorities with its finite resources?

Answer: Treasury is grateful for the resources allocated to the Office of Terrorism and Financial Intelligence (TFI) in FY 2024. To meet the national security emergencies as well as recent mandates from Congress in the National Security Supplemental, Treasury welcomes any additional resources requested in the FY 2025 President's Budget. Sanctions are a critical tool for addressing the crises in Ukraine and the Middle East, as well as priorities in the Western Hemisphere, such as fentanyl and migration, among many other issues. Further increases in the use of sanctions may require additional funding or necessitate the prioritization of work under new and existing sanctions programs. Among other important priorities, additional funding would better enable OFAC to more quickly investigate and resolve enforcement cases, evaluate and resolve license applications, promptly adjudicate delisting petitions, and respond to questions from the public.

Questions for the Record Submitted by Congresswoman Ashley Hinson

Question 1

As you know, the American Rescue Plan Act provided \$350 billion for the Coronavirus State and Local Fiscal Recovery Fund and allowed dollars to be available until the end of 2024. The week of Thanksgiving, the Department issued an interim final rule to amend the definition of “obligation,” a significant change that could allow billions in taxpayer dollars to go out the door far later than they were intended to be available.

Why was the Treasury’s rule an interim final rule rather than following the normal notice and comment process?

What justified this extraordinary process?

Answer: In response to recipient requests for greater clarity about the definition of “obligation” and how to meet the obligation deadline of December 31, 2024, in November 2023 Treasury issued an interim final rule (the Obligation IFR). The rule did not alter the existing obligation or expenditure deadlines or expand eligible categories of use. It clarified the definition of obligation to ensure that projects administered under agreements with subrecipients or governmental agencies – whether sheriff departments, workforce boards, community colleges, or local housing authorities – were not disadvantaged relative to those administered by contractors and helped ensure that recipients could execute proper oversight and meet program requirements such as reporting, compliance, and record retention requirements in the period after the obligation deadline.

Consistent with past interim final rules (IFRs) issued for the State and Local Fiscal Recovery Funds (SLFRF) program, the Obligation IFR was effective immediately upon publication, allowing recipient governments sufficient time to complete their internal budgeting processes to meet the statutory deadline to incur costs by December 31, 2024. Compliance with the Administrative Procedure Act is addressed in section IV of the supplementary information to the Obligation IFR.

Also consistent with past IFRs issued for the SLFRF program, the Obligation IFR had a public comment period. Treasury received over 100 public comments on the Obligation IFR from state and local governments, associations, congressional offices, and other interested parties. After thoroughly considering the public comments received, Treasury updated the Frequently Asked Questions for the SLFRF program to provide further clarification about the obligation requirement. This guidance addressed many of the issues raised in the public comment letters.

Question 2

One of my top priorities in Congress is to advocate for Iowa taxpayers and working families and ensure that their tax dollars are being used responsibly and supporting Iowans' priorities. Despite efforts from Congress to rein in improper payments, they continue to be a significant source of waste for federal taxpayer dollars.

Is Treasury compliant with the requirements of the Payment Integrity Information Act of 2019 (PIIA) and Improper Payments Elimination and Recovery Act of 2010 (IPERA)?

Answer: Treasury is not fully compliant with the requirements of the PIIA (Note: IPERA was repealed by the PIIA). In its report dated May 29, 2024, the Treasury Office of Inspector General (OIG) concluded that, among other things, Treasury was not in compliance with PIIA because the Internal Revenue Service (IRS) did not report an improper payment rate of less than 10 percent for four of its refundable tax credit (RTC) programs identified as susceptible to significant improper payments, of which three of these programs have been non-compliant for four or more years: (1) Earned Income Tax Credit; (2) Additional Child Tax Credit; and (3) American Opportunity Tax Credit.

Why has Treasury failed to ever achieve compliance?

Answer: These improper payments are the result of factors beyond the IRS's control, such as the statutory design of the RTCs, the complexity of the eligibility requirements, the reliance on taxpayers' self-certification of the accuracy of their returns, and the lack of third-party data for verification. The statutory eligibility rules, which are intended to target the RTCs to low-income taxpayers (mainly those with children), are such that the IRS must rely on self-certified, taxpayer-provided information that cannot be verified at the time of filing. These factors make it nearly impossible to verify key eligibility requirements prior to issuing payment to the taxpayer.

Reducing required RTC overclaims will require legislative changes (as we have proposed directly and in past budget requests). However, while the various proposals for legislative change would make it easier for the IRS to correct obvious claim errors, it would still not enable the IRS to verify all eligibility requirements before making payments because the IRS simply does not have the required information. Notwithstanding the need for legislative changes, the IRS continues to engage in numerous efforts to help taxpayers and preparers comply with the RTC related requirements. These efforts include conducting EITC Awareness Day events to provide information to communities and taxpayers around the nation on the credit and how to claim it properly; mailing EITC Compliance Letters to taxpayers, which makes them aware of potential errors on their credit claims and provides them the option to amend their returns or adjust their filing behavior for subsequent tax years; and holding Nationwide Tax Forums and several Refundable Credit Summits, which provide tax professionals with the latest information on RTCs to reduce errors, help increase taxpayer participation in tax credits, and improve tax credit administration.

Treasury and IRS have long held that RTC refunds that result in overclaims should not be reported under the improper payments framework. Rather, they are more appropriately addressed in the Tax Gap analysis reported in Treasury's Agency Financial Report each year. The IRS's tax gap estimate and framework better equip the IRS to analyze and address noncompliance throughout the federal tax system. Focusing enforcement resources on the larger tax gap is a more efficient and cost-effective way to minimize the tax gap and maximize tax collections.

Question 3

The Community Development Financial Institution (CDFI) Fund has recently modified and released its Certification Application. Many credit unions and others who have waited to become certified are beginning to evaluate their ability to qualify and recertify. While the Fund provided flexibility and clarity to ensure that organizations that should be able to certify can, not all issues have been addressed.

Credit unions in my district have raised significant concerns regarding the legality of this requirement and asked for governmental support to lend credibility in requesting that information, such as model form or signage to clarify the reason for the request. Treasury has indicated that it would coordinate with the other financial regulators to provide clarity regarding the legal and compliance risk related to the information collection. However, the CDFI Fund has finalized the requirement to obtain the data without providing any clarity or support.

What steps are your Department and the Fund taking to provide clarity and support to affected credit unions to ensure that they can comply with these new requirements?

Answer: On December 7, 2023, the Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund) released a revised Community Development Financial Institution (CDFI) Certification Application. CDFI Certification is required to participate in various CDFI Fund programs. CDFI Certification also opens the door to other federal resources as well as state and local governmental, philanthropic, and private sector investment.

With nearly 1,500 CDFIs headquartered in all 50 states, the District of Columbia, Guam, and Puerto Rico that have total assets in excess of \$300 billion, the significance and importance of CDFI Certification has grown substantially since the first organizations were certified as CDFIs, almost 30 years ago.

The revised Application was finalized and approved by the Office of Management and Budget (OMB), after an extensive process of public engagement that took place over seven years and reflects the careful consideration the CDFI Fund gave to all of the public comments. All of the comments, through the multiple rounds of public comment, were thoroughly reviewed and considered by the CDFI Fund.

Upon its release, numerous national associations representing CDFIs, including credit unions, thanked the CDFI Fund for their thoughtful consideration of stakeholder feedback and supported many of the updated provisions.

The CDFI Fund has provided a series of ongoing training opportunities, including specifically for credit unions seeking to become a Certified CDFI or retain their Certification status, giving step-by-step information on the revised CDFI Certification Application. Additionally, the CDFI Fund is regularly responding to individual inquiries submitted by organizations with questions about the revised CDFI Certification Application, which is also supported by a host of guidance information.

The CDFI Fund and the Department of the Treasury continue to encourage feedback from interested stakeholders.

Question 4

In mid-November, Treasury issued draft regulations pertaining to donor-advised funds (DAFs), which are an important tool used by community foundations to grow local philanthropy. Iowa has several community foundations, including foundations in Cedar Rapids and Dubuque, which serve my district.

My understanding is that the process for revising regulations at Treasury after receiving public comments is, if the regulations are narrowed, Treasury can move right to final regulations without another round of public comments; but if the regulations are broadened, another round of draft regulations would be forthcoming.

Given how important these definitional regulations are to the business model of community foundations, would you commit to another round of draft regulations and public comment regardless of how the regulations are revised?

Answer: Section 4966, regarding certain excise taxes on donor advised funds (DAFs), was added to the Internal Revenue Code (Code) by the Pension Protection Act of 2006. It generally applies to certain organizations described in § 170(c), including community foundations and other charitable organizations, that maintain one or more DAFs, and to other persons involved with the DAFs, including donors, donor-advisors, related persons, and certain fund managers.

As you note, in November 2023, the Treasury Department released a notice of proposed rulemaking (NPRM) that defined terms needed to apply the tax, including DAF, donor, donor-advisor, and advisory privileges; defined exceptions to DAFs; and provided guidance regarding taxable distributions and the exceptions to taxable distributions. The proposed regulations requested comments on all aspects of the proposed rules, including the definitions of DAF, donor advisor, and taxable distribution.

The comment period was open until January 16, 2024. We received over 150 written comments and held two days of public hearings on May 6 and 7, 2024, at which 44

commenters spoke. We will carefully consider all of this feedback in drafting the final regulations, including but not limited to considering whether to repropose any or all of the proposed regulations.

Questions for the Record Submitted by Congressman Michael Cloud

Question 1

On January 12, 2024, the IRS released a statement¹ stating that the total amount of recoveries from wealthy individuals as a result of the enhanced resources provided to the IRS was \$520 million. The reported \$520 million is only a fraction of the revenues CBO had projected² would be collected in FY23 and 24.

- a. *Please provide a specific accounting of all additional recoveries exclusively attributable to the enhanced funding provided in the Inflation Reduction Act. Actual recoveries should be reported by the initiative undertaken and by the month the revenue was collected.*

Answer: The IRS has ramped up efforts to pursue high-income, high-wealth individuals who have either not filed their taxes or failed to pay recognized tax debt, with dozens of revenue officers focused on these high-end collection cases. These efforts are concentrated among taxpayers with more than \$1 million in income and more than \$250,000 in recognized tax debt. In an initial success, the IRS collected \$38 million from more than 175 high-income earners. The IRS last fall began contacting about 1,600 new taxpayers in this category that owe hundreds of millions of dollars in taxes, with over \$482 million collected so far. This brings the total recovered from millionaires through these new initiatives to the \$520 million reported in the January 2024 statement.

- b. *In February 2022, Treasury released a report³ claiming enhanced IRS resources could recover even more than was previously estimated. However, this report cited no actual data from the IRS's actual collections using enhanced resources. Why did Treasury release a report citing only theoretical models rather than basing analysis on actual recent experience? Is it because actual revenue collections are falling short of projections?*

Answer: In February 2024, Treasury and the IRS released new analysis showing the high return on the IRA investment in rebuilding the IRS. These new estimates were a first step in developing more comprehensive revenue estimates for IRS funding. Previous IRS estimates of IRA revenues were limited to revenues generated by direct enforcement activities resulting from higher enforcement staffing. This narrow focus does not capture the full range of ways that the technology, data, and service improvements made possible by the IRA will increase revenues. A full accounting of the revenue raised by this transformation requires a more comprehensive examination of the potential revenue impacts of higher funding. The new estimates represent an important step forward and highlight the need for additional research. Treasury and the IRS will continue to study these issues and encourage outside research on these important topics as well.

¹ <https://www.irs.gov/newsroom/irs-ramps-up-new-initiatives-using-inflation-reduction-act-funding-to-ensure-complex-partnerships-large-corporations-pay-taxes-owed-continues-to-close-millionaire-tax-debt-cases>

² <https://www.cbo.gov/publication/58366>

³ <https://www.irs.gov/pub/irs-pdf/p5901.pdf>

The analysis compiled data and research findings from several sources to put together more comprehensive revenue estimates, including data on revenues from IRS enforcement and academic research on deterrence, among others. Notably, the IRS's method for estimating revenues from enforcement leverages a decade's worth of direct enforcement revenue data to derive a revenue per FTE estimate, using a 10-year weighted average that places greater weight on recent years than older ones. This approach minimizes the influence of outliers or abnormal events from specific years.

- c. *On March 11, 2024, TIGTA released a report⁴ evaluating IRS's activities related to the enhanced resources. TIGTA reported that only 33 percent of the milestones expected to be completed in FY23 were actually completed. TIGTA further reported "external applications that have been received are far below the IRS targeted goal and there is an overall shortage of individuals with the desired background and experience, which has created further challenges in hiring." Government Executive recently reported⁵ that "despite its new funding, revenue agent staffing had actually decreased by 8%, or more than 650 employees, between the end of fiscal 2019 and March 2023. IRS had planned to bring on 3,833 revenue agents in fiscal 2023, but in the first six months officials had recruited just 34." If implementing the Inflation Reduction Act is such a priority for the Administration, why are these efforts falling so short of expectations?*

Answer: The IRS was on a year-long hiring pause for revenue agents during much of 2023 to correct issues identified in an Office of Personnel Management audit. Following the reopening of revenue agent hiring in September 2023, the IRS has seen significant growth in the Revenue Agent population with a robust number of hires in the pipeline.

- d. *For each of the tax years 2021 and 2022, please report the number of IRS audits of individuals by income decile.*

Answer: Audit rates by income are reported in the IRS Data Book, which is available on the IRS website. Audit rates are presented as a "snapshot" in time of the examination process, and the data will continue to change as open examinations close and new ones are opened. Some audits close within a year while others take several. The percentage of audits of returns filed for relatively recent tax years may appear low because as of the end of the fiscal year, relatively few examinations had been opened or closed yet. This reflects the normal timing of the audit process; as new audits of returns filed for recent tax years are opened, audit rates for those years will increase. In contrast, audit rates are less subject to change for returns filed for tax years that are past the normal statute of limitations for assessment. Generally, the assessment statute expiration date is 3 years after the return was due, or 6 years if the income on the return was understated by 25 percent or more, and there is no statutory limit if a tax return was filed with the intent to

⁴ <https://www.tigta.gov/reports/inspection-evaluation/inflation-reduction-act-continued-assessment-transformation-efforts>

⁵ <https://www.govexec.com/workforce/2024/03/applications-revenue-generating-irs-jobs-are-far-below-agency-goals/394987/>

commit fraud. Tax Year 2019 was the most recent year outside of the normal statute period at the time the FY23 Data Book was published. The FY23 Data Book contains partial data for audits through Tax Year 2021.

Question 2

Please define the terms “obligated” and “unobligated” with respect to the status of appropriated budget authority.

Answer: An obligation exists when the standard set forth in 31 U.S.C 1501(a) is satisfied.

- a. *In Treasury’s communications with any Legislative Branch agency, including the Congressional Appropriations Committees, other committees, individual Members of Congress, the Congressional Budget Office, or the Government Accountability Office, has Treasury described the status of any budget authority as “obligated” or “unobligated” using a different understanding or definition of those terms than the definition provided in response to the question above?*

Answer: Treasury regularly reports on obligations consistent with the definition above.

- b. *Has Treasury described the status of any appropriated budget authority using a term or concept other than “obligated” or “unobligated”? Please describe the legal foundations for any such concept.*

Answer: Treasury regularly reports on obligations consistent with the definition above.

Question 3

Regarding the Coronavirus State and Local Fiscal Recovery Fund (SLFRF), what is the total amount that have been used to provide cash or noncash assistance to undocumented immigrants, including facilities that could be used to shelter undocumented migrants? Please describe each such project.

Answer: As directed by statute, the State and Local Fiscal Recovery Funds (SLFRF) program distributed funds directly to state, local, territorial, and Tribal governments to support their response to and recovery from the COVID-19 pandemic. Recipients must comply with Treasury guidance about the [eligible uses](#) of SLFRF funds as they invest these funds to address the unique needs of their local communities. Treasury publishes recipients’ Project and Expenditure data quarterly (as a dashboard and excel spreadsheet) on its [website](#) under “News & Program Updates” where projects are searchable by recipient.

- a. *How many SLFRF projects have reported serving zero households? Please describe each such project. Why were any such projects serving zero households approved?*

Answer: Treasury does not pre-approve SLFRF projects and works with recipients to help them understand how to report their use of SLFRF funds in compliance with Treasury guidance. Treasury publishes the Project and Expenditure data quarterly (as a dashboard and excel spreadsheet) on its website under “News & Program Updates” where projects are searchable by recipient. All of the past quarterly dashboards can be found on the Public Data section of the SLFRF website. Treasury publishes the Project and Expenditure data quarterly (as a dashboard and excel spreadsheet) on its under “News & Program Updates” where projects are searchable by recipient. All of the past quarterly dashboards can be found on the Public Data section of the SLFRF website.

“Number of households served” is currently a reporting field for eight expenditure categories out of more than 100 in Treasury’s reporting guidance. As of March 31, 2024, there are 376 projects (of more than 136,000 total projects) that have “0” entered into that reporting field. As discussed in the 2022 Final Rule, recipients may demonstrate a negative economic impact on a population or group, referred to as a “class,” and provide eligible assistance to households that fall within that class. In this case, recipients are not required to report the number of households served by the project, and may enter “0” to indicate that the reporting field is not applicable.

- b. *Why was the Treasury’s rule of November 20, 2023, entitled “Coronavirus State and Local Fiscal Recovery Funds,”⁶ promulgated as an interim final rule rather than following the normal notice and comment process? What justified this extraordinary process?*

Answer: In response to recipient requests for greater clarity about the definition of “obligation” and how to meet the obligation deadline, in November 2023 Treasury issued an interim final rule (the Obligation IFR). Consistent with past interim final rules (IFRs) issued for the State and Local Fiscal Recovery Funds (SLFRF) program, the Obligation IFR was effective immediately upon publication, allowing recipient governments sufficient time to complete their internal budgeting processes to meet the statutory deadline to incur costs by December 31, 2024. Compliance with the Administrative Procedure Act is addressed in section IV of the supplementary information to the Obligation IFR.

Also consistent with past IFRs issued for the SLFRF program, the Obligation IFR had a public comment period. Treasury received over 100 public comments on the Obligation IFR from state and local governments, associations, congressional offices, and other interested parties. After thoroughly considering the public comments received, Treasury updated the Frequently Asked Questions for the SLFRF program to provide further clarification about the obligation requirement. This guidance addressed many of the issues raised in the public comment letters.

⁶ <https://www.federalregister.gov/documents/2023/11/20/2023-25067/coronavirus-state-and-local-fiscal-recovery-funds>

- c. *What is the current status of SLFRF funds, both at the federal as well as the state and local level? What is the Treasury's spending plan?*

Answer: 99.99% of SLFRF funds are in the hands of recipients, and recipients must obligate those funds for eligible uses by December 31, 2024. Treasury will continue to provide resources throughout 2024 to help SLFRF recipients understand how to meet the obligation deadline of December 31, 2024. Treasury publishes the Project and Expenditure data quarterly (as a dashboard and excel spreadsheet) on its [website](#) under “News & Program Updates” where projects are searchable by recipient. All of the past quarterly dashboards can be found on the [Public Data](#) section of the SLFRF website.

- d. *How much of the remaining SLFRF funds has been obligated and how much has not been obligated? How much has been obligated but not expended (both by Treasury, as well as by state and local governments)?*

Answer: Treasury has obligated and distributed 99.9% of SLFRF funds to eligible state, territorial, local, and Tribal governments across the country. Recipients must obligate those funds for eligible uses by December 31, 2024. Recipients must expend all SLFRF funds by December 31, 2026, except for projects under the Surface Transportation and Title I eligible use categories, for which funds must be expended by September 30, 2026. Information about the progress of the more than 30,000 recipient governments in obligating and expending their SLFRF allocations can be found online on Treasury’s [dashboard](#) of recipients’ Project and Expenditure data, which can be searched for by recipient and projects.

Question 4

There have been numerous reports about potential problems underpinning the market for U.S. Treasury debt. Last November, the Treasury Borrowing Advisory Committee reported that “There is a view among market participants that the growing imbalance between supply of and demand for US Treasury debt may also have contributed to the sell-off.”

- a. *How does the Administration view the current market conditions for U.S. debt?*

Answer: The U.S. Treasury market is the deepest, most liquid securities market in the world and demand for U.S. Treasuries remains robust.

- b. *Does the Administration agree with the assessment of the Treasury Borrowing Advisory Committee that the supply of federal debt is excessive?*

Answer: When judging the sustainability of the U.S. fiscal path, one can look at the interest that Treasury pays on its debt in real or inflation adjusted terms. OMB is projecting real net interest costs of between 1 and 2 percent of GDP, which is manageable.

- c. *What plans does the Administration have in place if market signals indicate further issues related to demand for U.S. debt?*

Answer: The President's budget puts forward fiscal plans that will keep the deficit manageable --- with more than \$3 trillion of deficit reduction over the next decade --- and keep real net interest costs well below 2 percent of GDP.

Question 5

In October 2022, the Department of Justice announced that it was charging five current or former IRS employees fraudulently obtained funds via the Paycheck Protection Program (PPP) and Economic Injury Disaster Loan (EIDL) Program, federal programs created to provide relief to business owners in response to the COVID-19 pandemic.⁷ The employees reportedly used the stolen funds for "cars, luxury goods, and personal travel, including trips to Las Vegas." All five have since been convicted.

- a. *Are any of these individuals still employed by the IRS or the Department of the Treasury?*
- i. *If so, has any disciplinary action been taken against them? If not, why not?*
- ii. *Please provide the date of termination for any whose employment has been terminated.*
- b. *Are any of these individuals receiving any federal employment benefits, including but not limited to pensions or retirement benefits?*

Answer: None of these individuals is currently employed with the Department of the Treasury. I would refer you to the IRS for any further information that can be shared, consistent with legal restrictions such as the Privacy Act.

Question 6

The Debt Collection Improvement Act of 1996 (31 U.S.C. § 3716(c)(6)) requires agencies to notify and refer to Treasury any debts that are delinquent by 120 days or more for purposes of administrative offset and centralized collection. This section further requires Treasury to notify Congress of any instances in which an agency fails to notify the Secretary of all legally enforceable nontax debt that is over 120 days for purposes of administrative offset. A November 2023 report by the Small Business Administration's (SBA) Office of Inspector General found that "The SBA did not refer delinquent loans to the Treasury for collection within the required timeframe. Management identified and communicated that over one million COVID-EIDLs and 16,814 PPP loans were noncompliant with DCIA requirements for the fiscal year ended

⁷ <https://www.justice.gov/opa/pr/five-current-or-former-irs-employees-charged-defrauding-federal-covid-19-relief-programs>

September 30, 2023.”⁸ Despite this, Treasury has yet to notify Congress as required and Fiscal Year 2023 Treasury reporting still inaccurately indicates 100% SBA compliance.

- a. *Why has Treasury failed to correct inaccurate reporting on its 120 Day Delinquent Debt Referral Compliance Report for SBA and failed to fulfill congressional reporting requirements on this matter?*

Answer: Treasury relies on the data submitted by each agency, including SBA, in the quarterly Treasury Report on Receivables (TROR) to report on agency compliance with the 120 day offset referral requirement. In the case of SBA, like other agencies, Treasury’s compliance reporting relied on the TROR data that SBA reported to Treasury and that SBA certified as accurate.

Question 7

In December 2023, SBA reversed its previous decisions to cease collections on COVID-19 Economic Injury Disaster Loans (EIDLs) and Paycheck Protection Program (PPP) loans with outstanding balances of under \$100,000⁹ and announced that it would begin referring such borrowers in default to Treasury.

- a. *Since this announcement, what is the total dollar amount and number of loans that SBA has referred to Treasury as a result of SBA’s reversal of its policy decision to end collections on loans under \$100,000?*

Answer: As of September 15, 2024, the total number of COVID EIDL debts referred to TOP and Cross Servicing is 942,496, totaling \$60,829,869,494.36. The total number of PPP loans referred to TOP and Cross Servicing is 374,381, totaling \$6,536,111,153.23.

- b. *What amount of funds have been recovered to date as a result of this policy change?*

Answer: Of the COVID EIDL debts referred to TOP and Cross Servicing, \$136,362,873.64 have been collected as of September 15, 2024. Of the PPP debts referred to TOP and Cross Servicing, \$7,871,217.35 have been collected as of September 15, 2024.

- c. *What is the amount of payments that borrowers have made on loans with previously forgone collections following this policy change?*

Answer: Treasury does not have information on collections made outside of the Cross-Servicing program and Treasury Offset Program.

⁸ See pg. 26, <https://www.oversight.gov/sites/default/files/oig-reports/SBA/SBA-OIG-Report-24-03.pdf>

⁹ <https://www.washingtonpost.com/business/2023/12/28/sba-eidl-loans-debts/>

Questions for the Record Submitted by Congresswoman Norma Torres

Question 1

Secretary Yellen, thank you and the Treasury Department for your pivotal work on sanctions around the world. As you are aware, I am deeply concerned about the future of democracy and the rule of law in the Northern Triangle particularly. During an attempted coup last year, corrupt actors sought to stop the peaceful transfer of power of the President. The Treasury Department's sanctions on corrupt actors played a vital role in our commitment to supporting the people of Guatemala, not propping up wannabe dictators. Sanctions are key to fighting MS-13 criminal networks that stretch into our backyards as well and fighting our opioid epidemic.

- a. *What is the Treasury's strategy, in connection with the interagency, to engender behavior change in the Northern Triangle, with sanctions as one tool? What are the plans to provide an off-ramp option to sanctions to facilitate behavior change?*

Answer: At the Summit for Democracy in December 2021, President Biden released the first-ever United States Strategy on Countering Corruption, in which the Treasury Department plays a key role. As the United States works to implement this Strategy, the Treasury Department is focused on addressing the United States' own AML/CFT vulnerabilities that corrupt officials and other illicit actors, including those in the Northern Triangle region, take advantage of to launder or store money through the U.S. and international financial systems. To do this, Treasury is pursuing an ambitious anti-corruption agenda.

First, we are gathering and synthesizing key information to best understand and address corruption. We are also bolstering reporting on the beneficial ownership of legal persons and on real estate transactions that law enforcement and other authorities can use in financial investigations.

Second, we are closing policy and regulatory gaps based on that analysis, including through our implementation of the Corporate Transparency Act. We're focused on curbing the ability of criminals to hide their identities behind corporate structures and to launder illicit proceeds through real estate. We're also working to understand and address the illicit finance risks posed by gatekeepers to the U.S. financial system like investment advisers, lawyers, and accountants, and we are working with international bodies, like FATF and GAFILAT (the Latin American Financial Action Task Force, of which Northern Triangle countries are members), to increase the focus on corruption-related risks.

Third, and specific to Central America, Treasury is increasing its private sector engagement in the United States and in Central America on anti-corruption matters. For example, earlier this June, Treasury co-hosted the 9th Central American Banking Dialogue (CABD) with Guatemalan counterparts from the Banking Superintendency. This annual forum enables bank supervisors, regulators, financial intelligence authorities, and private sector representatives from across the region to directly engage on issues

related to correspondent banking, focused in particular on measures to enhance AML/CFT frameworks as a means of increasing the confidence of U.S. and other foreign banks in maintaining or opening correspondent banking relationships. This year's agenda included a session dedicated to anti-corruption initiatives taking place both in the private and public sector.

Fourth, Treasury is using bilateral engagement to capitalize on credible commitments from countries in the region to strengthen and prioritize their own anti-corruption and AML/CFT reforms. For example, in May, a Deputy Assistant Secretary traveled to Guatemala to meet with leaders of their Ministry of Finance and National Commission Against Corruption to reinforce and support constructive work on illicit finance issues tied to corruption.

Fifth, we are employing enforcement tools, such as sanctions pursuant to the Global Magnitsky program, to target specific corrupt persons and entities. These actions demonstrate the United States' commitment to ensuring that corrupt actors face accountability for their actions.

b. Does El Salvador's crypto regime facilitate illicit financing?

i. I understand Hamas gathers a substantial portion of its financial support through cryptocurrency. What is the relationship between El Salvador and Hamas?

Answer: In our 2024 National Terrorist Financing Risk Assessment (NTFRA) published in February, we continue to assess that Hamas and other terrorists prefer the use of traditional financial products and services over the use of virtual assets. Still, as demonstrated by our use of sanctions against virtual asset service providers (VASP) involved in Hamas financing, we assess that Hamas is using virtual assets as one of several methods to raise and move funds. Treasury stands ready to continue to use our authorities to disrupt this activity.

To the extent that terrorist groups are using virtual assets, the NTFRA recognizes that terrorist groups may choose to use VASPs in jurisdictions with weak or inadequate regulation and supervision. Treasury recognizes that it is critical that jurisdictions address these gaps and has been engaging bilaterally and through the Financial Action Task Force to urge jurisdictions to do so.

We are not aware of any instances in which Hamas has engaged in receiving or laundering virtual assets in association with El Salvador. The 2024 FATF Mutual Evaluation Report concluded that El Salvador has made significant efforts to improve and strengthen its AML/CFT system. Furthermore, the report found that there is no evidence that El Salvador's system has been used for international terrorist financing. However, we have emphasized to El Salvador, as a jurisdiction that accepts bitcoin as legal tender, the need to implement AML/CFT controls for VASPs in line with the international standards. The FATF Mutual Evaluation Report also highlights the need for El Salvador to deepen and broaden its risk assessment on money laundering related virtual assets,

virtual asset service providers, and digital asset service providers.. We will continue to monitor both how Hamas uses virtual assets to raise and move funds and our engagement with foreign jurisdictions to support implementation of AML/CFT controls for virtual assets and VASPs.

Question 2

Secretary Yellen, California and other states are facing issues with availability and affordability of insurance, especially home and fire insurance. With no help to alleviate the crisis until 2026, my constituents are seeing their home fire insurance balloon from \$1,800 to almost \$6,000 a year. That is unsustainable. Non-renewals of home and fire insurance policies climbed from 11% in 2018 to 13% in 2021 in California. Most of the top insurers in the state have either stopped writing or restricted new policies here; and I know other states such as Louisiana, where flooding can be catastrophic, are facing the same challenge. How can the Federal Insurance Office work with states to help find solutions to these cost and availability challenges?

Answer:

Since the beginning of the Administration, President Biden has been concerned with the significant impacts that climate change can have on American families and our economy, including through higher home insurance premiums and other disruptions in insurance markets. That's why President Biden issued an Executive Order in May 2021 to leverage a whole-of-government approach to address these impacts. This Executive Order gave the Federal Insurance Office (FIO) two taskings: (1) "to assess climate-related issues or gaps in the supervision and regulation of insurers" and (2) to "assess, in consultation with States, the potential for major disruptions of private insurance coverage in regions of the country particularly vulnerable to climate change impacts."

To fulfill its statutory mandates and in response to the Executive Order, FIO has been collaboratively working with the National Association of Insurance Commissioners (NAIC) and state insurance regulators to address how climate-related risks can be incorporated into the regulation and supervision of insurers, and to collect historical underwriting data on homeowners insurance to better understand how insurance cost and availability is impacting policyholders across the country. These efforts will help to identify solutions to the availability challenges occurring in certain insurance markets in the United States.

FIO issued a report on *Insurance Supervision and Regulation of Climate-Related Risks* (Climate Report) in June 2023 that included 20 recommendations for state insurance regulators and the NAIC with regard to climate-related risks. Since FIO released its report, the NAIC and the states have taken a number of steps to incorporate climate-related risks into their regulation and supervision of insurers, including the following:

- Adoption by the NAIC of a National Climate Resilience Strategy for Insurance;
- Development of a Natural Catastrophe and Climate Risk Dashboard;
- Incorporating catastrophe and climate-related enhancements into the NAIC Financial Analysis and Examination Handbooks; and

- Adoption of a new NAIC CAT reinsurance interrogatory that requires confidential, annual reporting on CAT reinsurance programs of property and casualty insurers.

On March 8, 2024, FIO announced a first-of-its kind collaboration with the NAIC and state insurance regulators to collect ZIP Code-level data from the largest homeowners insurers to better understand the impacts of climate-related financial risks on the insurance sector. The NAIC will be providing FIO with additional data throughout the summer, with the final data expected in late September.

Question 3

Secretary Yellen, on April 23, 2023, the Department of the Treasury and the Internal Revenue Service announced Notice 2023-29, which issued draft guidance on eligibility requirements for energy communities for the bonus credit program under the Inflation Reduction Act (IRA). However, I am concerned that the current draft guidance excludes two classifications (NAICS codes) or areas with high unemployment rates related to jobs in natural gas distribution and oil and gas pipelines. Under this draft guidance, it appears that communities like those in California's Inland Empire, which have negatively been impacted by the fossil fuel industry, would not be eligible to receive the bonus credit.

Can you elaborate on the rationale behind excluding these codes and outline Treasury's plans to address this issue in future guidance?

Answer: Thank you for raising this issue. The energy communities bonus is a critical component of the Inflation Reduction Act that helps ensure that the opportunities created by the clean energy economy extend throughout the country and create high-quality jobs in historic energy communities.

Recent energy communities guidance provides further clarification on the issue that you raise. On March 22, 2024, Treasury and the IRS issued [Notice 2024-30](#) modifying the list of industry codes used to determine whether a Metropolitan Statistical Area (MSA) or non-MSA meets the fossil fuel employment threshold for purposes of determining eligibility under the Statistical Area category of energy communities. Specifically, Notice 2024-30 adds 2017 NAICS industry codes 2212 (natural gas distribution) and 23712 (oil and gas pipeline and related structures construction) to the table of industry codes provided in Treasury and IRS's initial energy communities guidance ([Notice 2023-29](#)).

The appendices to Notice 2024-30 identify the additional MSAs and non-MSAs that meet the fossil fuel employment threshold due to the addition of the two NAICS codes, as well as those that newly qualify as energy communities in 2023 because they meet both the fossil fuel employment threshold and the local unemployment rate requirement for calendar year 2022.

[Notice 2024-48](#), issued on June 7, 2024, updates the list of qualifying energy communities based on 2023 local unemployment rates.

Responses to Questions for the Record
from OMB Director Shalanda Young's
March 21, 2024 Hearing on The
President's Fiscal Year 2025 Budget
Request before the House Appropriations
Subcommittee on Financial Services and
General Government (FSGG)

May 10, 2024

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Representative Womack

Real property

Question

We have discussed the long-standing challenges and cost of maintaining the Federal real estate footprint. The FY25 Budget requests \$10.7 billion for the Federal Buildings Fund, and half of all leases will expire in the next five years. As such, OMB is uniquely positioned to encourage Federal agencies to share office space and even consolidate headquarters' buildings here in D.C., as well as buildings and leased space throughout the Nation.

- a) Are there any current coordination initiatives aimed at consolidating Federal workspace, and if not, what are the reasons for the absence of such efforts?
- b) I understand OMB to be reviewing action plans from each agency. When will those agency plans be publicly released or shared with Congress?

Response

- a) OMB encourages Congress to fully fund the GSA Federal Buildings Fund (FBF). Without a fully funded FBF, it will not be possible for GSA to assist agencies with consolidating within owned space to a smaller footprint. The President's Budget includes a legislative fix to the facilitate access to the full amount of annual FBF revenues and collections, while preserving Congress's role in authorizing and appropriating New Obligational Authority to the FBF. Full funding is necessary for repair and alterations as well as modernization of GSA owned buildings, allowing for reconfiguration of space to meet 21st Century mission requirements in buildings that are on average more than 49 years old.

The President's Budget proposes \$425 million within the FBF for the GSA Optimization Fund for the reconfiguration and renovation of core assets under GSA's jurisdiction, custody, or control. The Optimization Fund would support efforts to optimize space configuration and performance; deliver the best value in real estate to our customer agencies across Government; reduce the Government's footprint; and achieve significant annual cost savings for taxpayers. Funding in this program would also fund customer agency tenant improvements, furnishings, equipment, and any necessary move expenses if the agency is unable to fund the costs. Overall, this optimization program would result in improved space utilization, cost avoidance for the American taxpayer and a more sustainable portfolio.

Agencies are working to "right-size" their space requirements in accordance with current OMB policy, as set forth in OMB M-20-10 "Addendum to the National Strategy for the Efficient Use of Real Property". OMB M-20-10 requires agencies to optimize their real property portfolios to ensure the Federal Government has the right type of property, in the right amount, at the right location, at the right cost, in the right condition, to support

the diverse mission requirements of the agencies. The consolidation initiative is implemented through real property capital planning, begun under OMB M-20-10 “Implementation of Agency-wide Real Property Capital Planning” in 2020. The Capital Planning process was paused during the Pandemic and restarted by this Administration in 2022. Through the capital planning process, agencies prioritize projects to meet the objectives of maintaining mission capability and consolidating their portfolios for cost efficiency.

As agencies reach a durable, long-term work environment decisions about increased in-person work and flexibility, they are expected to factor these decisions into their real property planning efforts to align future space needs with post-pandemic rhythms of work.

- b) OMB is unclear by what is being referred to by action plans in this question. If “action plan” refers to the agency capital plans, they are currently not publicly available.

Cost Benefit Analysis of Rules

Question

As the Director of OMB, you and your team have an integral responsibility in the regulatory process – reviewing proposed and final rules and hearing from stakeholders at multiple stages in the process. I have continued to express my concern with the volume and scope of rules that this Administration has issued, but particularly, those rules coming from the SEC that place a burden on businesses in my state, such as the SEC Climate Rule, the Consolidated Audit Trail, Swing Price and more. There are statutory requirements to conduct an economic and cost benefit analysis of all major rules.

I remain concerned that the Administration is looking at each rule in a silo, without considering the economic cost of overlapping rulemakings.

- a) When evaluating the economic cost of a rule, how does OMB consider the scope of the full regulatory burden?
- b) Will you commit to analyzing a rule's cost and benefit alongside the increased economic burden it poses to businesses that are impacted?

Response

- a) As an independent agency, SEC rules are not subject to OMB's review under Executive Order (EO) 12866. However, for rules that OMB does review under EO 12866, the analysis of those rules should consider other relevant rulemakings, following the [regulatory analysis](#) guidance contained in OMB Circular A-4. Specifically, analysis should reflect the future effect of current government programs and policies.
- b) OMB has and will review regulatory analyses so that they include a thorough assessment of relevant effects, including effects on businesses.

Privacy in Rulemaking

Question

Privacy is a core priority that our nation protects. Yet, with rulemakings like beneficial ownership at FinCEN and the Consolidated Audit Trail at SEC, agencies are gathering more and more personally identifiable information on American citizens.

- a) Why is the Administration prioritizing the collection of this information?
- b) How is the government ensuring personally identifiable information is protected and will not fall into the hands of malicious actors?

Response

- a) The FinCEN related question is best directed to the Department of Treasury and the Consolidated Audit Trail related question is best directed to SEC as OIRA does not play a role in SEC rules.
- b) Protecting Americans' privacy is a core value and priority of the Administration. Both Congress and the Administration have issued legislation, executive orders, and OMB guidance focused on strengthening the security and privacy postures of Federal Agencies and securing their data. Recent Administration actions, including Executive Orders 14110 and 14117, have emphasized the importance of reducing privacy risks and the safeguarding of Americans' personal information.

In accordance with the Privacy Act of 1974 and OMB Circular A-108, each agency that proposes to establish or significantly modify a system of records subject to the Privacy Act is required to provide adequate advance notice of any such proposal to OMB in order to permit an evaluation of the probable or potential effect of such a proposal on the privacy or other rights of individuals.

Rigorous cybersecurity requirements and privacy safeguards protect the personally identifiable information which is collected, maintained, used and shared by Federal Agencies. For instance, the National Institutes of Standards and Technology (NIST) has issued enhanced security and privacy controls in the release of Special Publication 800-53 rev 5, which assists federal agencies in establishing flexible and customizable frameworks for managing risks, including to privacy. OMB has continued to update Congress regarding agency compliance with cybersecurity and privacy protections through annual Federal Information Security Modernization Act reporting to Congress. Furthermore, the implementation of multifactor authentication, ubiquitous encryption, zero trust security, and other technical tools required under Executive Order 14028 continue to strengthen agency networks against the risks of malicious activity and data breaches.

Representative Joyce

Artificial Intelligence

Question

Over the last few years, the Biden Administration has issued several Executive Orders and national strategies related to artificial intelligence (AI) to establish new standards for AI safety, security, and development. The FY25 President's Budget Request includes several investments in AI across the federal government, including \$312 million to establish an Office of the Chief Artificial Intelligence Officer and additional funding for the Administration's National AI Talent Surge.

How does the President's FY25 budget approach developments in AI and ensure we have a federal workforce that is prepared to work with these emerging technologies into the future?

How has the Administration's approach and objectives related to AI changed or developed since the Administration submitted its FY24 Budget Request? Over the last year, how has the Administration coordinated internally between federal agencies and externally with private industry, academia, and other subject matter experts to inform its understanding of how to approach AI policy?

Response

In 2023, the President issued the landmark Executive Order 14110, "Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence" (AI) to ensure that America leads the way in seizing the promise and managing the risks of AI. The Executive Order establishes new standards for AI safety and security, protects Americans' privacy, advances equity and civil rights, stands up for consumers and workers, promotes innovation and competition, advances American leadership around the world, and more. In total, the President's Budget provides over \$3 billion across agencies in order to responsibly develop, test, procure, and integrate transformative AI applications across the Federal Government and supports the implementation of the Administration's Executive Order. The Budget also proposes \$300 million in mandatory funding to increase agency funding for AI, both to address major risks and to advance its use for public good.

Executing on our ambitious AI agenda starts with people. The Budget's funding for AI includes \$32 million to the U.S. Digital Service, General Services Administration, and Office of Personnel Management to support the AI Talent Surge, bringing AI and AI-enabling talent into government service and advancing AI priorities across the Federal Government. The AI Talent Surge is bringing dedicated people into service to leverage AI to improve government services; make smart policies and regulations around AI to protect people's rights, safety, and privacy; and further AI research and development (R&D), so that the United States continues to lead the world in cutting-edge AI innovation.

Advances in AI are creating groundbreaking opportunities, while changing the nature of work and organizational management. To benefit from the opportunities created by AI while mitigating its risks, the Administration is committed to advancing its management of AI and significantly expanding AI talent in the Federal Government. The Budget's funding for AI provides \$70 million for Federal agencies to establish agency Chief AI Officers accountable for their agency's use of AI and to establish minimum safeguards for agency use of AI. This includes significant additional AI management funding for the Departments of State, Agriculture, Commerce, Energy, Homeland Security, Housing and Urban Development, Interior, Justice, Transportation, and the Treasury, as well as the Environmental Protection Agency, the National Science Foundation, and the U.S. Agency for International Development. In December, the Office of the Federal Chief Information Officer convened the first meeting of the Chief AI Officer Council, which brings together agency Chief AI Officers to share information and best practices and coordinate implementation of OMB M-24-10.

The Budget invests \$65 million with the Department of Commerce to support the AI Safety Institute's ambitious mandate to advance the safety, security, and reliability of AI models, as well as other critical AI work. This funding would allow the Department to successfully implement central components of the Administration's Executive Order. Specifically, the National Institute of Standards and Technology (NIST) U.S. AI Safety Institute will create guidelines, tools, benchmarks, and best practices to evaluate and mitigate risks using red-teaming and other methods. The Institute will develop technical guidance on issues such as authenticating content created by humans, watermarking AI-generated content, identifying and mitigating against harmful algorithmic discrimination and the creation of harmful synthetic content (such as deepfake image-based abuse), ensuring transparency, and enabling adoption of privacy-preserving AI, and would support the development of safe and trusted AI and support enforcement agencies' efforts to protect the American public's rights and safety.

The Administration and agencies engage with private industry, academia, and other AI subject matter experts through a variety of groups, including the National AI Advisory Committee, the US AI Safety Institute Consortium, and the National AI Research Resource. The National AI Advisory Committee (NAIAC) consists of leaders with a broad and interdisciplinary range of AI-relevant expertise from across academia, non-profits, civil society, and the private sector. These experts are highly qualified to provide advice and information on science and technology research, development, ethics, standards, education, governance, technology transfer, commercial application, security, economic competitiveness, and other topics related to AI. The NAIAC is tasked with advising the President and the National AI Initiative Office on topics related to the National AI Initiative.

The U.S. AI Safety Institute Consortium (AISIC) brings together AI creators and users, academics, government and industry researchers, and civil society organizations in support of the development and deployment of safe and trustworthy AI. The consortium, housed under NIST's AI Safety Institute, will contribute to priority actions outlined in Executive Order 14110, including developing guidelines for red-teaming, capability evaluations, risk management, safety and security, and watermarking synthetic content. The consortium includes more than 200 member companies and organizations that are on the frontlines of creating and using the most advanced AI systems and hardware, the nation's largest companies and most innovative startups, civil society and academic teams that are building the foundational understanding of how AI can and will transform our society, and representatives of professions with deep engagement in AI's

use today. The consortium represents the largest collection of test and evaluation teams established to date and will focus on establishing the foundations for a new measurement science in AI safety. The consortium also includes state and local governments, as well as non-profits, and will work with organizations from like-minded nations that have a key role to play in developing interoperable and effective tools for safety around the world.

The Budget includes \$30 million for the National AI Research Resource pilot (NAIRR), which is a crucial step in building a shared research infrastructure to strengthen and democratize access to computing and data resources for bold AI discoveries and innovations. The NAIRR creates public-private partnerships that will provide researchers and educators across the country with the tools and support to build an AI future that supports every member of the public and achieves America's great aspirations. The plan for the NAIRR was developed by the NAIRR Task Force, a federal advisory committee composed of representatives from government, academia, and private organizations.

Representative Cloud

Corpus Christi Ship Channel

Question

According to the U.S. Army Corps of Engineers Galveston District, the Fiscal Year 2024 operations and maintenance capability need for the Corpus Christi Ship Channel is \$24.025 million. That capability need increases to \$32 million In Fiscal Year 2025. Unfortunately, the channel only received \$9.625 million in operations and maintenance in the FY2024 President's Budget, which leaves the project with a \$14.4 million O&M shortfall. The Fiscal Year 2025 President's Budget only requested \$10.275 million for O&M, leaving a \$21.725 million shortfall. As you know, lack of adequate operations and maintenance funding for the ship channel increases shoaling; thus putting vessel transits at a safety risk and causing shippers to light load inbound vessels so they can safely access and navigate the channel. It is my understanding that OMB is currently negotiating the Fiscal Year 2024 U.S. Army Corps of Engineers (Corps) Work Plan, which is possible because of the \$600 million in discretionary operations and maintenance funding provided by the Committee.

- a) Will you commit to ensuring the Corpus Christi Ship Channel is highly considered for discretionary O&M funds before transmitting your final Work Plan to Congress?

Response

Yes, the Administration will consider funding for this project along with other programs, projects, and activities across the Nation competing for the available Federal resources when reviewing the FY 2024 Corps work plan.

Matagorda Ship Channel

Question

According to the USACE Galveston District, the funding needed to complete the Supplemental Environmental Impact Statement (SEIS) for the Matagorda Ship Channel Improvement Project by June 2025 is \$1.62 million. The SEIS is needed is due to USACE revoking the Record of Decision in December 2022. Unfortunately, the study did not receive funding in the FY 2024 appropriations bill and is not included in the President's FY25 budget. Initiation of the deepening and widening of one of the most dangerous navigation channels in the U.S. has already been delayed by 2 to 3 years. Lack of funding in FY24 or FY25 will further delay this much needed improvement.

- a) I am aware that USACE is currently considering reprogramming funds to ensure funding through FY24 to prevent delay of the SEIS. Will you commit to ensuring the Matagorda Ship Channel SEIS is not delayed due to insufficient funding in FY24?

Response

The Administration will consider funding for this project along with other programs, projects, and activities across the Nation competing for the available Federal resources.

US Army Corps of Engineers Cost Benefit Ratio

Question

The United States Office of Management and Budget (OMB) calculates the Benefit-Cost-Ratio (BCR) for the Army Corps of Engineer's maritime construction projects by weighing the environmental impacts and transportation savings. This makes sense if a government cost for a project is involved. However, if a non-federal sponsor provides funding, the calculation of costs may differ.

- a) If a non-federal sponsor fully pays for a project, then how would the BCR differentiate between a partially and a fully federally-funded project?
- b) What is the purpose of conducting a BCR for a project that is fully paid for by a non-federal sponsor since there are no costs to the federal government?

Response

- a) The Army Corps of Engineers calculates the Benefit-Cost-Ratio (BCR) for its construction projects. The BCR does not differentiate between partially- and fully-federally-funded projects. The BCR provides insight on investment returns to the Nation from a total investment standpoint for both partially- and fully-federally-funded funded projects.
- b) Any project that involves a federal interest will undergo a BCR analysis. The Federal Government seeks to understand investment returns to the Nation where there is a direct federal interest, including expected costs and benefits.

Interest Costs

Question

In the President's Fiscal Year 2025 budget request, what are the projected interest rates on Treasury Notes?

- a) What were the projected interest rates in the FY22 budget request?
- b) In the FY25 budget request, what are the projected net interest costs over the budget window?
- c) In the FY22 budget request, what were the projected net interest costs over the budget window?
- d) What are the requested levels of outlays, revenues, deficit, and public debt in FY25?
- e) What were the estimated levels of outlays, revenues, deficit, and public debt in FY25 under the FY 2022 current services baseline?

Response

The attached Table 1 presents average interest rates for the FY 2025 Budget and FY 2022 Budget projections.

In the FY 2025 Budget request, projected net interest totals \$12.2 trillion over the FY 2025-2034 budget window. In the FY 2022 Budget request, projected net interest totaled \$5.7 trillion over the FY 2022-2031 budget window.

The attached Table 2 presents projected FY 2025 outlays, revenues, deficits, and debt held by the public in the FY 2025 Budget policy estimates and the FY 2022 Budget baseline estimates.

Treasury issues marketable securities in a wide range of maturities, including: bills, which have a maturity of one year or less; notes, which have maturities of more than one year and up to 10 years; and bonds, which have maturities of more than 10 years. The interest rate for each individual Treasury security is impacted by the security's maturity, interest rates at the time that the security is issued, and other factors. Total projected interest costs are determined by both securities projected to be issued and securities already outstanding.

Projections of net interest, debt held by the public, and other measurements of Federal debt are provided in the FY 2025 Budget Summary Table S-10, "[Federal Government Financing and Debt](#)."

Additional detail on net interest is available in the *Analytical Perspectives* volume of the FY 2025 Budget at Table 25-1, "[Budget Authority and Outlays by Function, Category, and Program](#)." Information on Budget projections of Federal debt is also provided in the "[Federal Borrowing and Debt](#)" chapter of the *Analytical Perspectives* volume of the FY 2025 Budget.

Table 1: Budget Policy Net Interest, Debt Held by the Public, and Average Interest Rates, FY 2022 Budget and FY 2025 Budget Dollars in Billions

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>
FY 2025 Budget Policy:															
Net Interest.....	#N/A	#N/A	#N/A	658	889	965	1,013	1,072	1,136	1,190	1,241	1,301	1,367	1,428	1,485
Debt Held by the Public.....	#N/A	#N/A	#N/A	26,236	28,156	29,984	31,639	33,250	34,892	36,441	38,139	39,795	41,502	43,339	45,056
Average Interest Rate.....	#N/A	#N/A	#N/A	2.6%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.4%	3.4%	3.4%
FY 2022 Budget Policy:															
Net Interest.....	345	303	305	320	368	445	524	603	674	744	829	914	#N/A	#N/A	#N/A
Debt Held by the Public.....	21,017	24,167	26,265	27,683	29,062	30,539	31,958	33,266	34,691	35,996	37,481	39,059	#N/A	#N/A	#N/A
Average Interest Rate.....	1.8%	1.3%	1.2%	1.2%	1.3%	1.5%	1.7%	1.8%	2.0%	2.1%	2.3%	2.4%	#N/A	#N/A	#N/A

Table 2: FY 2025 Deficits and Debt Held by the Public, FY 2022 Budget Baseline and FY 2025 Budget Policy
In Billions of Dollars

	<u>FY 2022 Budget</u>	<u>FY 2025 Budget</u>
	<u>Baseline</u>	<u>Policy</u>
Deficit:		
Receipts.....	4,640	5,485
Outlays.....	5,816	7,266
Deficit.....	1,176	1,781
Debt Held by the Public.....	29,592	29,984

Discretionary Offsets

Question

In the FY25 budget request, please provide a table accounting for and describing each provision requested that would offset new discretionary budget authority under the scoring guidelines related to appropriations legislation, including but not limited to: rescissions, changes in mandatory programs (CHIMPs), and offsetting receipts or collections.

Response

Tables of discretionary offsets were sent to the Appropriations Committees at the time the 2025 Budget was released. They are reattached here for your convenience.

Summary of 2025 Budget Discretionary Cancellations¹

(Budget Authority in millions of dollars)

	2023 Enacted	2025 Request
Base Cancellations of Unobligated Balances:		
Agriculture and Rural Development:		
Department of Agriculture:		
Nonrecurring Expenses Fund.....	-150	---
Agricultural Credit Insurance Fund Program Account.....	-73	---
Rental Assistance Programs.....	---	-12
Distance Learning, Telemedicine, and Broadband Program.....	---	-11
Animal and Plant Health Inspection Service.....	---	-17
Rural Cooperative Development Grants.....	---	-8
Nutrition Programs Administration.....	---	-8
Special Supplemental Nutrition Program for Women, Infants, and Children.....	-315	---
Child Nutrition Programs.....	-80	---
Total, Agriculture and Rural Development.....	-618	-56
Commerce, Justice, Science:		
Department of Commerce:		
Economic Development Assistance Programs.....	-10	-30
Nonrecurring Expenses Fund.....	-50	-9,600
Department of Justice:		
Working Capital Fund.....	-706	-340
Buildings and Facilities, Federal Prison System.....	---	-579
Salaries and Expenses, Federal Bureau of Investigation (Function 050).....	---	-30
Salaries and Expenses, Federal Bureau of Investigation.....	---	-20
Salaries and Expenses, Drug Enforcement Agency.....	---	-10
Research, Evaluation, and Statistics.....	-2	-5
State and Local Law Enforcement Assistance.....	-66	-106
Juvenile Justice Programs.....	-7	-14
Community Oriented Policing Services.....	-15	-20
Violence against Women Prevention and Prosecution Programs.....	-15	-15
National Aeronautics and Space Administration:		
Space Operations.....	---	-1
Total, Commerce, Justice, Science.....	-871	-10,770
Defense (all Function 050):		
Department of Defense:		
Operation and Maintenance, Defense-wide.....	-105	---
Counter-Islamic State of Iraq and Syria Train and Equipment.....	-65	---
Shipbuilding and Conversion, Navy.....	-197	---
Aircraft Procurement, Army.....	-17	---
Other Procurement, Army.....	-75	---
Aircraft Procurement, Air Force.....	-321	---
Procurement, Space Force.....	-7	---
Other Procurement, Air Force.....	-9	---
Research, Development, Test, and Evaluation, Space Force.....	-113	---
Research, Development, Test and Evaluation, Army.....	-27	---
Research, Development, Test, and Evaluation, Air Force.....	-118	---
Defense Counterintelligence and Security Agency Working Capital Fund.....	-30	---
Total, Defense (all Function 050).....	-1,084	---

Summary of 2025 Budget Discretionary Cancellations¹

(Budget Authority in millions of dollars)

	2023 Enacted	2025 Request
Energy and Water Development:		
Department of Energy:		
Title 17 Innovative Technology Loan Guarantee Program.....	-150	---
Construction, Rehabilitation, Operation and Maintenance, Western Area Power Administration.....	---	*
Total, Energy and Water Development.....	-1,064	*
Financial Services and General Government:		
District of Columbia:		
Federal Payment for Defender Services in District of Columbia Courts.....	-22	-12
Homeland Security:		
Department of Homeland Security:		
Operations and Support, Office of the Secretary and Executive Management.....	-24	---
Operations and Support, Management Directorate.....	-1	---
Procurement, Construction, and Improvements, Management Directorate.....	-113	---
Operations and Support, Analysis and Operations	-1	---
Operations and Support, Citizenship and Immigration Service.....	-36	---
Operations and Support, United States Secret Service.....	-6	---
Operations and Support, Immigration and Customs Enforcement.....	-9	---
Procurement, Construction, and Improvements, Customs and Border Protection.....	-140	-50
Procurement, Construction, and Improvements, Coast Guard.....	-62	---
Procurement, Construction, and Improvements, Cybersecurity and Infrastructure Security Agency.....	---	---
Operations and Support, Cybersecurity and Infrastructure Security Agency.....	-1	---
Nonrecurring Expenses Fund.....	---	-154
Total, Homeland Security.....	-393	-204
Interior and Environment:		
Department of Health and Human Services:		
Indian Health Services.....	-29	---
Environmental Protection Agency:		
State and Tribal Assistance Grants.....	-13	---
Total, Interior and Environment.....	-42	---
Labor, Health and Human Services, and Education:		
Department of Education:		
Student Financial Assistance.....	-360	---
Institute of Education Sciences.....	---	-25
Department of Health and Human Services:		
Children and Families Services Programs.....	---	-71
Nonrecurring Expenses Fund.....	-650	-500
Corporation for National and Community Service:		
National Service Trust.....	---	-25
Total, Labor, Health and Human Services, Education.....	-1,010	-621
Military Construction and Veterans Affairs:		
Department of Veterans Affairs:		
Construction, Major Projects.....	-76	---
Veterans Electronic Health Care Record.....	-150	---
Recurring Expenses Transformational Fund.....	-91	---
Asset Infrastructure Review Commission.....	-5	---
Total, Military Construction and Veterans Affairs.....	-322	---

Summary of 2025 Budget Discretionary Cancellations¹

(Budget Authority in millions of dollars)

	2023 Enacted	2025 Request
State and Foreign Operations:		
Department of State and U.S. Agency for International Development:		
Embassy Security, Construction, and Maintenance.....	-42	-175
Consular and Border Security Programs.....	---	-691
Contributions for International Peacekeeping Activities.....	-100	---
Debt Restructuring.....	---	-111
International Narcotics Control and Law Enforcement.....	---	-65
Other International Programs:		
Millennium Challenge Corporation.....	-100	---
Export-Import Bank Loans Program Account.....	---	-55
Total, State and Foreign Operations.....	-242	-1,097
Transportation and Housing and Urban Development:		
Department of Housing and Urban Development:		
Housing Certificate Fund.....	-8	*
Lead Hazard Reduction.....	---	-155
Department of Transportation:		
National Infrastructure Investments.....	-54	---
Railroad Safety Grants.....	-2	---
Rail Line Relocation and Improvement Program.....	-2	---
Capital Investment Grants.....	-212	---
Maritime Security Program (Function 050).....	-55	---
Ship Disposal.....	-12	---
Total, Transportation and Housing.....	-345	-155
Total, Cancellations of Unobligated Balances.....	-5,099	-12,915

* Amount is less than \$500,000.

¹ Excludes cancellations that are changes in mandatory programs (CHIMPs). See summary table on CHIMPs for this information.

**Summary of 2025 Budget Proposed Discretionary Changes in Mandatory Programs
(CHIMPs)**

(Budget Authority in millions of dollars)

	2023 Enacted ¹	2025 Request
Base CHIMPs		
Agriculture and Rural Development:		
Department of Agriculture:		
Farm Security and Rural Investment (FSRI).....	-60	-71
Farm Production and Conservation Business Center, Transfer from FSRI.....	+60	+71
Federal Crop Insurance Corporation.....	+25	---
Animal and Plant Health Inspection Service.....	+125	---
Child Nutrition Programs - Farm to School Grants.....	+14	+12
Child Nutrition Programs - Institute for Child Nutrition.....	+2	+2
Total, Agriculture and Rural Development.....	+166	+14
Commerce, Justice, Science:		
Department of Commerce:		
Promote and Develop Fishery Products and Research Pertaining to American Fisheries.....	-345	-377
Department of Justice:		
Crime Victims Fund.....	-1,062	-169
Assets Forfeiture Fund.....	-500	---
Department of Homeland Security:		
Operations and Support, Citizenship and Immigration Services.....	-4	-4
Total, Commerce, Justice, Science.....	-1,911	-550
Energy and Water Development:		
Department of Energy:		
SPR Petroleum Account.....	-2,052	---
Delta Regional Authority - Fee Reclassification.....	---	*
Financial Services and General Government:		
Department of the Treasury:		
Treasury Forfeiture Fund.....	-150	---
Federal Deposit Insurance Corporation:		
Deposit Insurance Fund.....	-48	-53
Postal Service:		
Postal Service Fund - Appropriation to Inspector General.....	+271	+294
Postal Service Fund - Transfer.....	-271	-294
Total, Financial Services and General Government.....	-198	-53
Homeland Security:		
Department of Homeland Security:		
Disaster Relief Fund.....	-14	---
Operations and Support, Customs and Border Protection.....	+309	---
Total, Homeland Security.....	+295	---
Interior and Environment:		
Department of Agriculture:		
Forest Service Permanent Appropriations.....	-18	---
Department of the Interior:		
Payments in Lieu of Taxes.....	+580	---
Miscellaneous Receipts, Fish and Wildlife Service.....	---	+1
Total, Interior and Environment.....	+562	+1

**Summary of 2025 Budget Proposed Discretionary Changes in Mandatory Programs
(CHIMPs)**

(Budget Authority in millions of dollars)

	2023 Enacted ¹	2025 Request
Labor, Health and Humans Services, and Education:		
Department of Education:		
Student Financial Assistance - Increase in Maximum Pell Award.....	+75	+15
Student Financial Assistance - Cancellation.....	-75	-15
Rehabilitation Services.....	---	-128
Department of Health and Human Services:		
Children's Health Insurance Fund.....	---	-19,975
Child Enrollment Contingency Fund.....	-14,628	-21,381
Department of Labor:		
Training and Employment Services, H-1B Funded.....	-142	---
Total, Labor, Health and Human Services, Education.....	-14,770	-41,484
Legislative Branch:		
Member Pay Freeze.....	-3	---
State and Foreign Operations:		
Afghan Special Immigrant Visas:		
Supplemental Nutrition Assistance Program, Department of Agriculture.....	+26	---
Grants to States for Medicaid, Department of Health and Human Services.....	+10	---
Supplemental Security Income Program, Social Security Administration.....	+9	---
Japan-United States Friendship Commission.....	---	+1
Total, State and Foreign Operations.....	+45	+1
Total, Base CHIMPs.....	-17,866	-42,071

¹ The FY 2023 Enacted levels include amounts considered "shifted base", which is funding primarily for base activities that is designated as emergency funding. See enclosed Shifted Base summary table for additional details.

* Amount is less than \$500,000.

Summary of New or Increased Discretionary User Fee Proposals in the 2025 Budget by Appropriations Subcommittee

(Budget Authority in millions of dollars)

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	10-year Total
Offsetting Collections :											
Agriculture and Rural Development:											
Department of Health and Human Services, Food and Drug Administration:											
Increase Export Certification User Fee Cap.....	-5	-5	-5	-6	-6	-6	-6	-7	-7	-7	-60
Increase Tobacco Product User Fee	-114	-117	-119	-122	-125	-128	-131	-134	-137	-140	-1,267
Commodity Futures Trading Commission: Establish User Fee.....	-25	-116	-118	-121	-123	-126	-128	-131	-133	-140	-1,161
Interior and Environment:											
Department of the Interior:											
Establish Onshore Oil and Gas Inspection Fees.....	-51	-51	-51	-51	-51	-51	-51	-51	-51	-51	-510
State and Foreign Operations:											
Department of State:											
Establish The National Museum of American Diplomacy Rental Fee.	*	*	*	*	*	*	*	*	*	*	*
Offsetting Receipts :											
State and Foreign Operations:											
Department of State:											
Increase Border Crossing Card Fee.....	-3	-3	-3	-3	-3	-3	-3	-3	-3	-3	-30
Increase Machine-Readable Visa Fee.....	---	---	-143	-285	-285	-285	-285	-285	-285	-285	-2,138
Extend Western Hemisphere Travel Initiative Surcharge.....	---	---	-530	-542	-554	-567	-580	-593	-607	-621	-4,594
TOTAL, New Discretionary User Fee Proposals.....	-198	-292	-969	-1,130	-1,147	-1,166	-1,184	-1,204	-1,223	-1,247	-9,760

*Fee amount is less than \$500,000.

Shifted Base**Question**

In the FY25 budget request, please provide a table accounting for and describing each provision requested that would designate as an emergency requirement budget authority spending that would normally be accounted for as base funding.

Response

Shifting otherwise base funding to emergency funding is a longstanding practice often employed by the Congress. The 2025 Budget continues this past practice, and a table of the shifted base funding was sent to the Appropriations Committees at the time the 2025 Budget was released. It is reattached here for your convenience.

Summary of Shifted Base in the 2025 Budget¹

(Budget Authority in millions of dollars)

	2023 Enacted	2025 Request
Agriculture and Rural Development:		
Department of Agriculture:		
Agriculture Research Service, Buildings and Facilities.....	58	---
Food for Peace Title II Grants.....	50	---
Food Safety and Inspection Service.....	30	---
McGovern-Dole Food for Education & Child Nutrition Grants.....	5	---
Rural Community Facilities Program Account.....	25	---
Rural Water and Waste Disposal Program Account.....	60	---
Animal Plant Health Inspection Service.....	125	---
Total, Agriculture and Rural Development.....	353	---
Commerce, Justice, Science:		
Department of Commerce:		
NOAA, Operations, Research, and Facilities.....	42	15
NOAA, Procurement, Acquisition and Construction.....	109	180
Department of Justice:		
Federal Prison System Buildings and Facilities.....	182	179
National Aeronautics and Space Administration:		
Construction and Environmental Compliance and Restoration.....	367	296
National Science Foundation:		
Research and Related Activities.....	608	420
STEM Education.....	92	---
Total, Commerce, Justice, Science.....	1,400	1,090
Energy and Water Development:		
Department of Energy:		
Nuclear Energy.....	300	300
Corps of Engineers:		
Construction.....	297	400
Operations and Maintenance.....	53	665
Total, Energy and Water Development.....	650	1,365
Homeland Security:		
Department of Homeland Security:		
Federal Assistance, Countering Weapons of Mass Destruction Office.....	---	2
Operations and Support, Customs and Border Protection.....	309	799
Procurement, Construction, and Improvements, Customs and Border Protection.....	---	273
Procurement, Construction, and Improvements, US Coast Guard.....	---	912
Procurement, Construction, and Improvements, Federal Emergency Management Agency.....	---	31
Operations and Support, Immigration and Customs Enforcement.....	---	686
Procurement, Construction, and Improvements, Immigration and Customs Enforcement.....	---	5
Procurement, Construction, and Improvements, Management Directorate.....	---	63
Procurement, Construction, and Improvements, US Secret Service.....	---	18
Total, Homeland Security.....	309	2,789
Interior and Environment:		
Department of Agriculture:		
Wildland Fire Management.....	1,171	1,363
Department of the Interior:		
Wildland Fire Management.....	429	832
Total, Interior and Environment.....	1,600	2,195

Summary of Shifted Base in the 2025 Budget¹

(Budget Authority in millions of dollars)

	2023 Enacted	2025 Request
Labor, Health and Humans Services, and Education:		
Department of Health and Human Services:		
Low Income Home Energy Assistance.....	2,500	2,575
State and Foreign Operations:		
Department of State and Other International Programs:		
Assistance for Europe, Eurasia and Central Asia.....	350	350
International Disaster Assistance.....	638	1,091
Migration and Refugee Assistance.....	915	1,374
Diplomatic Programs.....	87	---
International Narcotics Control and Law Enforcement.....	75	---
Total, State and Foreign Operations.....	2,065	2,815
Transportation and Housing and Urban Development:		
Department of Housing and Urban Development:		
Project-Based Rental Assistance.....	969	5,082
Tenant-Based Rental Assistance.....	2,654	5,289
Total, Transportation and Housing and Urban Development.....	3,623	10,371
Total, Shifted Base.....	12,500	23,200

¹ This table reflects amounts considered "shifted base", which is funding primarily for base activities that is designated as emergency funding.

Public Apportionment Documents

Question

The Consolidated Appropriations Act of 2022 required OMB to publicly release apportionment documents. Please provide a status report on OMB's compliance with these requirements.

- a) Please describe OMB's rationale for the formatting and organization of the apportionment documents that OMB makes publicly available.
- b) What plans does OMB have to make the documents and data more publicly accessible, including file formats, file names, and the ability to bulk download machine readable file formats?

Response

OMB has complied with the requirements in the Consolidated Appropriations Act, 2022, by creating a public website where apportionment documents are posted no later than two business days after approval by OMB.

- a) The public website was built to comport with the requirements in the Consolidated Appropriations Act, 2022, and is organized by fiscal year and major agency.
- b) Apportionment documents posted to the public website are accessed on a regular basis. In fiscal year 2023, 266,585 total apportionment files were downloaded including 158,438 downloads of machine-readable apportionment files. Modern browser extensions make it easy for users to perform bulk file downloads of this data without requiring site-specific interfaces.

Building Utilization

Question

Last year the Government Accountability Office released a report showing that, during the first three months of 2023, 17 out of 24 agencies studied were using their buildings at 25% capacity or less due to telework policies.

- a) When Secretary of Agriculture Tom Vilsack was asked by Sen. Joni Ernst in a recent Senate Agriculture Committee hearing about his agency's 11% building utilization rate, he strongly disagreed with GAO's assessment, stating, "That's not even close to correct."
- b) Does OMB share Secretary Vilsack's assessment that the GAO's report is incorrect, either with regard to the Department of Agriculture specifically or any of the other agencies studied?
- c) Earlier this year, Axios reported that President Biden's chief of staff has had to personally exhort cabinet secretaries to get their employees back in the office just 50% of the time. What progress have you made toward achieving this goal?

Response

In order to ensure that agencies continue to improve the organizational health and organizational performance of their work environments, in singular pursuit of delivering results for the American people, OMB released M-23-15 in April 2023. Specifically, the memorandum included a call for agencies to "substantially increase meaningful in-person work at Federal offices, particularly at headquarters and equivalents" where hybrid work is mostly concentrated. Agencies were directed to consider how best to accomplish this given the unique circumstances, missions, and customers of each agency.

Today, over 80% of work done by Federal employees is performed in-person at employees' assigned job sites, either at a Federal facility or at postings around the country as required to fulfill agency missions (e.g., inspecting our food supply, managing national security facilities, and managing federal natural resources across the country) and over 50% of work done by teleworkers in a more hybrid model is performed in-person.

However, this process is not yet complete. Through the first half of 2024, OMB anticipates that agencies will conclude their most significant work environment policy shifts and reach a more durable, long-term posture. As detailed in M-23-15, agencies are expected to continue to monitor organizational health and organizational performance and make shifts on an ongoing and iterative basis where needed.

OMB has worked closely with agencies to monitor implementation of increased in-person presence and provide support to agencies on areas of common challenge. For example, OMB hosted a bi-weekly working group for senior agency leaders tasked with implementation after the memorandum was released to work through areas of common concern. OMB is committed to helping agencies make the necessary changes to strike the right balance and providing support where needed to remove barriers to implementation.

With regard to the GAO report, OMB would note that GAO requested data from a period prior to the issuance of M-23-15 and OMB's guidance to significantly increase meaningful in-person work. The numbers cited in that study would not reflect efforts made by agencies to reach a more balanced post-pandemic posture. OMB also agrees with many of the comments provided by agencies to GAO highlighting the degree to which GAO's blanket benchmarks for usable space are in tension with other building-use constraints like the historic nature of many agency headquarters buildings. However, OMB does agree with GAO that excess space is a long-standing challenge and that even prior to the pandemic the Federal Government needed to reduce its footprint. OMB looks forward to continuing to work with Congress and agencies to find ways to right-size the Federal footprint.

Telework Oversight

Question

The Architect of the Capitol's Inspector General recently found that 80% of its telework-eligible workforce were getting paid improper locality pay, wasting hundreds of thousands of dollars.

- a) Given similar telework policies at Executive Branch agencies, have agencies taken any action to adjust locality pay of new or existing hires to account for their true geographic location from which they do their work, rather than the physical location of their position of record?
- b) Do agencies have any form of oversight of their telework and remote work employees other than direct supervisor oversight? What steps are agencies taking to improve such oversight?
- c) How many federal employees have had their telework agreements revoked for misconduct, fraud, or other improper behavior?
- d) How many exemptions to the twice-in-a-pay-period standard in 5 CFR Section 531.605(d)(2) have agencies granted since April 1, 2020? How many of those have been revoked? How many federal employees have that exemption today?

Response

OPM's 2021 Guide to Telework and Remote Work in the Federal Government restated the longstanding requirement that remote work arrangements require a documented change in an employee's official worksite to the alternative worksite. OPM explained that "Depending on the location, this change may impact the employee's pay and the agency's budget—positively or negatively. The change in official worksite thus may be a significant consideration when deciding to approve or deny a remote work arrangement." Agencies are responsible for implementing these requirements, updating employees' official worksites, and paying them the correct locality rate for the worksite. OMB directs further questions on this topic to OPM (the U.S. Office of Personnel Management) given their role in overseeing human capital management across the Executive branch.

Federal Employee Fraud

Question

A concerning number of federal employees have been charged with fraudulently obtaining federal COVID-19 relief funds, including unemployment assistance and Small Business Administration (SBA) loans. This problem has manifested across agencies. For example, a report by the Department of Homeland Security's Office of Inspector General found that nearly 2,000 DHS employees or individuals using the identities of DHS employees obtained more than \$2.4 million in unemployment assistance through the Lost Wages Assistance (LWA) program, intended to provide funds to those who lost their jobs due to the pandemic. 336 of these individuals were not only still employed by DHS but were also receiving overtime pay, and others used DHS' own computer network to file for the fraudulent unemployment benefits.

- a) What steps has OMB taken to ensure agencies are aware of and compliant with their responsibilities to discipline employees who defraud American taxpayers in this way?

Response

Since day one, the Administration has supported independent agency Offices of Inspectors General (OIGs) and partnered with the Pandemic Response Accountability Committee (PRAC) to detect, investigate, and prosecute any fraudulent actors who stole from American taxpayers during the global COVID-19 pandemic. In early April, Senators Peters, Durbin, and Wyden [introduced legislation](#) to enact [President Biden's comprehensive pandemic anti-fraud proposal](#), which would provide OIGs and prosecutors with much-needed funds to hold fraudulent actors accountable and recover stolen taxpayer dollars, put in place safeguards to better prevent future fraud, and support the innocent victims of identity fraud.

Impoundment Control Act

Question

The Impoundment Control Act (ICA) requires that the President submit a special message proposing that Congress rescind budget authority “whenever” he determines any budget authority “will not be required to carry out the full objectives or scope of programs for which it is provided or that such budget authority should be rescinded for fiscal policy or other reasons.”

- a) Has President Biden made any determinations related to budget authority pursuant to the ICA?
- b) What processes does the Administration have in place to make required determinations and maintain compliance with the ICA?
- c) Has the President made a determination that the \$22 billion provided to the Commerce Nonrecurring Expenses Fund in the Fiscal Responsibility Act “will not be required to carry out the full objectives or scope of programs for which it is provided”?

Response

- a) President Biden has made no determinations under the ICA and is not currently pursuing any such determination.
- b) Section 112 of OMB Circular A-11 explains the long-standing guidance on how to properly submit a package to Congress under the ICA.
- c) As you know \$12.44 billion from the Commerce NEF was rescinded in the Consolidated Appropriations Act, 2024 (Public Law 118-42). The remaining funds were appropriated for purposes in 2025 and thus have not been expended. The President has not made a determination under the ICA regarding the NEF funds. The President’s 2025 Budget proposes to cancel these funds.

WITNESSES

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