

FINANCIAL SERVICES AND GENERAL GOVERNMENT APPROPRIATIONS FOR 2026

HEARINGS BEFORE A SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES ONE HUNDRED NINETEENTH CONGRESS FIRST SESSION

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FINANCIAL SERVICES AND GENERAL GOVERNMENT APPROPRIATIONS FOR 2026

TUESDAY, MAY 6, 2025.

DEPARTMENT OF THE TREASURY

WITNESS

SCOTT BESSENT, SECRETARY, U.S. DEPARTMENT OF THE TREASURY

Mr. JOYCE [presiding]. The Subcommittee on Financial Services and General Government will come to order.

The hearing is titled the Oversight of the United States Department of Treasury.

Members will have five legislative days within which to revise and extend their remarks and insert extraneous material into the record.

I would note we have a hard stop today at 11:30.

I now recognize myself for an opening statement.

I would like to thank Secretary Bessent for being here today and for his leadership and his steady hand over the last several months.

We are living in an increasingly complex world with no shortage of issues. Whether it be taxes or tariffs, rightsizing regulation, or creating a regulatory framework for digital assets, the Department of Treasury's role is fundamental to the resolution.

When we think about it, this is why the Department of Treasury was created. The Department is central to maintaining a strong economy, creating jobs, and promoting economic growth, both here and abroad. It was created to bolster our national security and to ensure our economic stability, and it continues to thwart terrorists and criminals and protect the financial system from illicit activity every day.

Fulfilling these responsibilities is no easy task. As the Department's fiscal year 2025 spending plan reveals, it takes significant resources. It starts with a strong workforce, the most updated technology, and appropriate working conditions, including buildings that are sufficiently maintained.

But this doesn't happen in a vacuum. This also takes cooperation, transparency, and accountability. As this committee looks to fund the Department's future operations, we need to understand the priorities and how the Department is deploying resources across its divisions and bureaus, and why. There are definitely efficiencies to be identified, but changes need to be thoughtful and deliberate to ensure the Department's mission is still accomplished. We need to ensure our financial system, the economy, and leadership around the world is safe, secure, and thriving.

Secretary Bessent, there are and will be challenging times ahead, but I believe you are the right person at the right time to overcome those challenges. I look forward to working with you.

And I now recognize the ranking member for his opening statement.

Mr. HOYER. Thank you very much, Mr. Chairman.

And welcome, Mr. Secretary.

This is our first substantive hearing dealing with the devastating actions that the Trump administration has taken in the first three months of 2025—actions planned and predicted by Project 2025.

I look forward to having more such hearings with other agencies under our jurisdiction, especially the principals of DOGE, OMB, GSA, and OPM, which are having such profoundly negative impact on our country.

What we have seen in the first 100 days of this administration is unprecedented—and so, the polls tell us—disturbing to the American people.

The new irresponsible, incoherent tariff policy has plunged the Americans and global economies into chaos. These past three months, the American economy shrank for the first time since the final days of the pandemic. The stock market fell more in the first 100 days of the Trump administration than in the first 100 days of any presidency in the past half-century.

Consumer confidence is the lowest since May of 2020—the height of COVID-19. That uncertainty has also rattled the bond market with investors dangerously starting to doubt the full faith and credit of the United States.

Most importantly, Americans are hurting. Families see their costs going up. Retirees watch their life savings losing value. Small business owners and farmers risk going under, as they struggle to navigate ever-changing tariffs. Our economy is in chaos, and so, I think, is our government.

Donald Trump, Russell Vought, and Elon Musk are orchestrating an illegal purge of our federal employees. They clearly had a lot of ideas on how to remove these people and dismantle these programs as quickly as possible.

Sadly, they had no clue, in my view, as to the devastating consequences of their actions on our country, our government, our allies, and the professionals we rely on to serve the American people.

I am particularly concerned about the Internal Revenue Service, which has been severely understaffed and underfunded for decades. So far, the Trump administration has forced the IRS to cut as many as 11,443 employees, or over 11 percent of its staff. And that includes 6,700 workers who were fired at the height of this most recent tax session.

Now, the administration is planning to reduce the IRS workforce, I understand, by another 40,000 jobs, or 40 percent. That includes up to half of the IRS enforcement staff. Additionally, Trump's 2026 budget cuts funding for the IRS by 20 percent.

These actions at IRS, in my view—and every other government office—have bludgeoned morale, destroyed efficiency, and increased waste. Cutting back on IRS enforcement makes it easier for the wealthiest individuals and corporations to cheat on their taxes and

get out of paying what they owe. That, of course, increases what others pay and explodes the deficit.

As the President and congressional Republicans undermine the ability to enforce our existing Tax Code, they are also pursuing massive tax cuts for the wealthiest among us.

Furthermore, DOGE operatives are rifling through IRS databases that contain Americans' sensitive information, including their financial history, Social Security numbers, immigration status, and more.

The story is the same across the federal government. Americans are reeling from this uncertainty in their economy and in their government. They need answers. More than that, they need an adult in the room. That is the role I hope the Treasury Department plays, and, Mr. Secretary, in particular, yourself.

The economy and markets do not lie. We all depend on the Treasury Secretary to communicate clearly and transparently to the President, the Congress, the American people, and, indeed, the world.

I have mentioned tariffs and the IRS, but I'm also eager to hear, Mr. Secretary, from you about our economic approach to the Russian-Ukraine War, especially in light of last week's mineral deal and recent questions about our sanctions regime on Russia.

Former Secretary Mnuchin, whom I believe you know, sir, and I disagreed on some things, but we still found ways to work in a bipartisan fashion to inspire confidence in the economy. Mr. Secretary, I look forward to doing the same with you.

Thank you, Mr. Chairman.

Mr. JOYCE. Thank you, Mr. Hoyer.

Today, we welcome the testimony of the Honorable Scott Bessent, Secretary of the United States Department of Treasury.

Secretary, without objection, your written testimony will be entered into the record. With that in mind, we ask you to please summarize your opening statement in 5 minutes.

STATEMENT OF SCOTT BESSENT

Secretary BESSENT. Good. Thank you, Mr. Chairman, Congressman Hoyer. Thank you, Members.

Chairman Joyce, Ranking Member Hoyer, and members of the subcommittee, I'm grateful to join you today. Treasury is eager to work with Members of Congress to fund key priorities to strengthen our economy and we look forward to coordinating with you on the President's budget as soon as it is released.

Today, I wish to highlight the Department's efforts to boost U.S. economic growth, improve government efficiency, and target illicit actors that threaten our national security.

The core components of the Trump economic agenda are trade, tax cuts, and deregulation. These are not standalone policies. They are interlocking parts of an engine designed to drive economic growth and domestic manufacturing.

Tax cuts and cost savings from deregulation raise real incomes for families and businesses. Tariffs create an incentive for reshoring jobs and fair trade. And deregulation complements tariffs by making it easier to invest in energy and manufacturing projects.

Already, this agenda is bearing fruit. In the first 100 days of the new administration, 464,000 new jobs were added to the economy. In April alone, over 177,000 American jobs were added—more than 40,000 more than economists predicted. All the while, unemployment remains low while real hourly wages continue to grow.

As important as spurring job growth is wrangling inflation. And in this endeavor, the administration continues to make tangible progress. The CPI for energy goods declined in March, as did the price index for core goods. And the CPI for all items declined for the first time since the COVID pandemic. While the cost of goods is decreasing, so are energy prices.

Complementary to our efforts to grow American prosperity, we are focused on improving efficiency across all levels of government, but especially the IRS. We just concluded a successful tax-filing season, but the IRS still needs significant reforms to deliver efficient and cost-friendly results for the American people.

In this endeavor, we have successfully cut \$2 billion from the IRS IT budget without any operational disruptions. We achieved these cost savings by eliminating, renegotiating, and descoping wasteful IT and professional services contracts and addressing longstanding inefficiencies, such as auto-renewed licenses, unused for years. This intervention alone will save taxpayers hundreds of millions of dollars each year.

We are also taking steps at the IRS to reduce administrative cost with a particular focus on paper processing, which has been a long-standing bipartisan goal. Last year, the IRS spent approximately \$450 million on paper processing, with nearly 6,500 full-time staff dedicated to the task. Through policy changes and automation, Treasury aims to reduce this expense to under \$20 million by the end of President Trump's second term.

In addition to making government more efficient, Treasury is committed to working alongside the White House to make America safe again. To that end, we have launched a maximum pressure campaign against violent cartels and terrorist networks. We have assessed tens of millions of dollars in civil penalties against organizations facilitating money laundering along the southern border, and by leveraging sanctions, we are choking off the financial lifelines of terrorists, criminals, and hackers from Mexico and Guatemala to China and Iran.

In the first 100 days of the new administration, we have set the table for a robust economy that allows Main Street to grow. With Congress and the White House working hand-in-hand, we expect to see even more positive results over the next few months.

The key to expanding economic opportunity for all Americans is making the Trump tax cuts permanent. We look forward to working closely with the members of this committee to pass this bill into law. Together, we can build a stronger, safer, and more prosperous America.

Thank you.

[The information follows:]

Embargoed until Delivery

**Statement of Secretary Scott K. H. Bessent
United States Department of the Treasury
Before the Appropriations Subcommittee on
Financial Services and General Government
United States House of Representatives
May 6, 2025**

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Thank you.

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Mr. JOYCE. Thank you, Mr. Secretary.

I now recognize myself for the first questions.

Secretary, let's fast-forward a year. Where do you see the United States with respect to tariffs and the overarching strategy? Do you anticipate all trade deals being bilateral or could there be multi-country trade pacts, of which groups of countries agree to a tariff schedule?

Secretary BESSENT. Mr. Chairman, this will be path-dependent on our trade partners. As I have said before, there are 18 very important trading relationships. We are currently negotiating with 17 of those trading partners. China, we have not engaged in negotiations with as of yet.

So, I expect that we can see a substantial reduction in the tariffs that we are being charged, as well as non-tariff barriers, currency manipulation, and the subsidies of both labor and capital investment. So, that is proceeding very well. Many of our trading partners have approached us with very good offers, and we are in the process of renegotiating those.

With the economy, I would say that this is a three-legged stool—trade, tax, and deregulation. Trade was first. The House, according to Speaker Johnson, expects to move their portion of the bill over to the Senate on or about Memorial Day. So, we are looking forward to that.

And then, deregulation necessarily takes longer to affect the economy, but I would expect in the third and fourth quarters we would see substantial benefits from deregulation, that by this time next year could be at full force.

Mr. JOYCE. We have seen a few numbers discussed in terms of how many countries with whom you have started tariff negotiations. What is the actual number? What is the status of those negotiations? How many deals do you anticipate by the end of the year and the first quarter of 2026, or the second quarter? And what are the biggest challenges you see to negotiating tariffs and getting trade deals done?

Secretary BESSENT. Again, sir, approximately 97 or 98 percent of our trade deficit is with 15 countries. Eighteen percent of the countries are our major trading partners. And I would be surprised if we don't have more than 80 or 90 percent of those wrapped up by the end of the year, and that may be much sooner, I would think that perhaps as early as this week, we will be announcing trade deals with some of our largest trading partners. They have come to us with very good offers.

And what I will tell you is that, in negotiating with some of them, they may not like the tariff wall that President Trump has put up, but they have them. So, if tariffs are so bad, why do they like them?

And then, more insidious, we can see, from a practical matter and from academic research, are the non-tariff barriers. If you were to look prior to the escalation, I believe Chinese tariffs were only 5 percent. So, clearly, there is something else going on, if they are accumulating these gigantic surpluses.

Mr. JOYCE. The President released his skinny budget for the year, fiscal year 2026, on Friday. The budget calls for approximately a \$2.5 billion cut to the IRS. As you know, Congress has

been pulling back money from the IRS over the last several years, somewhere in the range of about \$41.7 billion. Some may ask, what is left to cut from the IRS? Why don't you talk about your vision for the IRS and why streamlining operations will benefit taxpayers and not hurt them?

Secretary BESSENT. Well, Mr. Chairman, the IRS is 30 years behind—30 years behind—on an IT modernization project, where perhaps up to \$50 billion of taxpayer money has been wasted. We are rightsizing that.

So, the substantial decrease in the IRS budget is largely in IT. We have had a large number of employees take the option for early retirement or for retirement.

Again, let's look at the numbers. We are just taking the IRS back to where it was before the IRA bill substantially bloated the personnel and the infrastructure.

Mr. JOYCE. Thank you.

I now recognize Ranking Member Hoyer for any questions he may have.

Mr. HOYER. Thank you very much, Mr. Chairman.

Let me ask you a broader question, Mr. Secretary, at the outset. The President has been talking about recession and accept of a recession in the short term. Do you believe we are in a recession now?

Secretary BESSENT. Congressman, I believe in data, and there is nothing in the data that shows that we are in a recession. As a matter of fact, the Jobs Report had a surprise to the upside.

Mr. HOYER. The Jobs Report, of course, was less than the average for the Biden administration in 2024, but the GDP went down this first quarter of the Trump administration. If we have a negative growth in the second quarter, which is, I suppose, the traditional definition of a recession, would you agree that we are in that recession of which the President speaks?

Secretary BESSENT. Congressman, these economic numbers are noisy and subject to substantial revision. So, I, having looked at detailed analysis, would believe that the first quarter GDP would be revised upward.

And I would also, with regards to your remark about where we were last year, last year we were spending 6.7 percent—we had a 6.7 percent fiscal deficit, the largest we have ever had during peacetime or non-recessionary times. So, the easy thing to do would be to keep spending to keep the economy running on an unsustainable path of government spending.

Mr. HOYER. Let me remark, because you mentioned this I think in our meeting, we have a spending problem, not a revenue problem. I want to talk about the revenue problem.

Let me suggest to you my view is it is neither a revenue nor a spending problem; it is a pay-for problem. If we would pay for what we buy, whether it is defense or non-defense, we wouldn't have increased the deficit.

So, I think, looking at—I'm a big proponent of paying as you go. Unfortunately, we haven't pursued that on either side of the aisle, maybe for different objectives.

Let me go to IRS. You probably know these figures, and these are somewhat old at this point in time. But what they reflect, as

you will see, is a substantial decrease in the resources of the IRS, particularly in enforcement—as the blue representing an increase in filings and the orange representing the nominal, and the dotted line, the net actual value of the funding for IRS, particularly enforcement.

The budget proposes substantial cuts. Have you or anybody done an analysis of the ramifications of those cuts, both in the short term and in the long term, in terms of your ability to collect revenue?

Let me paraphrase—not paraphrase, but give a—in your discussions, you said you were not going to sabotage—that we had in my office—sabotage collections. Are you confident, in light of the fact that any IT—and I agree with you we have wasted a lot of money on IT—that any IT will be accomplished within the next 36 to 48 months, and therefore, justify a reduction in personnel?

Secretary BESSENT. Congressman, let me work backwards. So, I am confident that we will make substantial progress in the IT and rightsize the payments, the payment system, the collection system. As I have repeatedly said, my priorities are collections, privacy, and customer service.

And again, the substantial increase in the enforcement group, there is nothing that shows historically that, by bringing in unseasoned collections agents, that that results in more collections or high-end collections. It would be like sending in a junior high school student to try to do a college-level class. Becoming a high-end IRS collections agent is something that one grows into.

So, I believe, through smarter IT, through this AI boom, that we can use that to enhance collections. And I would expect that collections would continue to be very robust, as they were this year.

Mr. JOYCE. The chair now recognizes the gentleman from Arkansas, Mr. Womack, for any questions he has.

Mr. WOMACK. Thank you, Mr. Chairman.

And thank you, Mr. Secretary, for your service and for being here today in front of my colleagues.

I'm going to ask a question that I'm sure you have never been asked before, but I will give it a try here. When is X date?

Secretary BESSENT. Congressman, we are—as I said earlier, we still take in a large amount via paper returns. So, every Friday, I get a summary, and if you can believe it—as you know, tax day was April 15th—we are still tallying that. So, we don't have—we will share with Congress when we believe we are approximating that date. So, that will be forthcoming.

But I will tell you, just as an outfielder running for a fly ball, we are on the warning track, and when you are on the warning track, it means the wall is not far away.

Mr. WOMACK. So, it is not today. It may not be next week, but it is fast approaching?

Secretary BESSENT. And, of course, the United States Government will never default; that we will raise the debt ceiling and Treasury will not use any gimmicks. We will make sure that the debt ceiling is raised.

Mr. WOMACK. You have already answered a couple of questions about the President's budget, and I'm going to ask maybe a little differently. The President's budget request for fiscal year 2026

looks very different from President Biden's budget just last year. And I have been a long-time proponent of getting our fiscal house in order, and I applaud the President's attempt to get our fiscal house in order.

During my tenure as chairman of the House Budget Committee many years ago, I co-chaired the Joint Select Committee on Budget and Appropriations Process Reform, and many of our recommendations are included in Trump's request.

It is no secret we are heading toward big and needed change within the federal bureaucracy. That said, his budget request for the Treasury is \$11.5 billion compared to fiscal year 2025 enacted at \$14.2 billion. Now, that is a 19 percent decrease.

You have already mentioned that we have savings achieved in contracts regarding IT services and this sort of thing, and we have saved the American public a lot. But you also said that IT remains one of our biggest challenges, particularly within the IRS.

So, how is it that you are going to operate with a smaller budget that still serves the needs of the American people?

Secretary BESSENT. Sir, part of that has been bringing people back to the office. So, on March 10th, we reinstituted a work from your office program. And again, I think it is going to be efficiency.

We have asked for more money for many of the priorities, the Treasury Foreign Intelligence Network and the Office of Foreign Assets Control, OFAC. So, we will be keeping the American people safer.

And again, we think, through efficiency gains—the federal government, historically, does not have productivity increases. And as I have continually pointed out, DOGE is the Office of Government Efficiency, not the Office of Government Extinction or Eradication.

So, I think that it is not a big leap to do much more with less.

Mr. WOMACK. Are there \$2.5 billion worth of efficiencies?

Secretary BESSENT. Well, again, just two of it is in the IT department. And if you were to look, Treasury processes about 1.5 billion payments per year, which is like a mid-sized U.S. regional bank. We have had many of these banks come in and talk to us about their payment programs, and their departments are one-tenth the size and one-tenth the budget. So, allowing for the redundancies that we would need as a government agency, then we think that we do need to be bigger, more fulsome, but there are substantial savings to be had.

Mr. WOMACK. Well, I want to ask one more quick question, because I know we are probably not going to have a second round.

You have been a proponent for better financial literacy in this country, and your background is evidence of that. Quickly, can we do a better job in this country of educating young people on matters of financial literacy?

Secretary BESSENT. Any increase that we do would be a better job. But we just hosted Financial Literacy Month at the Treasury. I only had two months to get ready for it. I can tell you that every April we are going to do more and more. But the key to financial independence is financial literacy, making good choices, and not—you know, I don't think it comes from more regulation. I think it comes from more financial education.

Mr. WOMACK. Thank you very much.

Mr. JOYCE. The chair now recognizes the gentleman from Wisconsin, Mr. Pocan, for 5 minutes.

Mr. POCAN. Thank you, Mr. Chairman.

And thank you, Mr. Secretary, for being with us.

You know, my main concern is, well, people are looking at the economy. You know, the first 100 days, lowest stock market since Richard Nixon—not usually a measure people are shooting for.

On tariffs, the fact that last year we had an effective rate of about 2.5 percent. I think the Yale Budget Lab—and I believe you went to Yale—has said that effective rate is closer to 28 percent, the highest since 1901. I know some of that has changed because the tariffs are on again/off again, some on again/some off again. Somewhat chaotic, I believe is your term—is what, Crazy Ivan style? I compare them to how a monkey throws dung; you are not exactly sure where they are going to land.

And that is the concern I have, as a small business owner, and I know Ms. Gluesenkamp Perez is as well. You know, I have got small businesses really worried.

You made a comment, while cargo volumes have dropped 60 percent, you see this as a temporary detox. But for a small business that is getting by day-to-day, that is much bigger.

You talked about Main Street; we want to finally focus on Main Street, not Wall Street. I think you were at a global investor conference in Beverly Hills yesterday. That is the cocktail party where you mentioned the Crazy Ivan theory. And before that, you were at a JPMorgan Chase/World Bank investor, private investor summit. All those things are not Main Street, right? Main Street is an auto body repair, a specialty printer.

So, my concern is on the tariffs. Who pays tariffs, Mr. Secretary?

Secretary BESSENT. Congressman, let me work back—

Mr. POCAN. No, no. No, actually answer the questions I ask, please, because I only have 5 minutes.

Who pays tariffs?

Secretary BESSENT. Sorry. Well, there's—

Mr. POCAN. Who pays tariffs?

Secretary BESSENT. Sorry—

Mr. POCAN. Mr. Secretary, please.

Secretary BESSENT. Excuse me.

Mr. POCAN. The question is very simply, who pays tariffs?

Mr. Chairman, I would like him to answer that question.

Mr. JOYCE. Well—

Mr. POCAN. He wants to answer other questions.

Secretary BESSENT. Well, Congressman, if the exporters dislike tariffs so much, why wouldn't they if—I think what you are trying to get me to say—

Mr. POCAN. Did you remember the question? I'm not sure you did. Who pays tariffs?

Secretary BESSENT. The, the—it is a very complicated question.

Mr. POCAN. Reclaiming my time, people pay tariffs, right?

Secretary BESSENT. No, not—

Mr. POCAN. I'm a small—reclaiming my time, Mr. Secretary—

Secretary BESSENT. No, no.

Mr. POCAN. Reclaiming my time, Mr. Secretary,

Secretary BESSENT. No, no, sir—

Mr. POCAN. Reclaiming my time, you clearly aren't going to answer.

Secretary BESSENT. No, sir——

Mr. POCAN. I'm not going to waste my time having you go uh, uh, uh, uh.

Secretary BESSENT. Sir——

Mr. POCAN. Mr. Secretary, reclaiming——

Secretary BESSENT [continuing]. It should be——

Mr. POCAN. Mr. Secretary, I asked, reclaiming my time.

Secretary BESSENT [continuing]. Who can pay tariffs——

Mr. POCAN. Mr. Chairman?

Mr. JOYCE. You asked a question and he is answering it.

Mr. POCAN. And I asked to reclaim my time, did I not?

Mr. JOYCE. Can he finish his answer?

Mr. POCAN. No, I said, "Reclaiming my time," because he is clearly not answering it.

Mr. JOYCE. Can he finish his answer?

Mr. POCAN. Yes, so, as a small business owner—and unfortunately, I would like that time back, since you failed to recognize me for 30 seconds.

So, I just recently from one of my suppliers got the tariff surcharge on things. And in addition to the tariff surcharge, guess what else got raised? American-made walnut plaques. That has nothing to do with tariffs, but companies take advantage and do that.

So, right now, we are getting screwed right and left because of the indiscriminate use of tariffs. That is the reality for Main Street.

And you go off to Beverly Hills for private investor conferences to talk about Crazy Ivan theories. Answer that. What is the Crazy Ivan theory of tariffs that you mentioned at the summit?

Secretary BESSENT. Well, first of all, sir, I have had meetings with more than 50 small lenders. So, I want to clarify that.

I would also say that, in game Theory, strategic uncertainty of which you seem to like the name Crazy Ivan——

Mr. POCAN. Well, it is your words, correct? Didn't you use Crazy Ivan at the——

Secretary BESSENT. Well, you have used it five times.

Mr. POCAN. He didn't answer the question, Mr. Chairman.

Secretary BESSENT. I am saying the strategic uncertainty is part of negotiations. Should we say——

Mr. POCAN. Okay, but——

Secretary BESSENT [continuing]. Oh, here's what we'll accept, please take this?

Mr. POCAN. Okay. I have got your answer. Thank you. I'm going to reclaim my time again.

So, for a small business, we don't have that luxury, right? When the ports are empty in California and we can't get goods—the people are stocking up for Christmas goods—Crazy Ivan is great for—please don't take offense—really rich people like you. But for people like me, it is not, right? That is what makes small businesses fail. That is what makes people lose their jobs. That is what makes the stock market tank.

So, I will ask one more time, who pays tariffs?

Secretary BESSENT. Sir, the history would show that it is a complicated mix of who pays the tariffs over various times.

Mr. POCAN. So, that is exactly the problem. If your answer—and you are very educated person; you have a very impressive bio—cannot the question who pays tariffs because you won't answer that. And you say it is a complicated issue. It is not complicated.

Consumers pay Trump's tariff tax. That is the reality.

And I will yield back, Mr. Chairman, but I do think, next time, if I ask to yield back, I would appreciate having my time yielded back.

Mr. JOYCE. The chair now recognizes the gentlelady from Iowa, Mrs. Hinson.

Mrs. HINSON. Thank you, Mr. Chairman.

Good morning, Mr. Secretary. Thank you so much for taking the time to come and answer our questions.

I appreciate what the Trump administration is doing to try to level the playing field for American consumers and restore our economy to where it needs to be. So, I really appreciate the work that you were doing to make that happen, Mr. Secretary.

And I certainly, as an appropriator, recognize the importance of making sure that every tax dollar is spent appropriately, and I appreciate your opening comments as such.

So, with that, the GAO estimates the federal government loses between \$233 and \$521 billion annually to fraud. Those are alarming numbers, hard wasted—hard-earned tax dollars just wasted.

President Trump has certainly acknowledged the absurdity of this level of waste, and he signed Executive Order 14249, to protect America's bank account against waste, fraud, and abuse.

And I was proud to support this effort by introducing a piece of legislation to codify that, the Protecting American Taxpayers from Wasteful Spending Act.

One of the provisions of this EO is directed at your Department, the Department of Treasury, to establish pre-certification and pre-award procedures across the federal government to prevent fraud and improper payment.

So, can you define for the committee today what an improper payment is and some examples of what you are seeing, and why these procedures were not already in place before, Mr. Secretary?

Secretary BESSENT. Well, it is mystifying why they weren't in place. And what we are seeing is that there was a very complacent upper level of management in many departments across the entire government.

What I can say at Treasury, that of the 1.5 billion payments we send out every year, they are required to have something called a TAS, a Treasury Account Symbol. We discovered that more than one-third—one-third—of those payments did not have a TAS number.

So, as the Appropriations Committee, you should be shocked by that. Because how can a payment be tracked back to an appropriation? Only through the TAS number. So, there was no accountability. So, that is why the 450 organizations that sit above Treasury, where Treasury acts as the paymaster, are unable to pass an audit.

So, we have cracked down on that. Every payment now requires a TAS number. It is very simple.

And I will tell you that the mid-level employees who I have had come into Treasury to talk to me about that feel liberated. They tell me, I've been here 20 years. I've always wanted to do this. I've been here 14 years. And they feel as though they now have agency and are making the difference towards saving the American taxpayer money.

Mrs. HINSON. So, this is not only a complacency issue that you have fixed, but it is a morale issue for these employees who are helping to make the Department much more efficient for taxpayers?

Secretary BESSENT. They are very energized by their participation.

Mrs. HINSON. It is certainly unbelievable when you think about that this was not in place. And certainly, we have lots of examples from the previous administration of some of those catastrophic failures.

Who would you say is benefitting from those improper payments? And how could a government agency really justify standing idly by while those errors were seeping into our system and making our government less efficient?

Secretary BESSENT. I can't speak to who was benefitting, but I can just speak to the attitude that has been shaken up; that this is okay. This is not okay and this is taxpayer money and we are charged with protecting it.

Mrs. HINSON. What other plans are in place to help implement that Executive Order? You have talked about the Treasury Account Symbol. Are there other things in that Executive Order that you are executing on today?

Secretary BESSENT. Well, again, the President, as you mentioned, has passed—we are trying to go more paperless with the checks, with very important checks that the citizens across the United States receive, whether it is Social Security, veterans' benefits, tax refunds. A substantial number of those are stolen. So, the President has issued an Executive Order to try to make that more electronic. That will protect the integrity of those payments, as well as cut down on costs.

Mrs. HINSON. Have you been able to claw back any improper payments for the taxpayer, reclaim those dollars?

Secretary BESSENT. Yes, we have clawed back tens of millions of dollars.

Mrs. HINSON. That is fine. We will look forward to continuing to work with you to improve those efficiencies and execute on that Executive Order.

I appreciate the work you are doing at Treasury, Mr. Secretary. Thank you.

Secretary BESSENT. Thank you.

Mrs. HINSON. I yield back.

Mr. JOYCE. Thank you, Mrs. Hinson.

The chair now recognizes the gentlelady from Washington, Ms. Gluesenkamp Perez.

Ms. GLUESENKAMP PEREZ. Thank you, Chair.

And thank you, Secretary Bessent, for being here.

So, I ran an auto repair shop before coming here. And I know that people who are turning wrenches, who are filing Earned Income Tax Credit in their tax return, you know, they are about four times more likely to be audited.

And I'm wondering if you could talk to me about what the plan is for ensuring that, regardless of what income strata you are in, your probability of being audited is equitable.

Secretary BESSENT. Well, Congresswoman, I think that was one of the problems with increasing the enforcement. There was nothing to say that there would have been more enforcement at any distributional level. So, that what you were saying is that those receiving the Earned Income Tax Credit are more likely to be audited. That would have just meant more auditing.

There was also a proposal to track small payments, \$600 on Venmo, and things like that, which has been pushed back also.

Ms. GLUESENKAMP PEREZ. But what is the forward program to ensure that there is an equitable—I'm not just—I mean, I have some quarrels with what you said. But what is the plan, the implementation plan, to ensure, moving forward, we are getting towards a more equitable enforcement rate?

Secretary BESSENT. Look, we are reviewing the processes for who is audited at the IRS. There's been a great deal of politicization of that. So, we are trying to stop that. And we are also going to look at the distribution of who was audited and why they were audited.

Ms. GLUESENKAMP PEREZ. I look forward to hearing more about how that is being implemented and how we can help you with that.

So, I think you and I agree that the current trading system has failed working people, people who are turning wrenches, driving trucks, changing diapers.

Could you expand on how the proposed tariffs would ensure that there is upward pressure on wages?

Secretary BESSENT. Well, I think that there are many parts to that, but the key to upward pressure on wages is more job opportunities. And what we have seen since the so-called China Shock, after China entered the WTO, was a large decrease in manufacturing jobs. And studies have shown that workers in manufacturing jobs have more potential for large-scale wage increases than service workers do. So, moving more workers from service work to manufacturing should do that.

And the administration is also trying to bring down the costs for working families.

Ms. GLUESENKAMP PEREZ. You know, I agree, right, if you are trying to earn a living as a barber, you have to move to a city to earn a high wage. But if you are in a rural community where there is a factory job, you can own land; you can own your home.

And I think one of your points about financial literacy is ensuring that we do have economic self-determination. You can buy the pair of boots that will last five years and not be in this place.

But there is a lot of work to do here building real wealth and not the nominal kind of—I'm not really here to be a defender of the stock market. Most of the people I know don't trade stocks in my community.

You know, it is a question of being able to own land, having that capital access, start your own business, and frankly, some of the

antitrust work to ensure there is a level playing field for small businesses like mine.

I'm hearing from constituents who have questions about their tax returns and are having trouble getting a real person on the line to speak to. What can we do? What is your plan for decreasing wait times, for having someone be able to actually talk to a human being when they call the IRS?

Secretary BESSENT. Well, again, this goes back to my three priorities: collection, privacy, and customer service. So, we are moving money into customer service at the IRS. And it is almost unimaginable that the phone banks had the same number of operators 24/7, 365 days a year.

So, if one of your constituents called on Christmas Eve, they would probably get through, because there were so many idle phones. If they called on April 14th, there was no surge to help them.

So, as President Trump has repeatedly said, this is a common-sense administration. So, we are going to have common sense for the IRS. Playoff season for the first is from January 15th to April 15th. Game day is April 15th. So, we are going to make sure that it is better staffed then.

Ms. GLUESENKAMP PEREZ. Thank you. I yield back.

Mr. JOYCE. Thank you very much.

The chair now recognizes the gentleman from Texas, Mr. Cloud, for his 5 minutes of questions.

Mr. CLOUD. Thank you, Chairman.

And thank you, Mr. Secretary, for being here.

I think it was Albert Einstein who said that you can't solve problems with the same kind of thinking you used when you created them.

And that is one of the things I certainly appreciate about you and the Trump administration and what you are bringing to the table.

For a long time, we have seen the managed decline of America, and while many who run for positions that we hold will campaign on the need to do something, what we have seen is too often, and even because of some of the politicking we have seen today for the sake of politics, we have not been able to do the big, hard things that we need to, to change course and get us out of the \$36 trillion debt pathway, and growing pathway, that we are on leading to that wall that you talked about.

The American people have watched this all play out, realizing that their Nation has been in decline and seeing what they thought was kind of the promise, that if we put the experts in charge, they would run the government. We would have a regulatory pattern that worked. The wealth gap would close. America would be strong. And that has not happened.

What did the experts get wrong that you are correcting?

Secretary BESSENT. Well, sir, under President Trump's first administration, the wealth gap did close. The bottom 50 percent of households by net worth saw their net worth increase substantially more than the top 10 percent. And we are aiming to do that again.

Under President Trump's first term, hourly workers' wage gains were higher than supervisory workers. And, look, what people got

wrong was the shock, and there was this terrible policy of—it was, essentially, compensate the losers. And I do not think that the American workers are losers. They were simply cast aside as the necessary collateral damage in this unfettered free trade.

And free trade is not always fair trade. And we can see that from the large surpluses that these countries are accumulating on the other side. So, we are aiming for fair trade, to bring back high-paying, precision manufacturing jobs to the United States. And we are doing that. We are using tariffs, but we are also using the substantial deregulation, energy dominance. So, we want to continue to make the United States an even more attractive location for manufacturing.

Mr. CLOUD. It is interesting, you talk about manufacturing. And I think it was in 2008 the intelligence community put out a report. I talk about it a lot because they said the greatest transition of wealth, power, and influence is happening right now. And this was some years ago. They said we expect it to continue.

And it was going from the Western countries to the Eastern countries. And they said it was happening because we were sending manufacturing overseas and we were sending oil and gas revenues overseas.

And yet, they said it was like an unsolvable solution. Yet, we have the Trump administration who is coming in and solving what seems to be not an easy solution, but a very clear solution in bringing manufacturing back and bringing oil and gas back. And I appreciate it.

I wanted to ask you, because there was a comment about the bond markets, and certainly, that really is a concern. We need to make sure that they stay strong and that the dollar stays strong.

Are the bond markets more affected by the tariffs, and the concern we see in them now, are they more affected by the tariffs or out-of-control debt and the fact that Congress can't seem to get our fiscal house in order?

Secretary BESSENT. Well, you know, I will tell you that the large stock of government debt is why I'm sitting here now, as opposed to back in the private sector. I became so alarmed by what was going on under the previous administration, this deficit that we had, the highest ever when we weren't at war or weren't in a recession, and it is unsustainable.

And I thought it was deeply cynical. And if we had done it—if we continued it, then we would have gone into a malaise where we couldn't grow ourselves out. We would have probably been forced into looking more like a European-style economy—very high government spending, lack of innovation, and lack of mobility.

Mr. CLOUD. And that would matter for us here at home, but, certainly, even for the world. Because we have kind of been the innovation engine of the world.

Secretary BESSENT. Yes. Yes, sir. But what we have created in the United States is this barbell economy, and the Trump administration is attempting to remedy that. On one side, we have financial services and the tech sector, which are forward-looking and the envy of the world. On the other side, we are a natural resources economy, led by energy, which the previous administration, they refused, you know, stopped permitting for LNG facilities.

Mr. CLOUD. Yes.

Secretary BESSENT. But the arc in between is what we are missing, are these manufacturing jobs. And that is what we are trying to bring back.

Mr. CLOUD. Thank you, Mr. Secretary.

Mr. JOYCE. Thank you.

The chair now recognizes the gentleman from Maryland, Mr. Ivey, for 5 minutes of questioning.

Mr. IVEY. Thank you, Mr. Chairman.

I appreciate you being here today, Mr. Secretary.

I wanted to ask you a few questions about DOGE and the role it is playing at Treasury.

You came into office—I guess you were sworn in on the 27th, was it? You were confirmed by the Senate on the 27th? Is that about right?

Secretary BESSENT. The 28th.

Mr. IVEY. The 28th? Okay. And then, you started working at Treasury immediately after that?

Secretary BESSENT. Yes, sir.

Mr. IVEY. All right. And DOGE began working there as well with respect to the payment systems?

Secretary BESSENT. They—two people, two individuals from DOGE who were actually Treasury employees were onsite.

Mr. IVEY. Okay. And I believe you were approached by the highest-ranking career official at Treasury, David Lebryk. Am I pronouncing his name correctly?

Secretary BESSENT. I believe it is Lebryk.

Mr. IVEY. Lebryk?

Secretary BESSENT. Yes.

Mr. IVEY. Okay. What was the nature of that conversation? I assume this was about the DOGE issue, but tell me briefly what that conversation was about.

Secretary BESSENT. Well, that conversation was about a discussion of the payment system. And what I go back to, what I didn't know—I think I walked in the office around 3:00 p.m., and I think he and I were having a conversation at 4:30.

And he—

Mr. IVEY. I have got to ask for the short version.

Secretary BESSENT. Oh, no, no, no.

Mr. IVEY. Okay.

Secretary BESSENT. But I will tell you that, when we were talking about the TAS, that it was people like this individual who were hitting Send on the payments. So, you know, I have come to find out that at least part of the—

Mr. IVEY. Okay. I apologize. I will have to get that later from you.

Secretary BESSENT. Yes.

Mr. IVEY. Feel free to send in the substance of the discussion in a letter.

But I guess what I was going to ask was, you just mentioned there were two people who were working with respect to DOGE at the time?

Secretary BESSENT. Yes, sir.

Mr. IVEY. And Mark Elez was one of those?

Secretary BESSENT. I am not sure.

Mr. IVEY. Not sure? You are not familiar with that name?

Secretary BESSENT. I don't recall that name. I interviewed Tom Krause and personally recommended him to work at Treasury.

Mr. IVEY. Okay. Well, Mr. Elez had worked at Mr. Musk's SpaceX company. And The Wall Street Journal issued a story, I think around February 7th, that talked about statements that Mr. Elez had made in the prior year.

One was, "You could not pay me to marry outside my ethnicity." Another was that he wanted to normalize Indian hate. A third was, "Just for the record, I was racist before it was cool." And another was, "I just want a eugenic immigration policy. Is that too much to ask?"

This man resigned shortly after that article was published, but you haven't—you don't recall——

Secretary BESSENT. No. No, Congressman——

Mr. IVEY [continuing]. Him being there?

Secretary BESSENT. Congressman, I did not recall that individual's name, but that individual was terminated.

Mr. IVEY. He was terminated? Okay. Well, I appreciate that, although it appears that he, then, later turned up and he was rehired, I guess. And then, he has continued——

Secretary BESSENT. Not by Treasury, sir.

Mr. IVEY. Okay. But he was continuing to do work for DOGE, but in this instance, HHS, and three other departments?

Secretary BESSENT. I——

Mr. IVEY. You have no idea?

Secretary BESSENT. I didn't follow his career.

Mr. IVEY. Okay. Well, you didn't catch JD Vance saying that he didn't think he should be terminated? Did you miss that, too?

Secretary BESSENT. I don't recall that.

Mr. IVEY. All right. Do you recall Mr. Trump saying that he should have a second chance?

Secretary BESSENT. I don't recall that.

Mr. IVEY. No? Okay. And do recall Mr. Musk saying he should be given a second chance as well?

Secretary BESSENT. No, sir.

Mr. IVEY. All right. Well, I guess the main question, too, here is, what exactly was the vetting practice that you had in place before you brought on these two people and gave them access to the payment system, which is \$6 trillion?

Secretary BESSENT. Well, sir, they did not have access to the payment system, or perhaps we have a different definition of access. They only had read—they had read-only abilities and it was for—they were there for tech support, tech support to look at the payment system, the ERP system, just like any private enterprise.

Mr. IVEY. Is this an individual that you would have brought on, even in that capacity, if you had known that he had made these statements prior to him becoming part of that team?

Secretary BESSENT. Congressman, I think it is very difficult to monitor everyone's social media——

Mr. IVEY. That is not what I asked.

Secretary BESSENT [continuing]. Before they are hired.

Mr. IVEY. If you knew that he had made these statements, would you have brought him on in the capacity that he had at the Donald Trump?

Secretary BESSENT. I think the Office of Personnel Management would have flagged that.

Mr. IVEY. Would you have brought him on?

Secretary BESSENT. Sir, again, I'm not going to speculate.

Mr. JOYCE. The chair now recognizes the gentleman from New York, Mr. LaLota, for his 5 minutes.

Mr. LALOTA. Thank you, Mr. Chairman.

Good morning, Mr. Secretary. Good to be with you this morning, sir.

I would like to use my time to talk about taxes and trade. As head of Treasury, you advise the President on taxes and trade, sir?

Secretary BESSENT. On both, sir.

Mr. LALOTA. Among many other things?

Secretary BESSENT. Yes.

Mr. LALOTA. Yes. And, Mr. Secretary, in your estimation, how did President Trump's 2017 signature tax bill affect American job creation, employment, and wage growth?

Secretary BESSENT. Mr. Vice Chair, it provided a substantial non-inflationary impetus to the economy, which resulted in real wage gains on a non-inflationary basis for the American people and a robust economy.

Mr. LALOTA. I would add—I'm with you 100 percent—I would add some data in there: 4.9 million jobs between the passage of the tax bill and the COVID pandemic. Employment rates dropped from the 4s to the 3s, and we had a lot of wage growth, especially within the middle class.

And that sets me up for my next question. Congress now is considering extending those tax cuts, which expire at the end of this calendar year. Would that be a good idea, Mr. Secretary?

Secretary BESSENT. Congressman, what Congress is considering is making them permanent, which is a better idea.

Mr. LALOTA. We are considering a lot on the tax bill. We are also considering SALT, which I think is an awesome idea as well.

But, nevertheless, on the greater bill, public polling suggests that you are right, and that 8 of 10 Americans agree that extending those tax cuts is a good idea, recognizing that they help grow wages. They help lower unemployment and help personal wealth.

But I want to use the remainder of my time to talk about trade policy, Mr. Secretary. Is it true that America's trade deficit is about \$1.2 trillion?

Secretary BESSENT. Approximately, yes, sir.

Mr. LALOTA. And with China, Mr. Secretary, about \$300 billion?

Secretary BESSENT. Yes, and I believe it may have increased slightly.

Mr. LALOTA. Yes. And, Mr. Secretary, what impact is China's exploitation of child labor and near-slave-like labor, what impact does that have on the trade deficit?

Secretary BESSENT. Well, sir, that it creates an unlevel—you know, aside from the values problem that Americans do not believe in this behavior, that it creates an unfair trading advantage. And

we can see that from the size of the deficit, but, more importantly, from the size of the large surpluses they are accumulating.

Mr. LALOTA. And, Mr. Secretary, what impact does China's notorious theft of America's intellectual property have on our \$300 billion trade deficit?

Secretary BESSENT. Well, I think that that is a problem for not the United States, but for every other country. And to the extent that they are able to leapfrog, whether it is with technology, whether it is with products, then that creates a huge advantage that has given them—it is back to one of the cornerstones of the problem of trade; that if you don't have to spend money on R&D, then you can spend it on manufacturing, cheap manufacturing.

Mr. LALOTA. And, Mr. Secretary, are tariffs a tool to reduce America's trade deficit, specifically, with China?

Secretary BESSENT. Right. Yes, sir.

Mr. LALOTA. And are they also a tool to protect American jobs, Mr. Secretary?

Secretary BESSENT. A hundred percent.

Mr. LALOTA. And, Mr. Secretary, you can probably tell by how far I sit on the dais, I'm somewhat new to Congress. But, yet, hypocrisy still offends me and there is a lot of double-talk and hypocrisy in this town.

I'm going to read you a couple of quotes, Mr. Secretary, and I would like you to tell me if you think President Trump or somebody from the administration said it, or if you think Senator Schumer has said it on tariffs.

Quote: "Tariffs are a necessary step towards addressing the unfair imbalance of China's trade relationship with the United States." Did Schumer say it or did Trump say it?

Secretary BESSENT. I would imagine the President.

Mr. LALOTA. Schumer said it, sir. Schumer was, just a year ago, in February of 2024, talking about tariffs being the answer to combat some of those issues in China specifically—ripping off our intellectual property and exploiting slave labor and child labor.

Secretary BESSENT. Well, Congressman, I would also note that many government officials, including Presidents, were also in favor of a border wall until President Trump was.

Mr. LALOTA. Good point, and it leads me to my second question. Who said it, Schumer or Trump, that "Tariffs are vital to protect American workers, American manufacturers, American innovation, and our national security."? Who said it, Trump or Schumer?

Secretary BESSENT. I would imagine it was the ranking member.

Mr. LALOTA. It was the Senate Minority Leader. Chuck Schumer said it.

And like what you said, it was cool until Trump got in office, and now, he is opposed to it.

My time is about to expire, Mr. Secretary, but I want to commend you for fighting for American middle-class workers. I do think that extending the tax bill with a couple of tweaks, like SALT, is important. I do think that fighting for our middle-class workers is important. And I implore you to stay on the right path, sir.

I yield.

Secretary BESSENT. Good. Thank you, Congressman.

Mr. JOYCE. Thank you for getting that SALT plug in, Mr. LaLota, twice.

The chair now recognizes the gentleman from Georgia, Mr. Bishop.

Mr. BISHOP. Thank you very much, Mr. Chairman. Thank you for being here, Secretary of Treasury. I wanted to ask you some questions about the reports that the administration is cutting IRS workforce roughly in half with the goal of 50,000, including many of the front men enforcement positions. Recent studies concluded that this is a result of a loss of \$19 billion in foregone revenue just in 2026 and left \$250 billion over the next decade. Such substantial cuts in staffing could cause reductions in voluntary compliance as taxpayers will feel emboldened to cheat on their taxes and IRS officials previously testified that a simple one percent decline in the compliance rate translates into \$30 billion in lost revenue for the Government.

If the administration is truly concerned about reducing the federal deficit, as you indicate, why would it consider staffing reductions that reduce the IRS' capacity to let much needed revenue that could be used to reduce the deficit or pay for critical services?

A recent Treasury Inspector General for Tax Administration's Report indicates that the IRS compliance workforce would be drastically hit by 31 percent with revenue officers of 18 percent. They are paying the maximum taxpayer compliance responsibilities that are needed for revenue for the Government.

It appears that 31 percent of the reduction in force and I think since January the federal workforce has been reduced and IRS started out with 103,000 and now it is down to 91,600, which is an 11 percent reduction in the workforce. That is a 31 percent loss in revenue agents, 18 percent loss in revenue officers, 10 percent loss in contact representatives, and 10 percent loss in tax examiners. It seems to be really, really foolish to pursue that.

Can you tell me why that makes sense briefly?

Secretary BESSENT. So I think there are two things here. There is the actual decrease which you just cited which is about 11 percent. And then if you could tell me where you are getting this number where there is going to be a 40—

Mr. BISHOP. The IG's report.

Secretary BESSENT. Sorry?

Mr. BISHOP. The IG's report.

Secretary BESSENT. That there is going to be a 40 to 50 percent decrease because—sir, I will tell you that was the goal before I took this job. I didn't particularly like the term fake news. Now that I have it, I think it is probably not strong enough.

On March 22nd—

Mr. BISHOP. Let me change the subject. Let me move to another subject, Mr. Secretary. Thank you. If you want to elaborate, you can.

Secretary BESSENT. I will be happy to have my office follow up.

Mr. BISHOP. Let me say that since this administration has come to the White House, the price of groceries has increased by five, six percent in only two months. According to a recent report about a Groundwork Collective, the price of meat, poultry, fish, and eggs has grown the fastest, up 2.9 percent since January of 2025. Eggs

at a record high of \$6.23 a dozen, up from 26 percent in January '25 alone. What is the administration doing to bring down the cost of food? What is the administration doing to ensure that the impact of the tariffs don't disproportionately fall on our nation's farmers. I have got a list of headlines from farmers all across the country that are complaining about the impact of the tariffs on their capacity to sell their products.

Can you tell me what the administration is doing to bring down the cost of food?

Secretary BESSENT. Well, a couple of things, Congressman. First of all, you may or may not know, I am a farmer. Secondly, that we inherited a momentum. Food prices, like monetary policy, have long and variable lead times. The price of eggs was up substantially during the Biden administration. It has been brought down 52 percent in the past few months.

Mr. BISHOP. It just went up the last two months. I just told you.

Secretary BESSENT. No, sir. I think that is not 100 percent—

Mr. BISHOP. Since January.

Secretary BESSENT. And finally—

Mr. BISHOP. Fifty-six percent.

Secretary BESSENT. And finally, we are bringing down energy costs. And energy costs, transportation is one of the single biggest factors in food pricing, so diesel prices across the country have come down and that will result in lower food prices.

Mr. JOYCE. The Chair now recognizes the gentleman from North Carolina, Mr. Edwards, for any questions he may have.

Mr. EDWARDS. Thank you, Mr. Chair. Mr. Secretary, thanks for being with us this afternoon. Earlier this year, I co-sponsored a bill, the Anti-CBDC Surveillance State Act that would prevent the Federal Reserve from issuing central bank digital currency. Many of the folks that I represent are concerned about the security of such a currency and the privacy of their information were such a currency to be used.

Can you give me your perspective and maybe the administration's perspective on the place for digital currency?

Secretary BESSENT. Sir, we believe that digital assets belong in the private sector and my personal view is that having a central bank digital currency is a sign of weakness, not strength, because really the reason if there is a reserve, say reserve manager or a foreign central bank holds U.S. dollars, then there is a wide variety of U.S. assets they can invest in. You would create a central bank digital currency just for ease of use because there are no good choices for underlying assets.

Mr. EDWARDS. And so you are saying you would not be in favor of the Federal Reserve issuing such a currency?

Secretary BESSENT. No, sir.

Mr. EDWARDS. Thank you. Can you tell us real quick at what point do you believe that our debt levels would no longer be sustainable? And then, the second part of that is what would that look like if our debt were no longer sustainable? What would that look like to the American family?

We talk a lot about debt up here. We put forth some elaborate graphs and charts and we hear all kind of economists using big long words. I need to be able to describe to the people back at home

what that might look like in their lives where we no longer sustain debt?

Secretary BESSENT. It would look like a sudden stop in the economy as credit would disappear, as markets would lose confidence. And I am committed to that not happening. And again, it is a tipping point in debt sustainability, very difficult to pinpoint, but what is not difficult to pinpoint is a trajectory. And the trajectory is unsustainable when the—when and if the market were to rebel against is very difficult to know.

I think, just as I talked about the warning track for the X date, I think it is very important not to go on the warning track and we have got to get to the other side of this and start reducing the debt. And the debt numbers are indeed scary, but Secretary Yellen and I both agree that it is the debt to GDP that is the important number. So we are trying to both control the absolute level of debt, pay it down, but also grow the GDP.

Mr. EDWARDS. And so I appreciate, I applaud your approach towards the debt. Give us an idea of where is that tipping point? How close do you think we might be to that?

Secretary BESSENT. Again, sir, I think what the market—having been in markets for 35 or 40 years, what the market is more concerned about is a trajectory, are you on a trajectory that is unsustainable or are you, as we said during COVID, bending the curve? So the goal here is both bend the curve, but to grow the denominator and use growth and spending constraint to solve this problem.

Mr. EDWARDS. And thank you for that. And as part of the President's cabinet and seeing more inside what is taking place than any of the rest of us, what role would you say that DOGE is playing right now in prolonging that tipping point and reversing our fiscal trend?

Secretary BESSENT. Well, I think DOGE or any other measure to constrain the spending is admirable, important, and necessary. And if we don't do that, as I said, and the Ranking Member mentioned it, we do not have a revenue problem. We have a spending problem. And we have to bring this spending under control.

Mr. EDWARDS. Thank you. I have got just a few seconds. Can you tell us what keeps you up at night regarding cyber threats to our Treasury system?

Secretary BESSENT. It is cyber threats across the entire financial system, sir. And that is why at the Treasury we are leading the effort for more resilience within the entire financial system, whether it is across the banking system, the payment system, and the Treasury system. As you would have seen, Treasury was hacked last year. We have just discovered an OCC hack that was discovered last year. So these hacks are real and dangerous.

Mr. EDWARDS. Thank you, Mr. Chair, I will yield.

Mr. JOYCE. Thank you. The Chair now recognizes the Ranking Member of the full Committee, Ms. DeLauro, for any questions that she may have for five minutes.

Ms. DELAURO. Thank you very much, Mr. Chairman, my apologies for being late and apologies to you, Mr. Secretary, but lots of hearings happening.

Just a couple of points and then I want to ask my question. Just a follow-up on this IRS piece, I think it is very interesting that, well, first of all, I totally disagree with you, Mr. Secretary. We have a revenue problem and that is where the IRS comes in. And we think about the debt. We think about the \$2.3 trillion that was debt really built up with the tax cuts to the wealthiest and the biggest corporations in 2017. We are now looking at an additional \$4.5 trillion in tax cuts which are making their way again to the richest and to the biggest corporations. That is debt and that is something that I don't know about yourself and others in the administration who refuse to see that kind of debt and the almost unbelievable piece of this is the IRS, 2024, we invested in it, able to recover more than \$1.1 billion from roughly 1,600 millionaires projected at the time when investments in high end enforcement data and analytic that an additional \$851 billion would result in revenue over the next 10 years.

The Inspector General has said the IRS lost 30 percent of auditors under Elon Musk's illegal purge, people who are wanting to ensure that millionaires and billionaires are paying their taxes. And the issue here is that we are going to pay for those taxes by taking it out of the hide of Medicaid and of children of low-wage workers and of seniors.

The issue that I want to try to get to and I am going to make another point is your comments on—your recent comments seem to call into question the vitality of the textile industry in the United States and national security. I applaud the administration for the steps they have taken on de minimis and closing down that loophole. I think it was very, very important to do this. We need to go further. It needs to be applied to all countries, not just to China. But unbelievable commentary on the U.S. textile industry provides good jobs across this country, particularly in rural areas. The supply chain directly employed 471,000 workers, produced roughly \$64 billion in products in 2024.

Let me get to my question. I have only two minutes to go here. This is the—dealing with and standing up for a mechanism in the U.S. that screens our investments in China, to ensure capital, technology, and know-how are not fueling the capabilities of the Chinese Communist Party. I have had a bipartisan bill to do that for years, help negotiate the bipartisan bill that nearly passed last year and I strongly support executive action to address the issue. In fact, we got appropriated funding from Treasury to implement the Executive Order on outbound investment.

Mr. Secretary, I understand that the administration is currently reviewing the Executive Order. There is a clear bipartisan consensus on the need for an outbound mechanism of that screening regime. Let me ask you, do you support the implementation of such a regime?

Secretary BESSENT. Thank you, Congresswoman, it is a very important issue. The outbound security program is an important new tool in our effort to restrict the PRC from exploiting U.S. investment. The program just began a few months ago and we are learning and we anticipate gaining important visibility into U.S. persons' investments involving PRC entities. We appreciate the interest from Congress and while legislation is important and helpful,

I would like some time for our process to inform any legislation. We would like any legislation to be both flexibility and durable.

Ms. DELAURO. Well, you know, in your confirmation hearing in January, you noted, and this is a quote: "We should have a very rigorous screening process for U.S. investments in key sectors that could go to China." And in March you said, "We will make sure that our outbound investment doesn't get used against us. We are going to continue investigating this and where necessary to block it."

I heard your answer and quite frankly it sounds a little bit wishy-washy. I want to be clear about this. You have expressed support for outbound investment for months now. Has that changed in any way? What is the status of the administration's review of that order? What about the time line on this because it is an important issue? And can you commit that your department will enforce its Executive Order to its fullest extent?

Secretary BESSENT. I have not changed my position. As I said, we are looking at what is working, what isn't, and the best enforcement mechanisms and when a bill comes forward, again, we want it to be fulsome and durable and a 2025 bill for all the nuance that goes with this.

Ms. DELAURO. I am out of time, but please understand, we have bipartisan support. It made it into the Continuing Resolution, but for the influence of Mr. Musk. And it is critically important for our competitive edge and I don't believe there is any reason for the administration to roll back. My hope is that we will move forward and keep the pressure on in order to be able to preserve our competitive advantage and not cede to the Chinese—

Secretary BESSENT. We are in complete agreement.

Ms. DELAURO. Thank you. Thank you, Mr. Chairman.

Mr. JOYCE. I would not want to interfere with that bipartisan moment.

Ms. DELAURO. It is bipartisan legislation as you know.

Mr. JOYCE. I appreciate that.

Ms. DELAURO. It is a great piece of legislation.

Mr. JOYCE. And the chair will now recognize the gentleman from Nevada, Mark Amodei, for five minutes of questions.

Mr. AMODEI. Thank you, Mr. Chairman. Hi, Mr. Secretary. First of all, I want to thank you for your availability during this time since you have been confirmed and stuff like that. I know nothing has been going on that affects the Treasury Department in any way and I appreciate having access to you via phone over an issue that was of importance, so thank you very much.

I want to just ask you a couple of questions kind of relative to our conversation and that is I know that the President has said quit producing the penny for a lot of reasons, arguably, you lose two and a half plus cents for every penny you produce in seigniorage and you don't have to get up too early to do the math on that sort of thing.

But I think in the timing of doing that, if we are going to eliminate the penny which has to happen here, I would like to know who it is, who is kind of the point, the tip of the spear on your staff at Treasury? I already have the Mint information, but at Treasury as far as those issues go. And I will tell you why I want to know

is I think there are some issues regarding what it costs to produce a penny. I don't think it will get you down to a cent. So there won't be that argument. But quite frankly, stacked up behind it is what it costs to produce a nickel and what it costs to produce a dime. I don't know about the quarter, but anyhow, to make sure that we are at least giving your Department and the Bureau of the Mint the tools necessary to, if you will, untie their hands when they are looking for who they buy their blanks from and stuff like that that goes directly into what it costs to produce one.

So my first question is who is kind of in charge of that since I know you have got other things to do, but ultimately so that we can start that dialogue with where do we go from here and if we are going to get rid of—and I know there has been legislation introduced in the Senate to get rid of the penny altogether except for collectors. So who is the point man or woman on your staff?

Secretary BESSENT. Congressman, it would be my recently-confirmed deputy, Mike Faulkender.

Mr. AMODEI. Okay.

Secretary BESSENT. And I would also say with the nickel and the dime, the nickel costs more than a nickel to produce, but we are looking at material changes in the material that would reduce the cost to or below a nickel and then I believe the dime is profitable.

Mr. AMODEI. And I guess that brings me to—there is legislation you might want to warn your recently-confirmed deputy, H.R. 1278 bipartisan gives you guys the chance without coming to us every time to basically make changes in the metal of that sort of stuff so that you can keep ahead of those sorts of things so if you would, unless it is sitting here, whatever, like hey, we are going to be calling you up. The idea is to solve the problem, if it is solvable and move on from there so you guys can do other things with your time.

Secretary BESSENT. Yes, sir. We have been reviewing that.

Mr. AMODEI. Good. Glad to hear that. So have you taken a look at the set of bills that says no more pennies and I guess other countries have rounded up to the nearest five cents? My research says well, it wasn't the end of the world.

Secretary BESSENT. Well, sir, we are also encouraging rounding down.

Mr. AMODEI. Okay. That is a great answer. You know what, I am going to reward good performance. I yield back, Mr. Chairman.

Mr. JOYCE. Certainly appreciate that, Mr. Amodei. I understand you have a hard stop at 11:30. I would like to honor that. I want to be fair to my fellow committee members though, in doing so, not all of us will be eligible for a second round, but certainly my Ranking Member Mr. Hoyer would request that he have a chance to ask you another question before the stop.

Mr. HOYER. Mr. Secretary, first of all, let me say that I believe the Congress is being taken for granted in the policies being pursued. I think, frankly, some illegal things are being done, not by you, I am just talking about the administration in terms of federal employees. I represent 77,000 federal employees who came here to work for the Government and that is why they are here.

I have worked very well with Republicans throughout my career which is now in its 45th year. I want to do that some more because

I think that is in the best interest of the country. I believe you are one of those who has a shot at keeping us on a somewhat even keel. I mean that as a compliment, but obviously it is also a concern.

When you say and I want to reiterate this, that we have a spending problem and I retort to you no, what we have is a paying for problem. If I make a million dollars, I can spend \$999,000 less taxes, but if I make \$500,000, I spend a million dollars, that is a paying problem because I don't pay for it and I accumulate debt. That is how debt is.

Now I was here in the Reagan administration, some period of time ago. We were told that the tax cuts that were passed in 1981 were going to pay for themselves. It did not. Perhaps it will surprise you, maybe you know this figure, the largest increase in the national debt was under Ronald Reagan, the only President who had a triple digit, 189 percent increase in the national debt during the course of his term. It might also surprise you that Clinton is the only one who was 30 percent or lower since Ronald Reagan. Clinton is the only one who balanced the budget.

Now one of the reasons we did so is because we had bipartisan objectives. The Republicans wanted to cut taxes which is their mantra. We wanted to invest, as we call it, as opposed to spending, in children's education and people's healthcare and safety, et cetera, et cetera. If we continue this logic that we have a spending problem and discount taxes as spending, when we did the tax increase under George—excuse me, in 2017, you may recall, the Republicans gave themselves a \$1.5 trillion head room. The reason it was limited to that is because the Senator from Tennessee wouldn't go higher than that. So in other words, a \$1.5 trillion unpaid for head room to give a tax cut. That is spending because you are cutting prices while increasing costs. That is what costs you deficits.

Some of my Republican friends, I am a strong supporter of national defense, but I do not delude myself that raising \$150 billion in national defense expenses don't cost taxes. We don't have \$150 billion to either cut taxes with or to spend money with, so we borrow. And when my friend talks about hypocrisy, we all know if you spend more than you get, you go into debt and that is what we do as a country on both sides of the aisle. And we need people like yourself to be honest with those with whom you work and honest with the Congress of the United States in terms of the ramifications of the actions.

I know you are a strong supporter of permanent increase and a strong supporter of paying for it. And you can cut all of non-Defense discretionary spending and you won't get there. And this game that Mr. Musk has played, he had no sense of the ramifications of the actions he has taken. He knew how to do it. He was prepared, as one article in the Atlantic Journal said the Blitzkrieg, which our speaker calls flooding the zone and pretty effective at that is trying to watch where the ball is and see if you can respond.

And Mr. Secretary, I have a lot of questions. I am going to send them to you, ask them to you, and would like to take some time with you on that. I have great respect for your background and your abilities. And I am really praying that you will bring a voice of reason and rationality to our deliberations.

My time is over and I appreciate the chairman's forbearance, but this is serious business, very serious business. And I agree with you. A \$37 trillion debt is not sustainable and we all have to do it, but we have to do it together. That is the only way it will get done. Thank you, Mr. Chairman.

Mr. JOYCE. Do you have a response, Mr. Secretary?

Secretary BESSENT. Congressman, thank you for that and I would note that while President Reagan substantially increased the Defense budget, the Clinton administration was able to capitalize on the peace dividend. But as you said, the Defense budget dropped dramatically via post the fall of the Iron Curtain which contributed to the fiscal soundness and through, as you said, through bipartisanship working with Speaker Gingrich, they worked together. So I would hope that we could that again.

Mr. HOYER. Which by the way cost Gingrich his job. The right wing of his party was incensed that he did that and what it did was had a rational policy because both sides participated.

Secretary BESSENT. And the Senator from Tennessee is actually my neighbor, so I see him quite often. Look, there are ramifications here and——

Mr. HOYER. You are not talking about any current Senators from Tennessee. He has left.

Secretary BESSENT. Wanted to make sure we had the right Tennesseean.

Mr. HOYER. Senator Corker.

Secretary BESSENT. Yes, yes. Is my neighbor. And I look forward to inviting a bipartisan solution.

Mr. JOYCE. Thank you, sir. With that, our time is concluded. I would like to thank you, Secretary Bessent for being here today. Maybe some members, as Ranking Member Hoyer has indicated will have some questions, will want to submit those questions for the record and we will ask any to submit those questions to the subcommittee staff within the next seven days. I would ask that you try to respond to them within the next 15 business days after receipt. Thank you with that. The subcommittee stands adjourned.

[Whereupon, at 11:30 a.m., the subcommittee was adjourned.]

Questions for the Record
Committee on Appropriations Subcommittee on Financial Services and General
Government
Oversight Hearing – U.S. Department of the Treasury, May 6, 2025

Questions from Congressman Sanford Bishop

1. During the pandemic, my low income and elderly constituents who filed paper tax returns waited years for their tax refunds. Subsequently, the Congress appropriated \$80 billion in mandatory money in the IRA for modernization of the agency and improved service to taxpayers. Clearly the investment is sorely needed but, at this point, \$40 billion – or half of the funding – has been rescinded in the last two appropriations bills. The first \$20 billion was part of an agreement called the Fiscal Responsibility Act negotiated between Speaker McCarthy and President Biden. The second \$20 billion was the outcome of defaulting to a year-long CR.

If appropriations goes into a third year of the CR, we will see another \$20 billion of the investment in the IRA lost to a mindless process. What are your plans to prevent this outcome?

Answer: Funding provided by the Inflation Reduction Act to the IRS substantially bloated IRS' personnel and infrastructure, resulting in unnecessary bureaucracy and an unsustainable path of spending. We need to right-size and reform the IRS to deliver efficient and cost-friendly results for the American people. For example, we have successfully cut \$2 billion from the IRS information technology budget without any operational disruptions and are taking steps to reduce administrative costs at IRS as well.

2. Mr. Secretary, on February 26, OMB and OPM issued guidance to federal agencies directing them to develop and submit plans by March 13 for the elimination of positions through large-scale reductions in force (RIFs), the existing hiring freeze, and the attrition of positions through retirement or resignation. While a number of agencies at Treasury have begun issuing RIF notices to employees, these agencies have not publicly shared their comprehensive RIF plans with employees, Congress, or the American people.

This administration promised unprecedented transparency in its effort to reform the federal workforce. Nevertheless, the unwillingness of these agencies to share specific information about their plans to fire thousands of workers has created chaos at these agencies where employees remain uncertain about their job status. In order to provide employees with clarity about their job status and how these reductions may impact the ability of agencies to meet their missions, will you commit to providing the subcommittee with the full reduction in force plans for all Treasury agencies as soon as possible?

Answer: Due to ongoing litigation relating to the February 26, 2025, memorandum about agency RIF and Reorganization Plans (ARRPs) and workforce optimization in general, I cannot provide information on this topic at this time.

Secretary Bessent, I also wanted to ask you about recent reports suggesting the administration is considering cutting the IRS workforce in half to roughly 50,000, including many front-line enforcement positions. A recent study from Yale University concluded this could result in the loss of more than \$19 billion in foregone revenue just in 2026 and up to \$350 billion over the next decade. Such substantial cuts in staffing could cause reductions in voluntary compliance as taxpayers feel emboldened to cheat on their taxes. And as IRS officials have previously testified, a simple one-percent decline in the compliance rate translates into \$30 billion in lost revenue for the government.

If this administration is truly concerned about reducing the federal deficit, why would it consider staffing reductions that reduce IRS' capacity to collect much needed revenue that could be used to reduce the deficit or pay for critical services?

Answer: Treasury commits to maintaining the staffing levels needed to efficiently carry out the agency's goals of collections, customer service, and privacy within appropriated funding levels. This includes right-sizing IRS staffing in combination with successful IT modernization, regulatory review, and process improvement efforts which still permit the agency to effectively collect revenue, just as it did throughout the entirety of President Trump's first term in office.

In addition, the Department was subject to a Preliminary Injunction in place from May 22, 2025, until July 8, 2025, which enjoined any actions (including potential Reductions-in-Force (RIFs)) relating to the Department's Agency RIF and Reorganization Plan (ARRP).

Questions from Representative Mark Alford

1. Secretary Bessent, the 2024 appropriations bill called on the Treasury Department to facilitate a private-public partnership to enhance Americans' financial security and prevent the proliferation of financial fraud and scam schemes. As you know, fraudsters and scammers have become more adept at using the growing digital economy to harm Americans.

Question: What is the status of this report?

Answer: Treasury submitted this report to Congress on March 6, 2025.

2. You may know that regulated financial institutions compensate victims for financial fraud, but scams – where a consumer may get a spoofed call, be the victim of an imposter scam, or seek to purchase goods that don't actually exist -- all begin outside the financial system. FIs are not in a position to prevent these crimes. Rather, all players in the ecosystem (including social media, telco, law enforcement and financial services) need to come together to help stop these proliferate crimes.

Question: Will you commit to bringing together multiple sectors and report back on any recommendations to stop the flow of money to bad actors?

Answer: Fraud remains the largest and most significant proceed-generating crime for which funds are laundered in or through the United States. Fraud distorts financial markets, harms national security, deprives consumers of hard-earned savings, and can undermine public confidence in government programs and the financial system. In addition to efforts to assess the risks of fraud and inform the public through national risk assessments, Treasury has robust and sustained engagement with a variety of stakeholders to assess the risks of fraud and inform the public through public advisories, financial trends analyses, and public-private partnerships and initiatives. Treasury remains committed to working with these and other stakeholders to counter fraud and will report back on recommendations as they are identified.

3. During the Biden Administration, FSOC was asked to examine designating insurers, asset managers, and other non-bank financial institutions as systemically important financial institutions (SIFIs). This would have subjected them to capital requirements that only make sense for banking entities - despite insurance and asset management working completely differently than institutions that take deposits.

In 2023, the Financial Stability Oversight Council (FSOC) elevated its designation authority, putting delegation on equal footing with an activities-based approach to systemic risk, and eliminated several important prerequisites to designation that were put in place under the Trump Administration's 2019 guidance, including (1) conducting a cost-benefit analysis and (2) assessing the likelihood of a nonbank's distress.

Question: What are the benefits in your view of FSOC's activities-based approach to systemic risk and will you commit to following such an approach as leader of the Council?

Answer: I believe the FSOC's process for designation of nonbank financial companies should address potential risks to financial stability in a way that is analytically rigorous, transparent, and appropriate for the level of risk. For American financial institutions to thrive, they need clear expectations and rules that are appropriate for their activities and risks.

4. What is your view on allowing the primary financial regulatory bodies (the Securities and Exchange Commission or state-based insurance commissioners) to address the risks associated with non-bank financial institutions?

Answer: I hosted my first meeting of the FSOC earlier this year and am looking forward to continuing to work with federal and state financial regulators through the Council. The Council is an important forum for facilitating cooperation and communication among member agencies, and I am committed to using the FSOC to leverage the expertise of those agencies to address risks that arise within their respective jurisdictions.

5. Earlier this year, my colleagues on the House Financial Services Committee wrote you a [letter](#) encouraging FSOC to rescind the November 2023 revised guidance for designating nonbank financial companies, and instead develop a new framework for identifying, assessing, and responding to financial stability risk that doesn't abandon the responsible changes to the designation process made in 2019 during the first Trump Administration.

Question: Will you commit to review the 2023 Guidance on non-bank financial designation put in place by the Biden Administration and consider rescinding it in favor of the 2019 Guidance that prioritized an activities-based approach to systemic risk related to non-bank financial entities?

Answer: I believe the FSOC should monitor and address potential risks to financial stability in a way that is analytically rigorous, transparent, and appropriate for the risk. I look forward to reviewing and engaging on this issue.

Questions from Representative Hinson

1. Delisting. I have concerns about Chinese companies that remain listed on U.S. exchanges despite ties to the PLA's military-industrial complex, slave-labor, or opaque ownership structures. These firms often violate basic transparency standards and still attract American investment.

Question: Is there any justification for allowing these companies to remain listed and accessible to U.S. investors, especially when some of these companies have been designated on the DOD's 1260H List? What steps is Treasury taking, alongside the SEC and others, to protect investors and safeguard national security from these risks?

Answer: The U.S. Department of the Treasury shares your concerns regarding the flow of investment to certain companies in the People's Republic of China (PRC). Treasury will continue to use all tools available to prevent China's military-industrial companies' exploitation of U.S. capital to develop and modernize the Chinese military. Further, Treasury will use all tools available to further the President's objectives in deterring investment in the PRC's military-industrial sector. This may include using prohibitions in the Chinese Military Industrial Complex (CMIC) sanctions program prohibiting U.S. investment in companies on restricted lists issued by non-Treasury U.S. government agencies and departments, such as the Department of Defense's 1260H list, where appropriate. Additionally, Treasury will continue to address China's other malign behavior, including its human rights abuses in Xinjiang, imports of Iranian crude oil, and provision of fentanyl precursor chemicals to drug cartels.

2. Beneficial Ownership Information Reporting Requirement. In compliance with the Beneficial Ownership Information (BOI) reporting requirement for U.S. citizens, small businesses submitted personally identifiable information of each beneficial owner to the Department of Treasury. Earlier this year, the Department of Treasury announced that it would be suspending enforcement of this burdensome regulation. This information has

already been collected though, and I believe it should be permanently deleted to protect small businesses and their beneficial owners.

Question: Does the Department of Treasury have plans to also provide permanent relief to small businesses nationwide by deleting the data that has been collected under the previous BOI reporting requirements?

Answer: On March 2, 2025, Treasury announced the suspension of enforcement of the Corporate Transparency Act (CTA) against U.S. citizens, domestic reporting companies, and their beneficial owners, and Treasury further announced its intent to engage in a rulemaking to narrow the Reporting Rule to foreign reporting companies only. FinCEN accordingly issued an interim final rule on March 21, 2025, that removes the requirement for U.S. companies and U.S. persons to report BOI to FinCEN under the CTA. The comment period for that interim final rule closed on May 27, 2025.

FinCEN is currently assessing next steps for that rulemaking effort, as well as handling of BOI reports filed by domestic reporting companies prior to the interim final rule and will make any announcement regarding retention as soon as practicable. In the meantime, FinCEN will continue to secure all beneficial ownership information—including BOI reports filed by domestic reporting companies prior to the interim final rule—to the highest security standards for nonclassified but sensitive information.

Question from Chairman Joyce

1. Based on the most recently available Bureau of Fiscal Service data, the outstanding amount of non-tax receivables owed to the United States government was over \$2 trillion. This includes everything from government loans, to fees, to government royalty payments. However, the federal government is inefficient when collecting money it is owed. For example, over 70 federal agencies, including more than 250 bureaus, have their own accounts receivables platforms and personnel. Many of those entities do a poor job of collecting money, which is why there is more than \$200 billion in delinquent and defaulted debt owed to the federal government.

The President's March 2025 Executive Order titled "Protecting America's Bank Account Against Fraud, Waste, and Abuse" included a directive for federal agencies to consolidate their core financial management systems pursuant to forthcoming OMB guidance. This Executive Order builds on the President's 2019 Office of Management and Budget Directive that set a long-term vision for federal government efficiencies, including a directive to share services across agencies. In that directive, Treasury and the Bureau of Fiscal Service were designated as co-leads for core financial management services that could be shared across the government. In fact, the Bureau of Fiscal Service has stood up programs like the Centralized Receivables Service (CRS) that other agencies can use for their accounts receivables collections. Uptake was slow under the Biden Administration,

but it's my understanding the program is seeing results, including a doubling of collection rates as compared to independent agency efforts.

Question: What is Treasury doing to expand this effort so that we have a better view of the government's accounts receivables?

Answer: Treasury aims to increase transparency and accountability around the Federal Government's operations and financial condition, to increase efficiency and reduce costs, and to enhance the security of Federal payments (disbursement and receipts). Consistent with Executive Order (EO) guidance, agencies are developing compliance plans outlining timelines for implementation of EO requirements, which would include moving to a single Treasury-approved service provider for transactional services such as centralized receivables. Treasury looks forward to working with agencies to institute improvements to provide a better view of government's accounts receivables.

Questions from Ranking Member Hover

1. In the past, you've proposed setting up a "shadow Fed Chair" to provide forward guidance to markets that might be contrary to the current Fed Chair. What are your current views on the independence of the Federal Reserve?

Answer: I support the Federal Reserve's independence with respect to monetary policy.

2. What conversations have you had with President Trump regarding the independence of the Federal Reserve or the role of Chairman Powell?

Answer: I will not comment on any private, privileged conversations with President Trump.

3. Are you confident that the President's trade war won't significantly drive up our borrowing costs – and deficits – for the foreseeable future?

Answer: President Trump believes that tariffs are necessary to ensure fair trade, protect American workers, and reduce the trade deficit. This is based on his concern that large and persistent annual U.S. goods trade deficits, driven by an absence of reciprocity in our trade relationships and foreign trade and economic practices, have led, for example, to the hollowing out of our manufacturing base and resulted in a lack of incentive to increase advanced domestic manufacturing capacity. The President's trade agenda provides substantial tariff revenue, while incentivizing trading partners to lower their tariffs on goods from the United States, and also reduces non-tariff barriers that make it difficult for U.S. exports to compete in other markets. Following the announcement of reciprocal tariffs, more than 75 countries have come forward to address the lack of trade reciprocity in our economic relationships and our resulting national and economic security concerns.

4. You've stated that it is imperative to ensure that the US dollar remains the world's reserve currency. What are you doing to ensure that remains a reality?

Answer: I strongly believe the dollar must maintain its status as the world's reserve currency. The U.S. offers the deepest, most liquid markets, sound institutions, and strong property rights, making it the focal point of global finance. The Trump Administration will continue to implement policies that support these fundamental attributes.

5. Could you opine regarding current cash flows and how those are impacting estimates of the X date?

Answer: My May 9 letter to Congressional leaders explained that “after reviewing receipts from the recent April tax filing season, there is a reasonable probability that the federal government’s cash and extraordinary measures will be exhausted in August while Congress is scheduled to be in recess.” The letter also urged Congress “to suspend or increase the debt limit by mid-July, before its scheduled break, to protect the full faith and credit of the United States.” The “One Big Beautiful Bill” included an increase of the debt limit, allowing the United States to meet its existing financial obligations.

- a. Relative to past years, how much has the US taken in from tariffs this year?

Answer: Fiscal-year-to-date (FYTD) through April 2025, Gross Customs Duties were \$63 billion, an increase of \$15 billion (32%) versus last FYTD.

- b. How much from other non-tariff revenue sources?

Answer: FYTD through April 2025, Receipts excluding Gross Customs Duties were \$3,047 billion, an increase of \$131 billion (4%). These figures represent Receipts as defined in the Monthly Treasury Statement, which are largely comprised of net taxes received.

6. On so-called “liberation day,” Russia was excluded from the new global tariff rates. You were quoted saying that Russia wasn’t on the list because already imposed sanctions prevent most U.S.-Russia trade, making higher tariffs unnecessary. While trade in goods has decreased, trade with Russia is still significant—amounting to \$3.5 billion – well above the volumes of trade for many smaller countries hit by the new tariffs. Is the President trying to bolster trade with Russia or help the Russian economy by sparing it from additional tariffs?

Answer: As the U.S. withdrew permanent normal trade relations with Russia in 2022, Russia is subject to a set of non-Most Favored Nation (non-MFN) tariffs, along with other non-MFN countries (Cuba, Iran, North Korea). Non-MFN tariffs average 32 percent, and Russia has been subject to additional trade-related sanctions since 2022 (including the ban on Russian oil, gas, aluminum, and nickel), which constitute an additional effective tariff beyond the reciprocal tariffs announced on April 2, 2025. As a result of these actions, U.S. imports from Russia are down 90% since 2021, denying a material revenue stream to the Russian government.

7. Chairman Mike Rogers of the Armed Services Committee believes that if oil sanctions are fully enforced, Russia could not afford to continue the Ukrainian assault. Do you share that view?

Answer: This Administration is focused on supporting a diplomatic resolution between Ukraine and Russia. As Ukraine and Russia continue negotiations toward a ceasefire, all existing U.S. sanctions and export controls, including those on Russia's energy sector, remain in place and continue to be enforced. If needed, Treasury is ready to take action, such as increasing pressure on Russia's energy sector, to support a durable and lasting peace.

8. I'm very concerned that IRS has had five commissioners, including four acting, since the start of this Administration. As of this submission, no hearing has been scheduled on the President's nominee. Can you reassure this Committee that the IRS is not in turmoil?

Answer: President Trump nominated Billy Long to be commissioner of the IRS in December 2024. Mr. Long had his Senate Finance Committee nomination hearing on May 20, 2025, and he was confirmed on June 12, 2025. I thank the qualified and experienced staff at the agency for leading the organization during this period.

9. Have you performed or are you aware of any analysis or estimate regarding the impacts of the reduction in staff and resources at the IRS?

Answer: Treasury is focused on ensuring the IRS has the resources it needs to deliver on its mission, including collecting revenue, providing customer service to taxpayers, and protecting taxpayer privacy.

In addition, the Department was subject to a Preliminary Injunction in place from May 22, 2025, until July 8, 2025, which enjoined any actions relating to the Department's Agency Reduction-in-Force (RIF) and Reorganization Plan (ARRP).

10. The "skinny budget" sent by OMB proposes a cut of \$2.4 billion from IRS enforcement:
 - a. Did IRS and Treasury produce any estimates to the impact on federal revenues and the deficit?
 - b. The skinny budget contemplates eliminating "certain complex tax credits." Can you explain which ones? Have there been estimates on the impact of elimination of those credits?
 - c. The skinny budget contemplates technology improvements to increase IRS efficiency. Does that mean AI, some API, or some product of DOGE's hackathon?
 - i. Can you commit to us that these technological improvements will not perpetuate issues regarding disparate audit rates for black taxpayers or those receiving EITC?

- ii. How will you ensure compliance with taxpayer rights to privacy?

Answer: The President's FY 2026 Budget makes recommendations based on how the agency functioned at the 2025 enacted levels and how it can operate more efficiently. The elimination of "certain complex tax credits" generally points to provisions included in the One Big Beautiful Bill Act. Our priorities for the IRS are to ensure effective and efficient stewardship of taxpayer dollars and deliver a modern taxpayer experience that improves service, privacy, and revenue collection. Protecting taxpayers' privacy is an utmost priority for the department.

11. Can you commit to Americans that you are taking every precaution possible to protect their tax data from misuse? Are you committed to protecting taxpayer privacy consistent with law?
- a. Has IRS shared data on any taxpayer with the Department of Homeland Security?
 - i. What data fields have been shared? How many times? How many individual taxpayers have been impacted?
 - ii. Will you commit to making this Committee aware of each instance of data sharing?
 - b. What are your estimates of reduced revenue as a result of this data sharing effort?
 - c. What commitments has DHS made to Treasury to ensure taxpayer data is properly protected and maintained?

Answer: This matter is under litigation and Treasury would point you to the documents in that case.

12. Do you believe that altering non-profit status based on taxpayer beliefs is legal?

Answer: Treasury and IRS will follow the law for all taxpayers.

13. What are the legal standards by which tax exempt status is reviewed before there is any discussion of revocation?
- a. Is Harvard University currently under audit regarding its non-profit status?
 - b. Are any climate-related entities currently under audit regarding their non-profit status?
 - c. As you know, revocation of non-profit status is not a proportional or legally appropriate response to policy disagreements with the President of the United States. Will you commit to following that process regarding nonprofits?

- d. What specific steps has your office taken to ensure that IRS staff are fully aware of their legal obligations and are empowered to reject and report any prohibited attempts at interference?
 - i. What safeguards are you committed to strengthening at the IRS to prevent and detect political interference in the evaluation, approval, and review of organizations' tax-exempt status?

Answer: The IRS under any Administration continually examines tax-exempt organizations to ensure they comply with the applicable legal requirements for exemption under Internal Revenue Code (IRC) Section 501(c). The IRS is committed to implementing the tax code fairly and without bias, as well as respecting taxpayer and privacy rights. IRC section 6103 prohibits us from commenting on a specific taxpayer and their tax information without authorization.

- 14. Did you do any assessments or studies before undertaking reductions in force at Treasury? At IRS?
 - a. If this leads to a broader tax gap and reduced compliance, what specific contingency plans does the U.S. Treasury have to prevent fiscal damage?

Answer: Treasury commits to maintaining staffing levels required to efficiently carry out the agency's goals of collections, customer service, and privacy within appropriated funding levels. This includes rightsizing IRS staffing in combination with successful IT modernization, regulatory review, and process improvement efforts which will permit the agency to effectively collect revenue, just as it did throughout the entirety of President Trump's first term in office.

In addition, the Department was subject to a Preliminary Injunction in place from May 22, 2025, until July 8, 2025, which enjoined any actions relating to the Department's Agency Reduction-in-Force (RIF) and Reorganization Plan (ARRP).

- 15. Did you rely on any external studies that suggested Treasury was overstaffed?

Answer: Due to ongoing litigation relating to the Department's RIF and Reorganization Plans (ARRPs) and workforce optimization in general, I cannot provide information on this topic at this time.

- 16. How long did you analyze any data before the first employees were let go?

Answer: Due to ongoing litigation relating to the Department's RIF and Reorganization Plans (ARRPs) and workforce optimization in general, I cannot provide information on this topic at this time.

- 17. TIGTA's May 2 report on the IRS Workforce Reductions indicates disproportionate impacts for certain positions and business units from the initial probationary terminations and

deferred resignation approvals. I am particularly concerned that 31% of Revenue Agents and 18% of Revenue Officers have been terminated.

- a. During our hearing you indicated that technology will efficiently replace the work that revenue agents, revenue officers, and tax examiners perform. Can you please explain the revenue impacts of such a transition and how ongoing and proposed cuts to IRS' IT budget comport with this assessment, and how quickly this technology can reasonably be put in place?

Answer: Treasury commits to maintaining staffing levels required to efficiently carry out the agency's goals of collections, customer service, and privacy. At the end of FY 2021, the IRS had just over 80,000 employees. In January 2025, the IRS's headcount surpassed 100,000; an increase funded almost entirely by temporary Inflation Reduction Act (IRA) funds. Rightsizing IRS staffing combined with successful IT modernization, regulatory review, and process improvement efforts, will permit the agency to effectively collect revenue.

In addition, the Department was subject to a Preliminary Injunction in place from May 22, 2025, until July 8, 2025, which enjoined any actions relating to the Department's Agency Reduction-in-Force (RIF) and Reorganization Plan (ARRP).

18. To what extent have reductions in staff and contractor agreements affected individuals who worked at Treasury and the IRS to support the operation of the Modernized E-File program? How are Treasury and the IRS, under your leadership, working to ensure that MeF program remains fully operational and stable now and in the future?

Answer: See answer to Question 17.

19. Do you have concerns regarding completing this filing season's obligations through October 15?

- a. Will IRS be reducing its goals on Level of Service for the upcoming filing season due to staffing shortages?

Answer: IRS had a successful 2025 filing season and has sufficient resources to continue to provide customer service to taxpayers next filing season. We are currently working to develop improved indicators for customer experience and access that consider the IRS' performance across the full range of taxpayer interactions. We look forward to sharing those with you as they are finalized.

Any staffing reductions contemplated at the IRS will only be undertaken in concert with modernization efforts to improve the efficiency of the IRS' operations and customer support. Despite tens of billions of dollars invested in IT modernization and process improvement, the IRS is still too reliant on paper forms, Submission Processing Centers where IRS employees manually sort pieces of paper and remove staples, and over-the-phone customer support to answer basic questions. During this Administration, Treasury will focus on modernizing IRS information technology

systems to improve collections, enhance privacy, and upgrade customer service. This includes examining IRS software and network infrastructure for opportunities to promote interoperability among systems and maximize IRS efficiency, productivity, and privacy.

In addition, the Department was subject to a Preliminary Injunction in place from May 22, 2025, until July 8, 2025, which enjoined any actions relating to the Department's Agency Reduction-in-Force (RIF) and Reorganization Plan (ARRP).

20. Understanding the confidentiality requirements under Section 6103, would your office commit to publishing more granular Level of Service (LoS) data, including for the clean energy tax provisions?

Answer: The current IRS level of service calculation provides the relative success rate of taxpayers that call for Account Services seeking assistance from a Customer Service Representative (CSR). IRS publishes the service levels for both the budget level CSR Level of Service and Enterprise Level of Service, along with associated wait times, annually in the IRS Databook. We are currently working to develop improved indicators for customer experience and access that consider the IRS's performance across the full range of taxpayer interactions. We look forward to sharing those with you as they are finalized.

21. Considering the staffing reductions at the IRS, how is the agency ensuring that there are sufficient resources and expertise to maintain and enhance the Energy Credits Online portal, including the pre-registration approval processing, security measures, and access controls?

Answer: See answer to Question 17.

22. What are the overall and department-by-department risks to timely tax administration of the clean credits from realized and IRS staffing reductions and cancellations of contracts or task orders?

Answer: See answer to Question 17.

23. Your response on May 5th to my March 17th request for information was insufficient; deferring to OPM is inappropriate given that these are Treasury employees. How many current employees are there at Treasury? At IRS? The other bureaus?

- a. How many employees have you fired or RIF'd?
- b. How many employees have taken the Deferred Resignation offer?
- c. How many are currently on administrative leave?
 - i. How much is this costing?
- d. Please provide, as requested, data categorized by agency of employment, occupation, and duty-station location.

Answer: See answer to Question 17.

24. What are your plans and priorities for the agency after the Reduction in Force? How confident are you that they will be implementable and effective?

Answer: Due to ongoing litigation relating to the Department's RIF and Reorganization Plans (ARRPs) and workforce optimization in general, I cannot provide information on this topic at this time.

25. What objectives will Treasury be deprioritizing due to workforce reductions?

Answer: Due to ongoing litigation relating to the Department's RIF and Reorganization Plans (ARRPs) and workforce optimization in general, I cannot provide information on

this topic at this time. During your confirmation hearing, you indicated that CDFIs in underserved communities are very important. Could you please explain why your budget appears to contradict your initial assessment? Do you believe that CDFIs are DEI?

- a. CDFIs fill gaps that are left by traditional financial institutions. What has changed in the market to suggest that we no longer need the CDFI Fund?
 - i. Where do you expect medium sized loans for small businesses will come from?

Answer: I have consistently stated that CDFIs are a key component of our commitment to supporting Main Street America in the pursuit of job growth, wealth creation, and prosperity. The FY 2026 Budget proposes creating a new \$100 million award program that would provide access to affordable financing and spur economic development in rural America. Pursuant to the President's EO to end DEI, we are reviewing all programs at Treasury to ensure our programs serve every person with equal dignity and respect.

26. How can our Committee help you in our bill for the next fiscal year to support Main Street America through the CDFI program?

Answer: One of the most helpful things Congress can do is work with us to ensure that program resources award performance, especially for institutions demonstrating measurable impact in small business lending, rural development, or homeownership.

27. The President's budget outline includes a recommendation for a new CDFI program called the Rural Financial Award Program that focuses on rural communities. Are there any details you can share with us about that program?

Answer: The Rural Financial Award Program is designed to address persistent gaps in financial access across rural America. The idea behind the program is straightforward: to provide targeted support to financial institutions, including CDFIs and community banks, that are working to expand safe and sound lending, strengthen local financial

infrastructure, and invest in rural economic growth. We want to incentivize activity that supports home-ownership, small business development, and access to credit in rural areas.

28. Do you intend to continue Direct File?

- a. You testified that you would commit to keeping Direct File open throughout tax filing season, and pledged to “consult and study the program and understand it better and make sure that it works to serve the IRS’ three goals of collections, customer service and privacy.” With 90% of users rating it excellent or above average, did Direct File serve the IRS’s goal of customer service?

Answer: Select states and eligible taxpayers were able to utilize the Direct File program for this year’s filing season. We continue to review the details and results of Direct File’s performance to determine the best path forward for taxpayers. The passage of the “One Big Beautiful Bill” also provides additional resources to launch a task force focused on Direct File and other services for taxpayers.

29. Is it true that the IRS Direct File team was told in mid-March — a month before the end of filing season — to stop working on its development for the 2026 tax filing season?

- a. Who gave this direction and on what basis?

Answer: We are continuously evaluating all IRS programs to improve the taxpayer experience and ensure the IRS is using resources effectively and efficiently to deliver results.

30. Is Direct File part of the IRS’s plans for the 2026 tax filing season?

Answer: See response to Question 30.

31. Is the Direct File team still employed at the IRS?

Answer: Employees across the IRS are focused on making sure the agency runs as efficiently as possible, including providing quality customer service to taxpayers. We are evaluating the performance of the Direct File program during the 2025 Filing Season to determine the best path forward for taxpayers.

In addition, the Department was subject to a Preliminary Injunction in place from May 22, 2025, until July 8, 2025, which enjoined any actions relating to the Department’s Agency Reduction-in-Force (RIF) and Reorganization Plan (ARRP).

32. Did you consider taxpayers’ voices when determining whether to keep the Direct File option operative?

Answer: The IRS receives taxpayer feedback on almost every aspect of the agency from the public, Congress, and other outside stakeholders. The IRS takes this feedback into

account through its work, including in determining how to improve and optimize the taxpayer experience.

33. States are already well into their planning for Filing Season 2026. What factors will Treasury consider when conducting an assessment of the Direct File program?

Answer: See answer to Question 30.

34. Who decided whether to keep Direct File operative?

- a. What factors are/did play a role in this decision?
- b. If there has not been a decision, when do you plan on making your decision known to Congress and states? Will you commit to making such a decision by June 30 to provide some time to prepare for next filing season?

Answer: See answer to Question 30.

35. Will there be an after-action report regarding the implementation of Direct File this filing season?

- a. Will you commit to providing a copy of such report to Congress and publicly.

Answer: We are continuously evaluating all IRS programs to improve the taxpayer experience and ensure the IRS is using resources effectively and efficiently to deliver results. As after every tax filing season, we review the details and results to determine the best path forward for taxpayers. We will continue to receive feedback from the public and Congress as we move forward.

36. We have heard reports that DOGE is conducting a “hackathon” at IRS and was in the Bureau of Fiscal Service’s sensitive databases. Why should taxpayers have faith that these intrusions are in the name of efficiency?

Answer: We are grateful for the opportunity to clarify that the event that was reported on was actually a brainstorming seminar of various strategy sessions entitled “IRS Roadmapping Kickoff.”

The event primarily consisted of long-time career IRS engineers with pre-existing access to IRS data systems, granted across several administrations, including the prior one. The Treasury Department was pleased to gather and champion this team of long-serving career IRS engineers who were identified as the most talented technical personnel. The Secretary was pleased to stop by and see what they were working on too.

Through this coalition, IRS systems will be streamlined to create the most efficient service for the American taxpayer. This new leadership and direction will maximize their capabilities and serve as the tech-enabled force multiplier that the IRS has needed for decades.

As we have said previously, we will focus on modernizing IRS information technology systems to improve collections, enhance privacy, and upgrade customer service. This includes examining IRS software and network infrastructure for opportunities to promote interoperability among systems and maximize IRS efficiency, productivity, and privacy.

37. Who is leading Treasury's DOGE team? Who does that person report to?

- a. How many individuals associated with DOGE work at Treasury? IRS?
- b. How many DOGE individuals have been able to access IRS and/or Treasury data? What are their levels of access presently?
- c. Have any DOGE employees engaged in downloading or sharing of federal data off Treasury premises? If so, please indicate which data and each instance of data sharing, including to other agencies or for personal use.

Answer: All employees are Treasury employees. All Treasury and IRS employees in Washington D.C. and across the country are working to ensure that the agencies function as efficiently as possible.

38. Do you commit to ensuring classified materials are properly handled to protect against our adversaries?

Answer: Yes.

39. I am concerned regarding cyber security and safeguarding Treasury systems from another SolarWinds. Long-time career cybersecurity experts are being replaced by 20 year old hackers with ties to our adversaries. What are you doing to ensure that the Department has a strong cybersecurity posture?

- a. It has been reported that IRS staff and contractors involved in the Security Summit have been removed from their roles due to layoffs, RIF, DRP, early retirement, and other reductions in staff. How many staff and contractors involved in the Security Summit have departed to date? How many do you anticipate departing this year?
 - i. How many Security Summit work group and subcommittee meetings have been cancelled, if any?
 - ii. How are Treasury and the IRS, under your leadership, ensuring the IRS is fulfilling its obligations both to the Security Summit and to the overarching responsibility of the IRS to stop organized tax fraud?

Answer: Treasury takes the security of its systems and the data they hold extremely seriously. We will use all the tools available to us, including funding provided by Congress, to further harden our systems to adapt to new tactics from determined adversaries, and to respond swiftly when incidents do arise. Specific to the IRS,

Treasury commits to maintaining staffing levels required to efficiently carry out the agency's goals of collections, customer service, and privacy. The IRS remains committed to the Security Summit and the critical work done in conjunction with partners from across the tax community to prevent identity theft refund fraud. The Security Summit will once again have a significant presence at the IRS Tax Forums throughout the summer, working to inform and educate tax professionals about the threats and risks of identity theft.

Report to the Office of Management and Budget (OMB)

Under Executive Order “Continuing the Reduction of the Federal Bureaucracy”

March 21, 2025

This report is submitted on behalf of the Community Development Financial Institutions Fund (CDFI Fund) pursuant to the Executive Order titled “Continuing the Reduction of the Federal Bureaucracy” (March 14, 2025) (the EO).

The CDFI Fund is responsible for 11 programs or functions, as shown in the following table.

Program/Function	Statutory Requirement
New Markets Tax Credit Program	Community Renewal Tax Relief Act, sec. 121 (26 U.S.C. 45D)
Bank Enterprise Award Program	Riegle Community Development and Regulatory Improvement Act of 1994, sec. 114 (12 U.S.C. 4713)
CDFI Program	Riegle Community Development and Regulatory Improvement Act of 1994, Title I, Subtitle A (12 U.S.C. 4701 et. seq.)
Native American CDFI Assistance Program	Riegle Community Development and Regulatory Improvement Act of 1994, Title I, Subtitle A (12 U.S.C. 4701-4718)
Housing Production-Financial Assistance	Consolidated Appropriations Act, 2021, Title V, sec. 522 (12 U.S.C. 4703a(l))
Capital Magnet Fund	Federal Housing Enterprises Financial Safety and Soundness Act of 1992, sec. 1339 (12 U.S.C. 4569)
CDFI Bond Guarantee Program	Riegle Community Development and Regulatory Improvement Act of 1994, sec. 114A (12 U.S.C. 4713a)
Small Dollar Loan Program	Riegle Community Development and Regulatory Improvement Act of 1994, sec. 122 (12 U.S.C. 4719)
CDFI Equitable Recovery Program	Consolidated Appropriations Act, 2021, Title V, Sec. 523 (Pub. L. 116–260)
CDFI Rapid Response Program	Consolidated Appropriations Act, 2021, Title V, Sec. 523 (Pub. L. 116–260)
Certification of CDFIs and Community Development Entities	Riegle Community Development and Regulatory Improvement Act of 1994, sec. 122 (12 U.S.C. 4719); Community Renewal Tax Relief Act, sec. 121 (26 U.S.C. 45D)

Accordingly, the CDFI Fund is performing its statutory functions as required by law. On an ongoing basis, Treasury will evaluate the CDFI Fund to identify opportunities for improvement and enhance efficiencies. Treasury stands committed to driving President Trump’s vision in the pursuit of supporting Main Street America while also promoting efficiency and effectiveness, and working to prevent waste, fraud, and abuse on behalf of the American people.

WEDNESDAY, MAY 14, 2024.

FEDERAL JUDICIARY

WITNESSES

AMY ST. EVE, CHAIR, BUDGET COMMITTEE, JUDICIAL CONFERENCE
ROBERT CONRAD, SECRETARY, JUDICIAL CONFERENCE

Mr. JOYCE [presiding]. The Subcommittee on Financial Services and General Government will commence to order on oversight of the federal judiciary.

Members will have five legislative days within which to revise and extend their remarks and insert extraneous material into the record.

I now recognize myself for an opening statement.

I would like to thank both Judge St. Eve and Judge Conrad for being here today and for their service to our Nation. The two of you combined represent over 60 years of federal civil service and we are grateful for your time.

A special congratulations to you, Judge Conrad, on your recent retirement from District Court work in North Carolina.

As a former prosecutor, I know the American judicial system the gold standard for fair, equal, and impartial treatment under the law. It is a critical part of our democracy and has been since our Nation's founding almost 250 years ago.

It is incumbent upon us to ensure that our partner branches of government have the tools they need to execute the duties of their office. Courthouses across the United States serve not only as a place of employment, but as a symbol of what makes our country great.

But many of the courthouses need repair to keep pace with modern times. At the same time, the judicial system faces the reality of modern threats to both its physical and cyber security. Protests across the country have damaged federal property and threatened the safety and security of judges, officers, and staff who work every day to serve the American people.

Countries like China and Russia focus their efforts on gaining access to the IT systems of the judiciary to undermine American democracy at its core. And now, federal judges find their names in the news or on social media, and they are met with online vulgarity and in some cases physical harm to them or their loved ones.

As the judiciary's fiscal year 2026 spending plan reveals, it takes significant resources to operate the federal judiciary. We need to understand their priorities and resources, how they are being deployed across its divisions and why.

Judge St. Eve and Judge Conrad, let me again commend you on your leadership during these unique and challenging times. I look forward to working with you.

I now recognize the ranking member for his opening statement.
Mr. HOYER. Thank you very much, Mr. Chairman.

I want to thank Judge Conrad and Judge St. Eve for being with us and for the meeting we had, which was very helpful as a preface to this hearing.

If the judiciary, Mr. Chairman, is to meet this pivotal moment and preserve the rule of law, we must ensure that it has the resources and independence it needs to function as a coequal branch of government.

That is why I am very disturbed to see certain House Republicans call for retaliation against judges who rule on the law as they see it, but with which the present administration may disagree.

Judiciary Chair Jim Jordan sent a letter asking this committee to limit funding the judiciary uses to issue and enforce injunctions. Other House Republicans have filed Articles of Impeachment against judges, not for any misconduct, but rather for ruling against the administration.

Federal judges who block Trump's illegal executive actions are just trying to their jobs and interrupting the law. That is their role and that is critical to our democracy.

Many were appointed by Republican Presidents; some were even appointed by Donald Trump himself. I agree with Chief Justice Roberts's assessment earlier this week that retaliation against them has, to use his words, "endangered the rule of law."

You can't claim to stand for law and order when you threaten the independence of the branch responsible for upholding law and order. Some of my colleagues across the aisle agree, and I hope they will stand up for the judiciary.

Our subcommittee needs to ensure our courts receive the resources they need to fulfill their duties under the Constitution. Doing so is especially important, considering the recent Continuing Resolution did not provide any funding increase for the judiciary in fiscal year 2025. Six of the 11 judicial branch appropriations were funded at a freeze for a second year—meaning they were forced to continue operating at fiscal year 2023 levels.

For fiscal year 2026, judiciary requested \$9.4 billion in discretionary funding, an increase of \$800 million, or 9.3 percent, over the 2025 Continuing Resolution. Most of that increase, however, some 68 percent, is just to offset inflation, while the rest is for programmatic reassessment. Failing to fulfill that request would threaten the judiciary's ability to perform basic constitutional and statutory functions.

I'm particularly concerned, Mr. Chairman, about our Federal Public Defender Program, which has faced a severe staffing shortage and budget shortfall for years. As a matter of fact, we made a mistake in this committee, and the Senate made a further mistake, which was corrected, which would have completely undermined the ability to perform the Public Defender Service as is necessary.

The judiciary has requested \$1.77 billion for Defender Services, an increase, a substantial increase of \$350 million, or 22 percent, over the fiscal year 2025 CR, again, a freeze at 2023 levels. Without that funding, courts will struggle to ensure that Americans are

provided their constitutional right to an attorney, a competent attorney.

We also need to ensure that our courts can keep up with the increasing caseloads. That means following through on the request to increase funding for the Court of Appeals and District Courts by \$345 million, or 6 percent; and again, for the Administrative Office of the U.S. Courts by \$8 million, or 8 percent, over the 2025 CR. Again, we are talking about 2023 levels, essentially.

Without these increases to help our courts hire staff as needed and cover basic operational costs, case backlogs will only continue to grow, making it harder for Americans to receive timely justice and due process. I know all the committee members understand this, but criminal cases must come before the civil cases because of the right to a speedy trial. That means small businesses and other Americans will be pushed to later resolution of their cases.

We also needed to vote more resources to keep our judges and courts safe at the time when Donald Trump and his allies are vilifying our courts. The public hears that and it has a tendency to inflame those who may be irrational, that may be mentally ill, or just may be angry.

We ought to fulfill its request for a full \$142 million, or 19 percent increase above the 2025 CR for court security. Now, court security is a euphemism for making sure our judges are safe, making sure that our judges are not intimidated, making sure that justice would be served unrelated to the threat of violence.

I look forward to the hearing, hearing more from Judge Conrad and Judge St. Eve, although I want to say to you, I'm going to go back to my other hearing. I'm going back and forth. But my staff will be here and I'm going to hear everything you say, but it may be virtually.

Everyone who stands for law and order, Mr. Chairman, ought to be united in the mission of ensuring that our judiciary is safe, neutral, and articulating their thoughts regarding and opinions with reference to the law unrelated to intimidation and foolishness beyond their control.

I yield back.

Mr. JOYCE. Thank you, Mr. Hoyer.

Today, we welcome the testimony of the Honorable Amy St. Eve, Chair of the Budget Committee for the Judicial Conference of the United States, and dear friend of Magistrate Jonathan Greenberg, and the Honorable Robert J. Conrad, Jr., Secretary of the Judicial Conference of the United States.

Without objection, your full written testimony will be entered into the record. With that in mind, we ask you to please summarize your opening statement in 5 minutes.

Judge St. Eve, you are recognized for 5 minutes.

STATEMENT OF JUDGE ST. EVE

Judge ST. EVE. Good morning. Chairman Joyce, Ranking Member Hoyer, and members of the Subcommittee, my name is Amy St. Eve and I'm a judge on the 7th Circuit Court of Appeals in Chicago.

On behalf of the Judicial Conference Committee on the Budget, which I chair, I am pleased to appear before you today to present

and explain the fiscal year 2026 budget request of the federal Judiciary. Thank you for the opportunity to do so.

An effective, efficient, and independent judiciary is foundational to our system of government. Adequate and consistent funding is absolutely critical to conduct our constitutional and statutory responsibilities, and we are reliant on this subcommittee to help ensure that those resources are in place for us.

The branch's fiscal year 2026 funding request must be looked at in the context of the recently enacted continuing resolution for fiscal year 2025, where every component of the branch was held to its fiscal year 2024 enacted funding level, regardless of any change in workload or other requirements. And for most of our accounts, this is the second straight year of a hard freeze.

Among the impacts of the full-year CR are the deferral of dozens of judicial security projects at a time when threats against judges are increasing; the suspension of more than two months of payments to private attorneys who have provided constitutionally required representation to indigent defendants; the continuation of a long hiring freeze in federal defender organizations; and a year-over-year reduction in the allotments made to courts and probation and pretrial services offices to serve and protect your constituents.

While the Judiciary's fiscal year 2026 request of \$9.4 billion may seem large, these resources are needed to rebuild and restore critical functions of the courts and the federal defenders that were not sufficiently funded in either fiscal year 2024 or 2025, and to address new and potentially significant workload increases, based on the law enforcement initiatives of the Executive Branch.

Our request includes \$6.9 billion for the courts and probation and pretrial services offices. More than 85 percent of the requested increase in this area reflects just standard adjustments to maintain current services, with the remainder funding critical new investments in staffing, space and physical infrastructure, and information technology, including the next installment of funds that is essential for our multiyear cybersecurity and IT modernization plan.

The Defender Services request totals \$1.8 billion. Well over half of the requested increase in this account is needed just to mitigate the effects of the suspension of payments to private attorneys that was necessitated by the fiscal year 2025 CR. The remainder will support current service levels and allow a resumption of hiring in the federal defender offices.

We are also requesting almost \$900 million for our Court Security program to address a complex and evolving threat environment facing judges and the judicial process overall. The request fully funds contractual obligations to our Court Security Officers and helps recapitalize our systems and equipment budget, which was slashed due to two straight years of funding freezes in this account. The request also continues the expansion of our Vulnerability Management Program, which was instituted to improve the safety of judges and their families after the murder of the son of Judge Esther Salas and the critical wounding of her husband in 2020.

Finally, our request includes the \$19 million that we project will be needed to fully fund grand and petit juror requirements for the year.

As we ask the Subcommittee to make this substantial investment in the Judiciary, I want to assure you that we take very seriously our commitment to be responsible stewards of our funds. My committee has an entire subcommittee that is dedicated to finding opportunities to achieve efficiencies, adapt innovative business practices, and reduce or limit our costs without negatively impacting the quality of judicial services. At any given time, we have numerous cost containment measures that are at various stages of implementation, and those are described more fully in our budget request.

Again, thank you again for the opportunity to appear today and for your support of the Judiciary. I understand that the fiscal year 2026 budget we have put forward is a large one and that this is a difficult budget environment, but it is necessary to support the fair, efficient, and secure administration of justice in this country.

I ask that you please make a part of the record my statement and those provided by the Court of International Trade, the Federal Judicial Center, and the U.S. Sentencing Commission, on whose behalf we submit requests.

I would be pleased to answer your questions at this time.

[The information follows:]

**STATEMENT OF
HONORABLE AMY J. ST. EVE, CHAIR
COMMITTEE ON THE BUDGET OF THE
JUDICIAL CONFERENCE OF THE UNITED STATES
BEFORE THE
SUBCOMMITTEE ON FINANCIAL SERVICES AND GENERAL GOVERNMENT
COMMITTEE ON APPROPRIATIONS
UNITED STATES HOUSE OF REPRESENTATIVES**

May 14, 2025

INTRODUCTION

Chairman Joyce, Ranking Member Hoyer, and members of the Subcommittee, my name is Amy St. Eve, and I am pleased to appear before you to present and explain the fiscal year (FY) 2026 budget request of the federal Judiciary. I have been a federal judge for almost 23 years, first as a district court judge in the Northern District of Illinois and now as a circuit judge for the United States Court of Appeals for the Seventh Circuit, which is based in Chicago. I have also worked as a practicing attorney both for the federal government and in the private sector. Most important for our purposes today, I am the chair of the Judicial Conference Committee on the Budget, which is charged with formulating the Conference's budget request and ensuring that Congress has the information needed to effectively evaluate and act on that request.

This is my second appearance before the Subcommittee since I assumed the chairmanship of the Budget Committee in October 2021, and I look forward to sharing with you important details about the Judiciary's current funding posture, several critical crosscutting budget issues, and the specifics of our recently submitted FY 2026 discretionary appropriations request before briefly updating the Subcommittee on the status of our long-standing cost containment efforts. My remarks are meant to complement those of Judge Robert Conrad, Jr., the Director of the Administrative Office of the United States Courts (AO) and Secretary of the Judicial Conference, who will address several significant Judicial Conference priorities as well as the budget request of the AO itself.

Please note that my remarks are focused on the portions of the Judiciary's budget that are within the jurisdiction of the Conference's Budget Committee. That includes the bankruptcy, district, and appellate courts around the country; our nationwide probation and pretrial services offices; court-appointed counsel for all federal defendants who are financially unable to obtain adequate representation; the costs of providing necessary and appropriate security to Judiciary personnel and facilities; and statutory payments to federal grand and petit jurors. Conversely, it excludes the budgets of the U.S. Court of International Trade, the U.S. Court of Appeals for the Federal Circuit, the Federal Judicial Center, and the U.S. Sentencing Commission. Those organizations are responsible for their own budget requests, but I have brought on their behalf additional statements outlining their particular needs and priorities, which I would like to offer for the record. My remarks also exclude the U.S. Supreme Court, which works directly with the Subcommittee to submit and justify its own budget request. To the extent that any members of the Subcommittee have questions or concerns about any budget request beyond my own committee's jurisdiction, I will be happy to connect you with the right people to address those questions.

ROLE OF THE JUDICIARY

An effective and efficient Judiciary is foundational to the system of government envisioned by our founders and codified in both the Constitution and a vast and complex body of law that has developed over the course of hundreds of years. An objective, impartial means of interpreting and applying the law to resolve disputes and protect fundamental rights serves the interests of both the state and its people, and its importance cannot be overstated.

Our branch is reactive by design. Other than the Supreme Court, the Judiciary has no control over its own caseload. Instead, we must adjudicate every case that is filed, ensure representation for every eligible defendant, supervise every defendant or offender who is in the community while awaiting trial or completing a part of his sentence, pay every juror who serves, and protect every courthouse where members of the judicial family and the public gather to do the business of the people. To be truly responsive to the needs of Americans – your constituents – we must have the resources required to meet these demands.

That does not mean that the Judiciary should be immune from the imperative to closely examine and contain its costs wherever possible. To the contrary, such efforts are well established within the branch and are discussed in detail later in this testimony. But those steps must always be carefully assessed and implemented to ensure that they do not harm the ability of the Judiciary to carry out its constitutional and statutory responsibilities, both nationally and in each of our 12 regional circuits and 94 judicial districts. Adequate and consistent funding is absolutely critical to the conduct of those responsibilities, and we are reliant on the Congress, generally, and this Subcommittee, specifically, to ensure that those resources are in place.

FISCAL YEAR 2025 FUNDING OUTCOMES

Two months ago, Congress enacted a full year continuing resolution (CR) to fund the Judiciary – and the rest of the federal government – for the remainder of FY 2025. Although we requested a number of funding anomalies as part of the development of the CR, none were included in the final enacted bill. As a result, that bill had the unfortunate effect of erasing nearly \$200 million of proposed increases that this Subcommittee’s own FY 2025 Financial Services and General Government (FSGG) bill would have provided to accounts across the Judiciary. Instead, every component of the branch was held to its FY 2024 enacted funding level, regardless of changing workload levels and other programmatic requirements, and for most of our accounts, this is the *second straight year* of such a hard freeze. That means that more than half of the branch’s accounts are operating now in FY 2025 on funding levels that have not been adjusted since FY 2023.

The effect of the full year CR is compounded by the fact that some critical categories of expenses have continued to rise even as available resources are held flat. Inflation in certain sectors of the economy continues to be a factor, and Congress allowed a two percent federal employee pay adjustment to take effect in January (on top of the requirement to annualize the more than five percent pay adjustment from FY 2024) without providing the necessary resources to fund those increases. This means that we are struggling just to sustain what staffing and capabilities we already have and that new investments needed to address critical emerging requirements are even more unattainable.

Our federal defender program is a prime example of the challenges posed by the full year CR. At a time when our staffing formulas indicate that the defender program is understaffed relative to its workload, we will instead be required to maintain a hiring freeze across all federal defender organizations until at least October 1, 2025. We will also have to suspend payments to private sector attorneys appointed to provide representation for indigent defendants (“panel attorneys”) for more than two months, beginning on or around July 23, 2025. Those payments are meant to compensate attorneys and related service providers for constitutionally-required legal work that has already been performed, but the payments will not be made because we simply cannot afford to make them. These disruptions in panel attorney payments negatively affect our panel attorneys, potentially reducing their willingness to accept future appointments and jeopardizing the ability to provide necessary and timely representation. They also burden the funding demands on this Subcommittee. Any unfunded panel attorney obligations automatically roll over to the next fiscal year, adding an immediate \$185 million to our FY 2026 request.

The court security program is similarly challenged by the constraints of the full year CR. This is one of the Judiciary’s accounts that is now operating at a hard freeze level for the second year in a row despite a dynamic and very active threat environment that is driving workload for the program. We were already forced to reprioritize our security spending in FY 2024, deferring significant amounts of critically needed new security systems and equipment spending in order to avoid a reduction in either Court Security Officer (CSO) staffing or the funds dedicated to our threat management activities, such as those instituted when a disgruntled litigant found the home of U.S. District Judge Esther Salas in 2020 and murdered her son and critically wounded her husband. Now, further cuts in court security will be necessary, particularly among the aging and outdated systems and equipment that control access to restricted space, enable video monitoring of activities around a courthouse, or screen people and items being brought into a court facility. The specifics of the current threat environment are discussed in more detail in Judge Conrad’s testimony, but at a time when dozens of individuals have been criminally charged in connection with threats against judges and the U.S. Marshals Service (USMS) is taking extraordinary security measures to ensure judges’ safety, these reductions in security capabilities are extremely worrying.

Our main Salaries and Expenses (S&E) account that funds most court operations is in a slightly better posture for FY 2025, thanks in large part to the availability of fee collections and prior year unobligated fee balances that can help to mitigate the impact of flat funding and allow us to still make some planned and critically needed investments pursuant to our cybersecurity and information technology (IT) modernization strategy. At the same time, those additional resources are not sufficient to ensure that we can cover all necessary and appropriate expenses for the year, and there will be impacts. Allotments going to courts around the country for their basic salary and operating expenses have been cut below the FY 2024 level on a national basis and are, in total, nearly 11 percent below requirements for the year. Because of these cuts, we estimate that nearly 40 percent of clerks of court offices and probation and pretrial services offices will be unable to support their on-board staffing, which is already more than 1,000 full-time equivalents (FTE) below national on-board staffing levels from five years ago.

Although courts will make every effort to ensure that critical judicial business and case work continues without interruption, staffing constraints will require some offices to take steps such as reducing hours for public counters where your constituents seek information and assistance or redirecting remaining staff to courtroom tasks at the expense of the timely

processing of restitution payments for crime victims. In our probation and pretrial services offices, staffing constraints require the prioritization of limited resources to those offenders at highest risk of violating the terms of their release, potentially leaving low- or mid-risk offenders without the supervision and services they need to ensure successful reintegration into their communities. Sadly, we have documented instances in years past where chronic understaffing and the associated unsustainable per-officer caseloads contributed to incidents of serious recidivism, including crimes of violence resulting in one or more deaths. As always, we work extremely hard to avoid these outcomes, but protecting the safety of our officers, the individuals under their supervision and their communities at large has been, and will remain, a very resource-intensive mission.

Shortages in non-salary funding also could result in the deferral of infrastructure investments needed to support regular judicial operations and reduce the risk of technological failures and associated downtime. Despite the herculean efforts of court staff, such shortages can and will affect the progress of cases in many scenarios. For example, if the technology for the presentation of information in a courtroom fails and cannot be repaired timely because the manufacturers no longer make the parts for out-of-date equipment (a not unheard of occurrence for our courts), judges would have no choice but to rearrange and reschedule proceedings slated for the affected courtroom, possibly delaying those proceedings until an alternative location becomes available. The risk of such occurrences will only increase if the Judiciary does not receive some significant budgetary relief in FY 2026.

Finally, as one last illustration of the inefficiency inherent in full year CRs, our Fees of Jurors account was actually *overfunded* in FY 2025 relative to estimated requirements, receiving more than twice as much as needed for the amount of projected grand and petit juror activity for the year. The blunt instrument of a CR without anomalies does not account for situations like this one, where normal year-to-year fluctuations in requirements result in a decreased appropriations request, and so more than \$26 million of excess funds will be held in the Fees of Jurors account for application in a future fiscal year. Those are funds that should have been reallocated to other more critical needs and would have been so reallocated if the Subcommittee had been able to proceed with a fully conferenced annual appropriations bill as intended.

We understand that many of the dynamics resulting in a full year CR were not of the Subcommittee's making, but it is important nonetheless to ensure that the consequences of that CR are well understood because they relate directly to the FY 2026 request that is now before you. The Judiciary's request may seem large when considered in isolation or in comparison to some of the substantial reductions that will be proposed elsewhere in the government, but these resources are needed to rebuild, restore, and reinvigorate critical functions of the courts and federal defender organizations that were not sufficiently funded in either FY 2024 or FY 2025.

SIGNIFICANT ISSUES FOR FISCAL YEAR 2026

Before turning to the specifics of the Judiciary's FY 2026 budget request, I would like first to address some significant cross-cutting issues that affect our operations and needs across multiple categories of activity and provide necessary context for our priorities and requirements.

Changing Law Enforcement Priorities

Substantial portions of the branch's budget request are driven by the law enforcement priorities and activities of our Executive Branch partners, particularly those at the Department of Justice (DOJ) and the Department of Homeland Security. The number and types of case filings, defendants, and representations brought before the court are key to determining the workload levels of individual court units and federal defender organizations, which, in turn, determine the resource levels needed to adequately address that workload.

Often when there is a leadership transition in the Executive Branch, new law enforcement priorities follow, and the current Attorney General has issued a number of policy memos since taking office indicating what those new priorities will be for this administration. Prosecutors have been told to always charge the most serious provable offense, with a focus on categories of crime relating to immigration, gangs/cartels, and fentanyl, among others. The moratorium on the federal death penalty has also been lifted, and we expect both new death penalty charges (pursuant to the "most serious provable offense" directive) and a possible revision of prior decisions not to seek the death penalty as DOJ undertakes a review of all such decisions dating back to January 2021.

Each of these policies could generate substantial new workload and caseload for the courts and federal defender organizations. In fact, there is anecdotal evidence of this increased workload already, but it is not yet accounted for in our budget request. This is because the official statistics that drive our workload formulas for budgeting purposes lag a year behind the fiscal year for which the budget is being formulated. For example, the staffing formulas for the district, bankruptcy and appellate courts, as well as the probation and pretrial services offices, use projected caseload and workload through June 30, 2025, for the purposes of calculating FY 2026 budget requirements. Similarly, the federal defender staffing formulas calculate FY 2026 staffing needs using a three-year average of actual caseload from statistical years 2023 and 2024 and projected caseload for 2025.

By not projecting caseload and workload too far into the future for budgeting purposes, the branch has helped to keep its requests more closely tied to actual data and avoid instances in which the wider margin of error associated with more distant estimates results in large fluctuations in requested resources. However, it does mean that our request is vulnerable to substantial changes in workload and caseload inputs in the more near-term future, and the Subcommittee should be aware that revisions to our request may be necessary as we get additional data over time.

Cybersecurity and IT Modernization

During my first appearance before the Subcommittee, I discussed in detail a recently developed multi-year plan to address some critical and longstanding issues in the Judiciary's IT capabilities. These issues are complicated and multifaceted, but they boil down to the fact that continuous technical innovation and years of underinvestment have left our major systems and applications dangerously vulnerable. Many of them are no longer up to date with modern development standards or security protocols, leaving them expensive to operate, difficult to maintain, and at regular risk of either operational failure or compromising security breaches.

These challenges are certainly not unique to the Judiciary, and we have invested significant time and effort in coordination and collaboration with other government partners in order to better understand our shared vulnerabilities and challenges and ensure the most efficient response. But what is unique to the Judiciary is the value and importance of the information on our networks and in our systems, as well as the operational impact of any disruption to those networks and systems. By virtue of the work we do, the Judiciary houses very sensitive data, including classified information, personally identifiable information (PII), sealed documents (including indictments, arrest warrants, and cooperator information), evidence with proprietary economic value, and draft opinions and orders, among others. If this information were inappropriately accessed, distributed, or modified, or if the branch's ability to use its systems for the necessary conduct of day-to-day judicial activities were compromised, there could be immediate and significant effects on national security, the economy, community safety, and even confidence in the integrity and strength of the courts and the government as a whole.

We are offering a classified briefing for full Committee and Subcommittee leadership next week where we can provide more details about specific incidents that have occurred and their implications, but the key takeaway for the members of the Subcommittee is that these vulnerabilities exist and they cost money to redress and prevent. In FY 2022, we began requesting funds pursuant to the multi-year cybersecurity and IT modernization plan in order to implement some of the highest priority upgrades and improvements needed to respond to those vulnerabilities. That multi-year plan, covering FY 2022 through FY 2027, totaled \$470 million when it was last updated. Of that amount, \$391 million, or 83 percent, has been funded to date. That includes \$97 million of FY 2025 funding that we prioritized within the court S&E and Defender Services accounts despite receiving only flat funding for the year. Accommodating those extra cybersecurity and IT modernization dollars required us to make steeper cuts in other areas of court and defender operations, which was not an easy decision but is indicative of the level of seriousness with which we approach these concerns.

Another \$74 million of multi-year plan funding is included in our FY 2026 S&E and Defender Services requests, which will allow us to continue making progress towards our goals and objectives. This is an upward adjustment of \$30 million from the estimated FY 2026 requirements in the last version of the multi-year plan submitted to Congress in July 2024. Since that time, we have refreshed the outyear requirements, acknowledging that substantial time has passed since initial estimates were calculated, and there have been necessary adjustments in project scope, changes in inflation rates, and generally rising costs in technology development, acquisition, and implementation. A refreshed version of the multi-year plan showing these adjusted FY 2026 requirements and remaining requirements for FY 2027 will be provided to the Subcommittee shortly so that the plan itself remains consistent with our budget justification.

Completion of the activities in the multi-year plan will not solve all of the Judiciary's IT challenges or obviate the need for further investments in the future, but it will represent a significant accomplishment that has brought meaningful improvement to our capabilities and protections. With the funding provided so far, we have already achieved substantial successes, including the full implementation of multifactor authentication ("two step verification" when logging into an account or system) at every Judiciary desktop; the completion of the first of four phases of a project to move the Judiciary to a new identity credentials program that will reduce reliance on outdated password-oriented paradigms; the continued deployment of enhanced network monitoring and activity logging tools, as well as stronger firewalls, on Judiciary systems

and devices; and the modernization of our financial management system to a more functional and secure software solution, an effort that will reach substantial completion in July of this year.

These successes are wholly reliant on the Judiciary's receipt of sufficient and consistent funding to continue planning and executing these high priority initiatives with the necessary certainty that we will be able to sustain them in subsequent years. As important as these activities are, we cannot continue absorbing the associated costs without doing unacceptable harm to other critical areas of judicial operations. For this reason, we are hopeful that the Subcommittee will be able to provide the requisite increases for both the S&E account and the Defender Services account in FY 2026 without the need for offsetting cuts in other areas of our budget.

FISCAL YEAR 2026 DISCRETIONARY APPROPRIATIONS REQUEST

The Judiciary's FY 2026 request totals \$9.4 billion in discretionary appropriations. In addition to our discretionary funding, the Judiciary also requests a total of \$872 million in mandatory funds for judges' salaries and retirement funds. My remarks today, however, will focus on the discretionary portion of the request that is most relevant to the Subcommittee.

Traditionally, the Judiciary has submitted its budget request to Congress the first week of February and then updated it in the spring as needed to reflect the enactment of current year appropriations and any changes in estimates of our fee revenue or carryforward balances. However, because of the significantly higher degree of uncertainty surrounding FY 2025 funding, we decided to delay our FY 2026 budget submission in order to account for actual enacted funding outcomes rather than relying solely on assumptions, which were very difficult to determine and seemed likely to prove substantially inaccurate. We also hoped that such a delay would allow time for the Office of Management and Budget (OMB) to issue updated government-wide economic guidance (federal employee pay adjustments, inflation factors for space rental, commodities and services, etc.) so that we could incorporate these new data points into our request.

Although these changes meant that the Subcommittee received our request later than it normally would, ultimately, we believe the delay was a useful one. Had we submitted any earlier, the numbers in front of you would not accurately reflect the funding position of the branch and would require *substantial* revision later in the process when the time for such adjustments would be running short. We appreciate the patience of the Subcommittee and are grateful to be able to submit a better product that more closely reflects our needs and requirements.

Government-Wide Assumptions

The Judiciary's annual budget requests are always formulated to be consistent with certain government-wide funding assumptions as articulated by Executive Branch partners. These include estimates from OMB regarding inflation factors for goods, services, and rental of space; estimates from the Office of Personnel Management on employer health benefit contributions; and estimates from the Social Security Administration on employee contributions to Federal Insurance Contribution Act taxes. We also use OMB policy guidance on proposals for federal employee pay rate changes.

Our FY 2026 request incorporates the latest guidance on these government-wide factors, though we note that the inflation-related factors, in particular, are extremely dynamic, which

could have a significant impact on costs to the Judiciary and other government organizations. Given that the new administration has not yet communicated to us a pay assumption for 2026, we assumed no federal pay adjustment for calendar year 2026, although we did include the necessary annualization of the approved 2.0 percent average pay adjustment for calendar year 2025.

These adjustments may seem like technicalities, and they are certainly less compelling to talk about than significant new programmatic initiatives, but they are real costs that we have no choice but to cover, regardless of what level of appropriations we receive. We have very few flexibilities in our budget to absorb unbudgeted costs beyond reductions in staffing, which can have a significant negative impact on the Judiciary's ability to effectively fulfill its mission, and so we urge the Subcommittee to give due consideration to these technical adjustments when allocating its funding for the fiscal year.

Salaries and Expenses

The Judiciary's single largest appropriation is the courts' S&E account, which represents nearly 70 percent of the branch's entire budget and funds our appellate, district, and bankruptcy courts, as well as our probation and pretrial services offices and bankruptcy administrator offices, and our IT and cybersecurity initiatives.

It is difficult to convey the full scope of critical activities funded through this account because it is both so large and so broad, and at times its size has perhaps led to the mistaken belief that cuts can be taken here without substantial consequence because it remains a large account even after significant reductions. But each one of our S&E dollars has a very specific and important use, including paying the salaries and benefits of more than 20,000 employees in judges' chambers, clerks of court offices, and probation and pretrial services offices; providing court-ordered services, such as drug testing or substance abuse treatment, to individuals under the supervision of a federal probation or pretrial services officer; supporting a national IT program to develop, operate, and maintain the systems and applications necessary for court operations and administration; and paying more than \$1 billion of annual rent and related expenses for over 700 court facilities across the country. Our request is carefully constructed to ensure that we have just the resources needed in order to accomplish these purposes effectively and efficiently.

The FY 2026 request for the S&E account totals \$6.9 billion, a 5.7 percent increase above the FY 2025 level. Over \$294 million of that increase—85 percent of the total increase being sought—is needed just to maintain current service levels, with the remainder dedicated to critical program increases associated with new workload, infrastructure priorities, and improved administrative and managerial controls.

With respect to staffing, the request includes increases of nearly \$116 million across a range of different needs. This includes \$72 million for standard adjustments in the pay and benefits of existing magistrate and claims judges, judicial chambers staff, and employees of the clerks of court offices and probation and pretrial services offices. An additional \$27 million will provide for the new chambers staff needed to accompany expected increases in the average number of filled active Article III judgeships, senior Article III judgeships, and filled bankruptcy judgeships, as well as accommodate the establishment of one new magistrate judgeship with associated staff. Finally, \$17 million will allow for the hiring of new staff in clerks of court and

probation and pretrial services offices in accordance with current projected changes in workload and caseload, especially anticipated significant increases in criminal filings, criminal defendants, bankruptcy filings, and pretrial case activations.

In the area of space and facilities, the request includes \$47 million for standard adjustments in rental and related services. More than a third of that increase is just for the cost of rental inflation and cyclical maintenance and repairs, as well as the incorporation of a new courthouse delivered by the General Services Administration (GSA) in FY 2025 in Greenville, Mississippi, and the expected delivery in FY 2026 of the renovated Tomochichi Courthouse in Savannah, Georgia, following substantial modernization efforts and the remediation of a partial floor collapse in that building. The remainder of the increase is for necessary tenant improvement projects, especially for the construction of new courtrooms and chambers as needed to accommodate the increasing number of filled judgeships as described above. Beyond these adjustments for facilities current services, the Judiciary is also requesting a new investment of \$10 million in our “No Net New” program. Discussed further in the Cost Containment section below, “No Net New” is an initiative intended to help the Judiciary use its space more efficiently, allowing us to acquire new or modify existing space as needed for operational purposes without requiring a net increase in the total square footage rented. Through this program, a relatively small upfront investment in one-time reconfiguration and modification costs can help us to avoid a much more substantial and ongoing increase in our rent bill.

For IT services and support, the request includes an increase of \$45 million for recurring operations and maintenance costs, rising contract costs, implementation support, and other adjustments to maintain current services in our national IT program, which supports not only our data network and communications infrastructure but also a host of critical operational and administrative systems such as the probation case management system, our jury management system, the system that is used to pay court-appointed counsel for indigent defendants, and our financial management systems. The request also includes \$21 million of IT-related program increases, the most significant of which is for the continued integration of our systems and applications into a commercial cloud environment (as opposed to an on-site, Judiciary-owned cloud) that is expected to take advantage of the most modern available technology, simplify the implementation of security measures, provide improved disaster recovery and continuity of operations, and support an increasingly mobile workforce.

Finally, the request includes \$16 million for new investments in important controls, tools, and processes that will further improve the Judiciary’s administration of its full range of resources—human, financial, and operational. Being good and effective stewards of our resources is a fundamental value of the branch, and that requires the appropriate identification and mitigation of risks, the implementation of controls to ensure the integrity of funds and data, and the strategic management of personnel to ensure the continued availability of the highest priority skills and expertise. We have proposed a collection of management investments that will improve our capabilities in each of these areas and, in turn, improve the efficiency of operations.

Defender Services

The right of a criminal defendant to effective counsel regardless of the defendant’s economic status is guaranteed under the United States Constitution, the Criminal Justice Act, and other statutes. Fewer than 10 percent of federal defendants have the financial means to afford an attorney, and so the Judiciary’s Defender Services program provides representation in the

overwhelming majority of cases. In doing so, we not only protect that constitutional and statutory right for the accused, but we also improve the overall operation of the federal court system, which benefits greatly from defendants having knowledgeable and experienced counsel that understand the complexity of the federal justice system and how to advocate for their clients' interests in productive and effective ways.

The Defender Services appropriation request for FY 2026 totals \$1.8 billion, a 22 percent increase above the FY 2025 level. While that is a much more significant increase than this program has historically requested or required, I emphasize that *well over half* of the requested increase, or \$185 million, is needed just to fix the FY 2025 panel attorney shortfall and two month suspension of payments caused by the recently enacted full year CR discussed in detail above. The Judiciary has no control over that cost, which is generated by the appointment of counsel pursuant to the Constitution and must be paid in accordance with the Criminal Justice Act. Another \$73 million of the request is for standard annual adjustments, including the required costs of annualizing the 2025 federal employee pay adjustment, GSA rental inflation, and replacing with appropriated funds one-time unobligated balances that were used to support base operations in FY 2025 but will not be available again in FY 2026.

Another significant component of the FY 2026 Defender Services request ties directly to expected changes in the program's workload and caseload. Projections for representations and panel attorney activity estimate that we need an additional \$12 million for increased panel attorney workload above the FY 2025 projected payment level and \$32 million for increased staffing in the federal defender organizations (FDOs). These requests would allow the program to pay all projected panel attorney requirements without another anticipated payment deferral into FY 2027 and to hire FDO staff up to 98 percent of the level calculated by the current FDO staffing formulas.

In the best case scenario, by the time FY 2026 appropriations are enacted, the FDOs will have been operating under a hiring freeze for 18 of the last 24 months (the first six months of FY 2024 and the entirety of FY 2025). It is not sustainable to continue suppressing hiring of defender staff below the levels needed to address incoming caseload. When FDOs cannot take their expected share of cases, those representations are then redirected to the panel, where *the cost is incurred anyway* because the representation must be provided by one means or the other.

The final significant requested increase for this program is \$6 million for a collection of cybersecurity and IT-related needs, including \$2 million for items tied specifically to the Judiciary's multi-year cybersecurity and IT modernization plan. These proposed investments are based on continuing assessments of the legal and administrative IT needs of our FDOs. Recent events have underscored that out-of-date and under-resourced IT networks and applications within the defender community are every bit as vulnerable as the courts' own IT infrastructure, and a compromise of the defender systems would be equally detrimental. The improvements and upgrades enabled by these requested funds are urgently needed, and they cannot be delayed without a substantial increase in the risks to our overall IT readiness posture.

Court Security

Judicial security is a shared responsibility of the Judiciary, USMS, GSA, and the Federal Protective Service (FPS), with each organization providing specific services and expertise as needed to protect the safety of judges, judicial staff, court facilities, and all those who find

themselves in a court facility for any purpose, either as a litigant, a juror, an attorney or perhaps just a member of the public at large. Within this security network, the Judiciary is responsible for funding the contract CSOs that provide frontline security at federal courthouses; the procurement, installation, and maintenance of security systems and equipment for those facilities, including duress alarms, access controls, video monitoring, and screening x-ray machines and magnetometers; the fees paid to FPS for general and building-specific security measures; and the vulnerability and emergency management functions performed by the Judiciary itself.

As has been noted previously, the threat environment facing judges and the Judiciary as a whole right now is particularly dynamic and worrisome. Threats against individuals and facilities – discussed more fully in Judge Conrad’s testimony – complicate our ability to accomplish our mission as intended, and the branch must be appropriately resourced to anticipate and address those threats, as well as other risks to the safety and security of all those who participate in the judicial process.

The Court Security appropriation request for FY 2026 totals \$892 million, a 19 percent increase above FY 2025. As with the Defender Services program, the unusually large increase requested for this account reflects not just the funds needed to address expected requirements in FY 2026 but also funding to mitigate substantial shortfalls in the Court Security budget resulting from the hard freeze in FY 2025 (and, in the case of this account, in FY 2024 as well). The increase above FY 2025 consists of \$30 million in adjustments to base to maintain current services, including the substantial wage rate adjustment that CSOs are due under the contracts negotiated for them by the USMS, and \$112 million in program increases for new or expanded security activities. These program changes primarily fall in four major focus areas.

First and most substantially, the FY 2026 request includes a total of \$91 million in increases for critical systems and equipment needs. About \$13 million of that total is for new systems and equipment requirements that were requested in prior fiscal years but not provided for within the hard freeze appropriations enacted for those years. This includes emergency management equipment, vehicle barriers and mobile guard booths, radios, screening equipment, and the full complement of security tools needed for five new courthouse construction projects that are (or will be soon) ready for occupancy. These requirements remain valid, and so the Judiciary is re-requesting these increases for FY 2026.

The remaining \$78 million of equipment increases are to replace reductions in systems and equipment base programs that had to be taken in FY 2024 and FY 2025 in order to address the appropriations hard freeze in those years without necessitating reductions in critical CSO staffing. These cuts, which affect programs like the Video Management Systems that enable visual monitoring of all areas of a courthouse and the Physical Access Control Systems that restrict access to non-public areas like judges’ chambers, were deemed a necessary (though regrettable) emergency step, but these reduced funding levels are not sustainable in the long term. Without funds to backfill the shortfalls in these program areas, we will see more and more instances of equipment failure, maintenance or replacement delays, and/or growing technological obsolescence of the Judiciary’s security equipment holdings.

The second area of focus in this request is the Judiciary’s Vulnerability Management Program (VMP), which was created in FY 2022 in response to the murder of Judge Salas’s son. The VMP serves as a resource to judges on ways to enhance their own personal security and that

of their court facilities; helps to coordinate security resources, activities and information sharing at the local level; and supports a variety of emergency management functions. Most significantly, the VMP is responsible for the implementation of the Daniel Anderl Judicial Security and Privacy Act, named in honor of Judge Salas's son, which helps judges and qualifying family members to reduce their online footprints and the ready availability of their PII on the internet. In its full scope, this program will provide vulnerability management services for approximately 2,350 current judges, 300 retired judges, 6,000 qualifying family members, and more than 700 Judiciary facilities. An increase of \$4 million is requested for this program to account for cost escalation among the tools, licenses, and contracts used for PII monitoring, reporting, reduction and redaction in accordance with the Anderl Act and the current threat environment.

The third focus area for proposed increases is related to the courthouse hardening program. This program was conceived in the aftermath of numerous incidents that demonstrated the vulnerability of courthouses and other federal buildings to groups seeking to breach a facility to disrupt the work of the government. To address this risk, the Judiciary is pursuing the implementation of small, targeted infrastructure fixes, such as break-resistant glass, magnetic door locks, and temporary fencing, that can help to better protect courthouse entrances, lobbies, and accessible portions of a building's exterior. These fixes are being prioritized for facilities that have high levels of judicial activity, have previous experience with incidents of unrest, are the subject of law enforcement threat intelligence, and/or are located in areas that are common sites of large group activity. Additionally, we are considering a courthouse's existing design features and the feasibility of making cost effective, fast improvements. The branch previously received \$128 million, mostly via supplemental appropriation in FY 2023, to carry out the hardening program, but at this time we estimate that those resources will be exhausted before all necessary hardening improvements can be implemented. As a result, our FY 2026 request includes \$7 million in new courthouse hardening funds to sustain progress in this program as we continue to work our way through the list of highest priority facilities.

The final area of focus for Court Security increases is the CSO program itself. CSOs are allocated to the circuits and districts according to a comprehensive staffing standard developed by the USMS in conjunction with the Judiciary. A recent analysis of certain circuits and districts revealed locations where courts are not aligned with the standard, with the resulting risk of understaffing for these positions that provide such critical security support to their respective facilities. To address these instances of misalignment, the FY 2026 request includes \$2 million to add a targeted number of CSO positions to those circuits and districts that have been identified as short on CSOs relative to the number dictated by the approved staffing standard.

Fees of Jurors and Commissioners

The Fees of Jurors and Commissioners account funds statutory fees and allowances for federal jurors and for land commissioners, who are appointed by a court to determine fair compensation in federal eminent domain cases. The fair and adequate compensation of federal jurors is one of the Judiciary's highest priorities, reflecting the importance of the constitutional role filled by those fellow citizens who provide the voice of the people in the courtroom. Serving on either a grand or petit jury can be time consuming and logistically challenging, requiring prospective jurors to juggle work, school, or personal obligations that may be interfered with by jury duty. Providing some compensation to those jurors for their time and efforts is both fair and

appropriate.

Our FY 2026 Fees of Jurors request is only \$19.1 million, a 67 percent decrease below the FY 2025 full year CR level. This massive decrease is not a result of substantially lower expected jury activity but is instead an artifact of the overfunding of this account by nearly \$30 million in FY 2025 as discussed above. In fact, total juror-related spending is expected to decrease by only 6 percent in FY 2026 relative to FY 2025, but the accumulation of tens of millions of dollars in excess balances in this account in FY 2025 will allow for the financing of a substantial portion of FY 2026 juror spending with these existing resources. This allows the Subcommittee, in turn, to significantly reduce the appropriated amount for this account, which is useful for the purposes of keeping total FY 2026 requirements down. However, a similarly substantial increase in appropriations for FY 2027 will likely be required to replace those balances once they are exhausted, unless expected juror activity takes a significant and unexpected downward turn.

OTHER BUDGETARY RESOURCES

A critical part of our annual appropriations request is the use and application of other budgetary resources made available by Congress through other legislation. Like many other federal entities, Congress has given the Judiciary authority to collect, retain, and use certain funding outside of the annual appropriations process. The main sources of these other budgetary resources are (1) court fees, primarily filing fees paid by litigants in civil and bankruptcy cases, and user fees paid largely by major financial institutions and data brokers to view and extract court electronic records from our online system; and (2) unobligated balances from prior year appropriations for which we have been given the specific authority to retain and use over multiple fiscal years.

These resources are hugely beneficial both to the Judiciary and to the Subcommittee. Having some funding that is continuously available without the uncertainty of congressional action on our annual requests allows us to better plan and execute complex multi-year initiatives, particularly major IT development and implementation projects that can span several fiscal years from start to end. The more certainty we have over project budgets, the more we can take advantage of beneficial pricing, economies of scale, or the efficient sequencing of development steps to ultimately save on a project's total cost or accomplish the same work in a shorter timeframe. In addition, these non-appropriated funds directly defray our requirements for additional appropriated dollars each year. Any dollar's worth of necessary activity that can be funded with fees or balances is a dollar that the Subcommittee does not have to accommodate within its limited allocation, allowing you to free up scarce resources for other priorities.

We take seriously our obligation to use these other budgetary resources in a transparent and effective manner. For that reason, we account for them in detail in our annual budget request, showing our expected collections by source and any proposed spending by activity, with accompanying narrative justification. The amounts vary from year to year, but in FY 2026 we expect to collect and spend more than \$322 million in various fees and use more than \$388 million in unobligated balances, primarily in the main court S&E account. Without our fee collections and carryover balances, the Judiciary would need to seek an equivalent amount of annual appropriations in order to support the core judicial activities that the Judiciary currently finances through these other available resources.

COST CONTAINMENT

As alluded to earlier, the Judiciary takes very seriously its commitment to the responsible stewardship of its funds. We have had a formal and active cost containment program in place for more than twenty years, and my committee has an entire subcommittee dedicated to finding and promoting opportunities to achieve efficiencies, adopt new and innovative business practices, and reduce or limit costs wherever possible.

This cost containment mindset has become thoroughly ingrained into the Judiciary's governance practices, and we are proud of our successes. They are the result of considered, informed analysis, and they were managed carefully to ensure that the effectiveness and quality of Judiciary operations was not sacrificed in the pursuit of cost savings.

Currently, we have a number of cost containment initiatives in various stages of implementation. Some have been recently completed, such as the imposition of a new nationwide cap for chambers spending on legal research resources. Law books are a very specialized market and, as such, they are quite expensive to acquire. Our new spending cap went into effect late last year and will encourage judges to share these expensive research materials or pursue less costly electronic resources rather than traditional print volumes. With thousands of judge positions and chambers all over the country, even a marginal reduction in legal research expenses can compound into meaningful savings, and we intend to carefully monitor the effect of this cap now that it has been implemented in order to gauge its efficacy.

Other cost containment measures remain in the implementation phase after having begun in prior years. For example, our "No Net New" space policy remains in effect and prohibits circuits from acquiring new space without a corresponding decrease elsewhere in their portfolio. This policy was initiated at the conclusion of a very successful space reduction program through which we removed more than 1.2 million square feet from our space footprint. Now, the "No Net New" limitations ensure that those gains are not erased by subsequent expansions. We work with courts around the country to monitor their compliance with the policy and to help them execute projects needed to reconfigure or reduce space as necessary to offset any increases. For example, by converting a probation office to a "hoteling" approach, where employees share common workstations when they are not in the field, a required increase in probation officer staffing can be accommodated without having to increase the physical size of the office space. We expect to continue receiving proposals and approving "No Net New" projects in FY 2026 with an eye toward those projects that reduce a significant amount of space, result in a substantial savings in rent, provide a reasonable return on investment, improve security and operations of the court, and increase space utilization and efficiency.

Finally, we remain interested in new and innovative cost containment approaches that can be implemented in the future. At any given time, we have a number of such initiatives under consideration. One promising area that is currently being studied is the use of alternative organizational models to deliver the same services. For example, courts can enter into flexible sharing arrangements (FSAs), whereby multiple court units share physical resources (supplies, equipment, etc.), personnel, or administrative and operational services between and across court unit, district, or even circuit boundaries. For example, my court, the Seventh Circuit Court of Appeals, shares human resources support with the district court in the Northern District of Illinois, leveraging a common resource across court unit lines, and we are currently exploring ways that we might share some IT capabilities as well. On a broader level, the Judiciary is

evaluating policy changes, incentives, data gathering, and other means of support that could help other courts considering the adoption or further expansion of FSAs to overcome any obstacles, real or perceived, that could be an impediment to FSA usage. I cannot speak to the outcome of those evaluations yet, but I can promise you that we are giving this initiative vigorous attention and will pursue it if we determine that it can help to reduce or avoid costs while also maintaining or improving the delivery of services.

As always, we will continue to keep the Subcommittee apprised of our cost containment activities, as they remain a critical part of our overall budget culture. I hope that we will continue to have the support of the Subcommittee as we pursue these efforts, as we have often found that savings opportunities require a marginal upfront financial investment in order to realize more substantial long-term efficiencies.

CONCLUSION

Chairman Joyce, Ranking Member Hoyer, and members of the Subcommittee, thank you for the opportunity to testify today. I hope that my testimony and our subsequent question and answer session will inform your consideration of our budget request and assist you as the Subcommittee undertakes the difficult task of determining FY 2026 funding levels for each of the organizations and accounts under your jurisdiction. I understand that the FY 2026 budget we have put forward is a large one that requires serious investment. That is because such an investment is necessary to carry out our constitutional and statutory missions, and to support the fair, efficient, and secure administration of justice in this country.

Thank you for your continued support of the federal Judiciary. I would be pleased to answer any questions the Subcommittee may have.

Mr. JOYCE. Thank you, Judge.

Now, I will recognize for 5 minutes the Honorable Judge Robert Conrad.

STATEMENT OF JUDGE CONRAD

Judge CONRAD. Thank you, Chairman Joyce, Ranking Member Hoyer, and other members of the Subcommittee.

My name is Bob Conrad. I am the Director of the Administrative Office and Secretary of the Judicial Conference of the United States. Before being selected to this post by the Chief Justice, I served as a United States District Judge in the Western District of North Carolina for nearly 20 years.

For the second straight year in fiscal year 2025, our Court Security program received flat funding. We are concerned about this. We are also concerned about the increase in threats being made against federal judges and courthouses in the last several years.

The independence of the judicial branch is jeopardized when judges are threatened with harm or impeachment on the basis of their rulings. Our constitutional system depends on judges who are sworn to “administer justice without respect to persons.” In doing so, they must be free from threats and intimidation. This is essential not just for the safety of judges and their families, but also to the pursuit of justice and equal rights for all. Threats of reprisals and retribution erode the rule of law.

So, we have safety concerns, compounded by the consecutive years of flat funding. I respectfully urge the Subcommittee to fully fund our fiscal year 2026 Court Security request.

Second, we have in recent years discussed our need for additional resources to address the sharp increase in the number and sophistication of cyberattacks on Judiciary IT systems. The Judiciary is a high-value target for cyber criminals.

We have a classified briefing scheduled for next Tuesday, May 20th, to share some additional details on cyberattacks with House and Senate Appropriations Committee leadership and FSGG Subcommittee leadership.

We do require ongoing resources to secure and modernize our systems and we ask for the Subcommittee’s support.

Third, I would like to turn to our efforts to ensure a safe and respectful workplace for all Judiciary employees. I am proud to chair the Federal Judiciary Workplace Conduct Working Group, created by Chief Justice Roberts in 2018. For seven years, this group, comprised of some of the sharpest, most experienced judges and other court leaders, has worked to accomplish the Chief Justice’s directive to create an exemplary workplace. We have made significant improvements to our workplace conduct policies and practices.

Last fall, we issued our first annual report on workplace conduct. In March of this year, we released the Working Group’s analysis of the Federal Judicial Center’s first national workplace survey of Judiciary employees. The survey went out to 28,000 employees. A statistically impressive 50 percent responded. Ninety-one percent of respondents indicated they had not experienced wrongful conduct of any kind. Over 80 percent responded that they were proud of their work, liked their jobs and would recommend their place of employment to family and friends.

In addition, the survey showed us areas where we might improve, and the Working Group has issued additional recommendations to improve training, make reporting misconduct easier, and eliminate fear of retaliation. We will use the survey results to guide our efforts in making further improvements to workplace conduct policies.

Turning to the AO budget, the fiscal year 2025 full-year CR represents a second year of flat funding at the fiscal year 2023 level. Because staff salaries and benefits comprise 96 percent of the AO budget, the impact of funding shortfalls rests almost entirely on our ability to retain and hire staff. For fiscal year 2025, we are forced to leave a number of important positions unfilled.

The AO's fiscal year 2026 request seeks \$110.5 million, a 7.6 percent increase above the fiscal year 2025 enacted level. The requested \$7.8 million appropriations increase is comprised of \$6.2 million for adjustments to base for standard budgetary increases and \$1.6 million to hire new staff to improve AO operations and enable us to better support the courts and federal defender organizations.

My written statement discusses our need for new judgeships. Last Congress, we made the case for an additional 66 positions. A bill passed unanimously in the Senate and received post-election bipartisan support in the House. Unfortunately, it was vetoed at the last minute. A compelling case for new judgeships remains.

My statement also discusses our new courthouse priorities, which are funded under GSA. Our top priority is a new courthouse annex in San Juan, Puerto Rico, which the Judicial Conference designated as a space emergency in 2020. I urge you to make yourselves familiar with the plight of Judiciary employees in Puerto Rico, working in trailers behind concertina wire due to a courthouse that is outdated, unsafe, and built on a seismic fault line. It represents a compelling case for emergency funding, and I would ask that you heed our call.

Our other space priorities are new courthouse projects in Hartford, Connecticut; Chattanooga, Tennessee; Bowling Green, Kentucky; and Anchorage, Alaska. All told, we seek \$863 million in fiscal year 2026 for GSA for these priority projects.

I am prepared to answer the Subcommittee's questions.

[The information follows]:

**STATEMENT OF
HONORABLE ROBERT J. CONRAD, JR.
DIRECTOR, ADMINISTRATIVE OFFICE OF THE U.S. COURTS
BEFORE THE
SUBCOMMITTEE ON FINANCIAL SERVICES AND GENERAL GOVERNMENT
COMMITTEE ON APPROPRIATIONS
UNITED STATES HOUSE OF REPRESENTATIVES**

May 14, 2025

INTRODUCTION

Chairman Joyce, Ranking Member Hoyer, and members of the Subcommittee, I am pleased to appear before you today as Director of the Administrative Office of the United States Courts (AO). In this capacity, I am here to present the AO's fiscal year (FY) 2026 budget request and update the Subcommittee on a number of important AO activities and initiatives.

I was appointed AO Director by Chief Justice Roberts in March 2024. I served as a federal district court judge in the Western District of North Carolina from 2005 until I retired from judicial service on February 28, 2025. As AO Director, I am also the Secretary to the Judicial Conference of the United States (Judicial Conference), which is the policymaking and governance body for the Judiciary and, in that role, I offer my support for the budget request of the entire Judicial Branch and ask for the Subcommittee's assistance on several Judicial Conference priorities beyond the Judiciary's own budget.

I appear today with Judge Amy St. Eve, Chair of the Judicial Conference Committee on the Budget. I join Judge St. Eve in expressing our concerns about the hard freeze funding level across Judiciary appropriations in the recently enacted FY 2025 full-year continuing resolution (CR). For most Judiciary accounts, this represents a second year at a hard freeze, which means operating at a FY 2023 funding level for three consecutive years. Judge St. Eve covers the impacts of FY 2025 funding shortfalls in more detail in her testimony.

As background, the AO was created by Congress in 1939 to serve as the central support entity for the Judicial Branch. The AO provides a long list of direct services and support to appellate, district, and bankruptcy courts, probation and pretrial services offices, and federal defender organizations nationwide. Support areas include human resources, budget, procurement, space management, security, information technology (IT), and auditing and internal controls. AO staff also support national programs and provide critical services to the courts in areas including jury administration, court interpreting and reporting, legal research, and records administration. We also staff the Judicial Conference and its 25 committees, develop and implement Judicial Conference policies and applicable federal statutes and regulations, and have central responsibility for communication and coordination within the Judiciary and with Congress, the Executive Branch, and the public. The AO has proudly served the courts for more than 85 years, and I am fortunate to lead this organization of 1,300 dedicated professionals.

INCREASING THREATS AGAINST FEDERAL JUDGES

I begin my testimony today by expressing deep concern with the increasing threats being

made against federal judges and courthouses. In our free society, public policy matters can and should be vigorously debated in the public sphere and, when parties feel necessary, through the legal process. And judicial decisions may of course be criticized by parties to the litigation, politicians, pundits, and the public. But the rhetoric has escalated to a degree that is threatening the safety of federal judges and their families, as well as the safety of court personnel, litigants, and the public in federal courthouses. As Chief Justice Roberts said in his [*2024 Year End Report on the Federal Judiciary*](#):

“In recent years, there has been a significant uptick in identified threats at all levels of the judiciary. According to United States Marshals Service statistics, the volume of hostile threats and communications directed at judges has more than tripled over the past decade. In the past five years alone, the Marshals report that they have investigated more than 1,000 serious threats against federal judges. In several instances, these threats have required the assignment of full-time U.S. Marshals Service security details for federal judges, and approximately fifty individuals have been criminally charged.”

The independence of the Judicial Branch is jeopardized when judges are threatened with harm or impeachment for their rulings. Our constitutional system depends on judges who can make decisions free from threats and intimidation. This is essential not just for the safety of judges and their families, but also to protect our democracy. Threats of reprisals and retribution will only serve to erode the rule of law, a bedrock founding principle of our nation that laws are publicly promulgated, apply equally to all, and independently adjudicated.

We are sufficiently concerned about these threats that we recently created a Judicial Security and Independence Task Force, comprising federal judges and court executives from around the country. The task force will identify, analyze, and propose responses to ensure the continued security and independence of federal courts and judges.

Ensuring the physical safety of judges and courthouses also requires funding. As Judge St. Eve discusses in her testimony, the Judiciary’s Court Security program is operating for the second consecutive year at a hard freeze, which impacts our ability to secure federal courthouses when significant budget balancing cuts have to be made to courthouse security systems and equipment funding, as was done for FY 2024 and again in FY 2025. The Subcommittee’s support of our FY 2026 Court Security request will enable us to rebuild our security capabilities. In addition, although outside of this Subcommittee’s jurisdiction, we urge the appropriations subcommittee of jurisdiction to increase funding for the U.S. Marshals Service (USMS) to hire additional deputy marshals to improve judicial security.

WORKPLACE CONDUCT

The federal Judiciary is committed to a safe and respectful workplace for all of its employees. As AO Director, I chair the Federal Judiciary Workplace Conduct Working Group (Working Group) created by Chief Justice Roberts in 2018, and comprising judges and senior court executives. For the past seven years, the Working Group, in coordination with the Judicial Conference, the courts and circuits, the Federal Judicial Center (FJC), and the AO, have engaged in a substantive and deliberative effort to ensure a safe, respectful, and professional environment.

We have made significant improvements to our workplace conduct policies and practices, such as streamlining employment dispute resolution processes, which include formal and informal avenues to encourage reporting and effectively address workplace conduct concerns. In 2019, the Judiciary expanded workplace protections to include an express prohibition against abusive conduct even when it is not discriminatory. A national Office of Judicial Integrity was established in 2018. Every judicial circuit now has a Director of Workplace Relations to provide confidential guidance and assistance to Judiciary employees and to work in coordination with the Office of Judicial Integrity to identify and address national trends and needs.

Significantly, at the request of the Working Group, the FJC conducted the first national workplace survey of Judiciary employees in 2023. The results provide valuable feedback that allows us to understand Judiciary employees' experiences and guide the Judiciary's continued efforts to foster an exemplary workplace for all.

In March 2025, the report of the survey results was provided to Judiciary employees nationwide, as well as to the House and Senate Appropriations Committees and Judiciary Committees pursuant to a FY 2024 Financial Services and General Government (FSGG) appropriations subcommittee reporting directive (S. Rept. 118-61). In addition, in furtherance of the Judiciary's commitment to transparency on workplace conduct issues, the Working Group's report and detailed survey data from the FJC [were made available to the public](#).

The survey was sent to 27,904 Judiciary employees, and 13,895 completed the survey, for a 50 percent response rate. A large majority of respondents (91 percent) indicated they had not experienced wrongful conduct of any kind (i.e., discriminatory harassment, employment discrimination, or abusive conduct). Of those who did indicate experiencing wrongful conduct (1,157, 8.3 percent), the most common type was abusive conduct (922, 6.6 percent), which is a protection unique to Judiciary employees and goes beyond protections afforded under federal employment statutes. Of the 13,895 respondents, 277 (2.0 percent) indicated experiencing some form of discriminatory harassment, of which 67 (0.5 percent) indicated experiencing sexual harassment. A total of 291 (2.1 percent) indicated experiencing employment discrimination.

The results highlight areas where the Judiciary can do more toward its goal of ensuring a safe and harassment-free workplace, particularly with respect to addressing employees' reluctance to report misconduct, bolstering confidence in the reporting and complaint systems, and addressing instances of inappropriate behaviors. To that end, the Working Group's March 2025 report makes recommendations to build on the substantial steps the Judiciary has already taken, designed to improve and further refine the extensive system that is already in place and to provide greater transparency to both Judiciary employees and the public on how workplace conduct concerns are addressed. The Working Group's report also makes recommendations in response to workplace conduct issues raised in two independent reports issued in July 2024, [one by the Federal Judicial Center and the National Academy of Public Administration](#), and the [other by the Government Accountability Office](#).

CYBERSECURITY

In recent years we have discussed at length with the Appropriations Committees our need for additional resources to address the sharp increase in the number of cyber-attacks on Judiciary IT systems, and our need to modernize aging legacy applications critical to court

operations and public access to court records. These cyber-attacks on the branch are increasing in both frequency and sophistication. Because of the sensitivity of the information, I am constrained in what I can say in this setting about vulnerabilities and cyber-attacks on the Judicial Branch. We have a classified briefing scheduled for next week (May 20) to share some additional details with House and Senate Appropriations Committee leadership and FSGG subcommittee leadership. The Judiciary is a high-value target for nation-state bad actors and cyber criminals seeking to disrupt the judicial process in the United States. The Judiciary has been modernizing its cybersecurity operations and is continually strengthening its cybersecurity posture. Sustaining these efforts and implementing additional security-related initiatives continues to require significant resources. Judiciary cyber defenses blocked approximately 200 million harmful events from reaching court local area networks in FY 2024. This number was nearly identical to the previous year, although the sophistication of the attacks indicate new approaches are being deployed in attempts to disrupt Judiciary operations.

These attacks pose risks to our entire justice system, including civil and criminal court proceedings, law enforcement and national security investigations planned or underway, and trade secrets for businesses involved in bankruptcy proceedings or patent and trademark litigation. We work closely with our Executive Branch partners, including the Department of Justice's National Security Division, Federal Bureau of Investigation cybersecurity experts, and the Department of Homeland Security's Cybersecurity and Infrastructure Security Agency, to bolster our cyber defenses and investigate cyber-attacks on our IT systems. This inter-branch coordination and information sharing is critical to addressing comprehensively the cyber challenges facing the federal government as a whole.

As we look to strengthen our cyber defenses, our challenge continues to be one of resources. Judge St. Eve discusses our cybersecurity/IT modernization resource needs in her testimony. We look forward to working closely with the Subcommittee to further strengthen the Judicial Branch's cybersecurity defenses to ensure the safety and integrity of our IT systems and the sensitive information those systems contain.

INFORMATION TECHNOLOGY INITIATIVES

In addition to our efforts to strengthen cybersecurity defenses, the Judiciary also has a number of IT initiatives in various stages of development and implementation. I will highlight several in my testimony today.

Court Case Management System Modernization

Among many important IT initiatives underway, the AO's top priority is modernizing the Judiciary's case management/electronic case files (CM/ECF) system and its portal, the Public Access to Court Electronic Records (PACER) system. CM/ECF is the backbone system the federal courts depend on for mission critical, day-to-day operations. It is used by electronic filers to submit filings in all cases and proceedings, including criminal, civil, and bankruptcy matters. And it is used by judges and court staff to conduct all manner of tasks related to case management. PACER is the front-end portal to CM/ECF used by individuals, businesses, federal entities, and others to access public court records.

Based on extensive internal and external analyses, the consensus opinion is both CM/ECF and PACER are outdated, unsustainable, and require replacement. Intensive efforts to

modernize these systems are underway. Our strategy is for new case management and PACER systems to be developed and rolled out on an incremental basis, meaning functionality of a modernized system is implemented in waves versus the past model of implementation only after a system is fully designed, developed, and tested. This “agile” software development and implementation approach is consistent with current industry best practices.

The first incremental delivery of the modernized case management system to pilot courts is scheduled to begin in FY 2026 and continue in increments through FY 2027. Consistent with the funding structure for the existing CM/ECF system, we intend to fund CM/ECF modernization efforts from the user fees we collect from providing electronic access to court documents via PACER, rather than appropriated dollars. Approximately 84 percent of active PACER users qualified for a fee waiver in FY 2024 and were therefore able to access court records for free. Of the remaining users who do incur fees, many are high-volume commercial users, some of which monetize or otherwise recoup the costs of data accessed from PACER as the foundation of their own business models.

Recent Congresses have considered legislation related to CM/ECF and PACER modernization, including the timing and technical requirements of a modernized system and changes to the structure of PACER user fees. The Judiciary is fully committed to CM/ECF and PACER modernization as well as to continued broad public access to court records. We have no preference for PACER user fees as the funding source for CM/ECF and PACER; however, it is critical that there is a stable, predictable funding stream to ensure we can modernize and operate the systems.

We will continue to keep the Subcommittee apprised as to the progress of our CM/ECF and PACER modernization efforts, as well as the impact of any legislation that changes the current PACER fee structure on our ability to finance CM/ECF and PACER activities.

Modernizing the Probation/Pretrial Services Case Management System

The Probation and Pretrial Services Automated Case Tracking System (PACTS) is used by approximately 8,000 probation and pretrial services officers and staff to conduct and manage investigations, risk assessments, and supervision of defendants and individuals on pretrial or post-conviction release. The current system relies on 30 separate IT applications to enable probation and pretrial services offices to perform their official duties. The complexity of integrating so many applications has resulted in recurring outages, slowdowns, and increasing costs to maintain an outdated system architecture. We have taken steps to stabilize the current system while we develop a new one, which we are calling PACTS360. PACTS360 is a cloud-based application that will modernize system architecture, strengthen cybersecurity defenses, and improve system functionality and reliability for probation and pretrial services officers. PACTS360 implementation in all probation/pretrial services offices nationwide is on track to be completed by the end of FY 2027.

Upgrades to the Judiciary’s Financial Management System

We are in the process of completing significant upgrades to the Judiciary Integrated Financial Management System (JIFMS), the Judiciary’s official budget, accounting, and procurement system. The upgrade is critical to address technical obsolescence of third-party support tools, and security and performance concerns. Recommendations for improvements to internal controls will be addressed with the upgrade, improving both operational and technical

efficiencies while strengthening the Judiciary's cybersecurity posture. The upgrade will facilitate compliance with both regulations regarding inter-governmental funds transfers between federal agencies for goods and services procured, as well as future upgrades that will further improve Judiciary financial management. The JIFMS upgrade is scheduled to be fully implemented across the Judiciary in June 2025.

Artificial Intelligence

The rapid proliferation of Artificial Intelligence (AI) tools in everyday life has magnified AI's implications for the Judiciary. While AI has the potential to improve productivity in court operations, create more efficient ways to engage with the public, and support judicial decision making, the use of AI also poses privacy, security, and other risks that must be considered. In January 2025, I established an AI Task Force to serve a central coordinating role within the branch on AI issues. The task force comprises judges and Judiciary personnel to ensure broad representation in considering AI-related issues on Judiciary operations. The goal of the task force is to balance the Judiciary's ongoing pursuit of leveraging cutting-edge technologies to improve operations and create efficiencies, with the need to address very real privacy and security issues presented by AI. This initiative is just getting underway, and we will keep the Subcommittee updated on our efforts to employ AI in Judiciary operations.

ADMINISTRATIVE OFFICE'S FY 2026 BUDGET REQUEST

Before turning to the AO's FY 2026 request, I will briefly discuss our FY 2025 funding. The FY 2025 full-year CR funds the AO at \$102.7 million, \$6.3 million below the Judiciary's funding appeal submitted to Congress in December 2024 for consideration during conference discussions on a final FY 2025 FSGG appropriations bill. The FY 2025 CR represents a second year of flat funding for the AO at the FY 2023 appropriations level. Because staff salaries and benefits comprise 96 percent of the AO budget, the impact of funding shortfalls rests almost entirely on our ability to retain and hire staff. For FY 2025, we can maintain current on-board staff and backfill a limited number of critical vacancies as a result of higher than anticipated fee balances carried forward from FY 2024 that mitigates the impact of a second year at a hard freeze. But we will be forced to leave a number of important positions unfilled, which could impact services we provide to support the day-to-day operations of courts and federal defender organizations nationwide.

The AO's FY 2026 request seeks \$110.5 million, a 7.6 percent increase above the FY 2025 enacted level. The requested \$7.8 million appropriations increase is comprised of \$6.2 million for adjustments to base for standard budgetary increases, and \$1.6 million for program enhancements. A primary cost driver for base adjustments is a \$4.0 million request for appropriated funds to replace the projected loss of fees available to finance AO operations in FY 2026. Other base adjustments include a 2.1 percent inflation rate on goods and services and increases in government contributions for employee benefits.

The \$1.6 million in program increases will provide 16 new positions to improve AO operations and enable us to better support the courts and federal defender organizations. Half of these positions are re-requests from FY 2025. The 16 positions include a Deputy Chief Information Officer to focus on bringing strategic IT priorities from the planning phase to implementation. Two positions in the Judicial Conference Secretariat office will address the office's growing workload in coordinating policy initiatives among the 25 Judicial Conference

committees and numerous subcommittees, as well as court advisory groups and working groups. The AO requests five new positions in the Acquisition Management Office to implement needed procurement and acquisition improvements identified in internal and independent reviews, with the new positions focusing on policy development, training, certification, and oversight. A new senior auditor position will improve the AO's Office of Audit's ability to provide special request audit services to courts and federal public defender organizations, such as an audit request when a new clerk of court comes on board. A new position in the AO's Office of General Counsel will advise on and litigate employment matters. The AO seeks two new positions in the Financial Management Office to prevent and resolve improper payments and address new requirements for intergovernmental financial transactions. One new position in the AO's Human Resources Office will work on the Judiciary's employment suitability program to ensure potential and provisional hires meet background screening and other applicable employment standards. The AO requests three new positions in the Probation and Pretrial Services Office to provide national support to probation and pretrial services offices in supervising the approximately 20,000 people charged with or convicted of a sexual offense, address cybercrime aspects of the sex offender supervision program, and support national efforts to implement evidence-based supervision practices to reduce recidivism.

I ask the Subcommittee to consider the critical role the AO plays in supporting the operations of courts and federal defender organizations nationwide and fully fund the AO's FY 2026 request.

OTHER JUDICIAL CONFERENCE PRIORITIES

The Judicial Conference has several important priorities that are relevant to the Subcommittee. On behalf of the Judicial Conference, I ask for your support for critically needed additional judgeships which, if authorized, would require discretionary appropriations for staffing and operating expenses to fully implement. And beyond the Judiciary's own budget, I ask for your support for Judiciary space and construction priorities within the General Services Administration's (GSA) budget.

Additional Judgeships

Having the necessary number and distribution of judicial officers is critical to the effective administration of justice. The Judicial Conference regularly reviews the number and location of circuit, district, magistrate, and bankruptcy judges to assess whether existing judgeships are sufficient and deployed in the appropriate judicial districts. To the extent that these assessments determine additional Article III and bankruptcy judgeships are needed from Congress, those recommendations are communicated by the Judicial Conference to the House and Senate Judiciary Committees for consideration.

It has been *more than 30 years* since the enactment of a comprehensive Article III judgeship bill. During the 118th Congress, the House and Senate passed the "Judicial Understaffing Delays Getting Emergencies Solved (JUDGES) Act," (S. 4199) authorizing 63 new permanent district judgeships in six tranches staggered over ten years, and three temporary judgeships for Oklahoma for five years each to address the substantial increases in felony criminal prosecutions resulting from the Supreme Court ruling in *McGirt v. Oklahoma*. Unfortunately, President Biden vetoed the JUDGES Act legislation in December 2024.

The Judicial Conference's [updated judgeship recommendations](#) for the 119th Congress call for two new permanent judgeships in the Ninth Circuit and 69 new permanent district judgeships. We encourage Congress to build on the momentum achieved in the last Congress and again pass a comprehensive judgeship bill to address the urgent workload needs of the branch.

We are grateful for the conversions of the 10 temporary district judgeships to permanent status accomplished through enactment of the "Federal Judiciary Stabilization Act of 2024" (Pub.L. 118-203). We relied for many years on this Subcommittee to extend the authorizations of the temporary judgeships in one-year increments in the FSGG appropriations bill to keep the judgeships active pending congressional action on our request to convert temporary judgeships to permanent, which has now been achieved.

Judiciary Space and Courthouse Construction Priorities

With over 800 federally owned or leased court facilities, the Judiciary is one of GSA's three largest tenants. We rely on GSA to rent us sufficient space for our operations; to maintain and improve that space as needed; and to construct new space for our use when required. The Judicial Conference supports funding from Congress to ensure that GSA can execute our space priorities and adequately maintain the infrastructure in buildings housing Judiciary operations. The Judicial Conference's space priorities are reflected in three significant programs funded within GSA's Federal Buildings Fund: new courthouse construction, the Judiciary Capital Security Program (CSP), and Basic and Major Repairs and Alterations.

New Courthouse Construction

The new courthouse construction program is designed to address Judiciary space needs when a court facility lacks sufficient courtroom or chambers space, deteriorated building infrastructure, chronic maintenance issues, and security problems to a degree that a new courthouse or an annex to an existing courthouse is required. The construction of those new facilities or annexes is funded by GSA in accordance with the priorities of the Judicial Conference as expressed in our *Federal Judiciary Courthouse Project Priorities (CPP)* plan, which is divided into two parts. Part I consists of the Judiciary's highest courthouse construction funding priorities for the budget year and Part II identifies outyear courthouse construction priorities. In addition, the Judicial Conference has designated a new courthouse project in San Juan, Puerto Rico as a space emergency. Space emergencies are tracked outside of the CPP priority rankings and are intended to convey urgency resulting from unexpected and/or catastrophic conditions. The space emergency designation makes the San Juan courthouse project the de facto top construction priority of the Judicial Branch.

In 2016, the Judicial Conference added the San Juan courthouse project to Part II of the CPP; however, the project was elevated to a space emergency in 2020 due to GSA's designation of the Degetau Federal Building in San Juan, which adjoins the Clemente Ruiz-Nazario U.S. Courthouse and houses some court staff and operations, as structurally deficient and at extremely high risk of seismic activity. Due to increasing concerns about the safety of the Degetau Federal Building in a seismic event, in September 2023 the Judiciary vacated the Degetau Federal Building. In order to safely perform the necessary seismic work on the Degetau Federal Building, a new annex to the Ruiz-Nazario Courthouse needs to be constructed first to provide not only necessary permanent expansion space for the court but also temporary swing space for

all tenants during the seismic upgrade to the Degetau Federal Building.

The Judiciary requests \$863 million in FY 2026 for the San Juan space emergency project and CPP Part I new courthouse priorities for: (1) Hartford, Connecticut; (2) Chattanooga, Tennessee; (3) Bowling Green, Kentucky; and (4) Anchorage, Alaska as reflected in the table below. I urge the Subcommittee to fund these projects in the FY 2026 FSGG bill.

FY 2026 Courthouse Construction Priorities
(\$ in millions)

Project	Priority	Total Project Cost	Funded to Date	FY 2026 Request
San Juan, PR	Space Emergency	\$394.2	\$50.8	\$343.4
Hartford, CT	CPP Part I	\$492.6	\$335.0	\$157.6
Chattanooga, TN	CPP Part I	\$319.8	\$239.3	\$80.5
Bowling Green, KY	CPP Part I	\$219.4	\$0	\$219.4
Anchorage, AK	CPP Part I	TBD	\$0	\$62.1 ¹
			FY 2026 Total:	\$863.0

¹Reflects site & design funding only.

CPP Part II priorities, for which we are not seeking funding for in FY 2026, are:

(1) Macon, Georgia; (2) Dallas, Texas; (3) Sherman/Plano, Texas; (3) McAllen, Texas; (4) Greensboro/Winston-Salem, North Carolina; (5) Rochester, New York; and (6) Norfolk, Virginia. Cost estimates for Part II projects will not be available until the project advances to Part I of the CPP.

Capital Security Program

The CSP is a GSA special emphasis program designed to address serious security deficiencies in existing courthouse buildings where physical renovations are viable alternatives to new construction. Substantial improvements in the overall security of our court facilities can be achieved with relatively modest alterations and at far lower cost than wholesale new construction. For example, CSP projects include constructing additional secure corridors; adding or reconfiguring elevators; constructing USMS sally ports; and reconfiguring security screening areas. This valuable program has resulted in greater security at federal courthouses in the selected locations at a fraction of the cost of new courthouse construction. Projects in the CSP are selected through a collaborative process involving the Judiciary, USMS, and GSA, and then implemented with GSA funding. Since its inception in FY 2012, the CSP has supported 17 projects in 12 states or territories, including Arkansas, Georgia, North Carolina, and Texas.

At a time when threats against judges and courthouses are increasing, the basic security improvements made possible by the CSP are more important than ever. GSA manages CSP projects as a portfolio, prioritizing funding for those projects that are ready for construction or requiring additional funds to address unforeseen costs. Our FY 2026 budget request seeks \$30 million for GSA for the CSP program which, unless projects underway require additional funding, will be used to fully fund construction costs for the Augusta, Georgia, project based on current estimates. CSP did not receive funding in FY 2025.

Repairs and Alterations

In addition to the CSP and new courthouse construction priorities, the Judiciary also supports sufficient funding for GSA's Basic and Major Repairs and Alterations programs to ensure safe, secure, and functional space for Judiciary employees. The Judiciary pays GSA \$1.2 billion in annual rent, a portion of which is intended to cover the costs of maintaining and upgrading facilities as necessary to support the conduct of our operations. Deferred maintenance in some Judiciary facilities has resulted in water intrusion problems, broken elevators and HVAC systems, and other conditions that negatively impact the ability of the courts to operate as needed. I urge the Subcommittee to ensure that sufficient funds are available to properly maintain Judiciary facilities and deliver safe and functional working environments.

GSA Organizational Changes

Over the past few months, GSA has taken a number of actions and made significant organizational changes. These actions have raised significant concerns and questions among local courts and court units regarding GSA's ability to continue to provide the facility-related services the Judiciary depends on for daily court operations. During this time, AO, local court, and GSA staff have been in regular communication to troubleshoot any issues that have arisen as a result of these actions. We will continue to work closely with GSA to address our concerns, however, to the extent future GSA organizational changes or actions impact the Judiciary's ability to fulfill its constitutional mission, the Judiciary may need to seek additional authorities or resources and will communicate those requests appropriately.

CONCLUSION

Chairman Joyce, Ranking Member Hoyer, and members of the Subcommittee, I recognize that FY 2026 could be another challenging budget year. As you draft a FY 2026 FSGG appropriations bill, I ask that you take into account the critical importance of a properly resourced Judiciary. By providing the funding requested by the AO and the rest of the branch, you will be addressing the important priorities Judge St. Eve and I outline in our testimonies and enable the Judiciary to perform its vital role in the administration of justice and the effective functioning of our democracy.

Thank you again for the opportunity to testify today. I would be pleased to answer your questions.

Mr. JOYCE. Thank you, Your Honor.

I first ran into the red, yellow, green when I worked in the federal court. So, I know you have seen this before. But we try to make sure that everybody has a chance to answer questions. People will be moving in and out. So, please don't let that bother you as you follow up.

I'm a former defender and prosecutor myself. I understand the publicity that sometimes comes to a judge, whether they want it or not. They are randomly selected. However, technology, social media, and the 24/7 news cycle have increased the likelihood that a judge's name will be reported on all media sites. This now leads to an unprecedented amount of attention on the individuals responsible for overseeing a federal case.

Would you describe the threat environment and how it has evolved over the last decade or so with respect to federal judges? And what is the federal judiciary doing to ensure that tragedies like the murder of Daniel Aderl don't happen again?

Judge ST. EVE. The threat environment is dynamic and complex, and it is important and essential for us to have our Court Security account funded to address this—not just outside of the courthouse, but in the courthouse as well.

There have been, since 2020, a lot of attacks on courthouses and damage to courthouses. The Court Security account funds our Court Security Officers, who are really the frontline officers at courthouses and who screen individuals coming through to make sure that the judges, when they are there, are safe. It also funds the essential equipment at the courthouses, the screening equipment, the video equipment, the magnetometers, and it funds our Vulnerability Management Program.

The Vulnerability Management Program is something that the courts have taken on to help get personally identifiable information, or PII, of judges off of the internet. As you indicated, it is very easy to find things out, including home addresses of judges, off of social media or the internet. And our Vulnerability Management Program is an easy way to help judges pull that information off of the internet. As of April, 77 percent of our active federal judges have enrolled in the program and work with the specialists to help get this information off.

Judge CONRAD. We use the DeleteMe Program, which attempts to remove personally identifiable information of judges from the internet. As Judge St. Eve said, almost 80 percent of judges have signed up for it.

We have taken steps to enroll judges in the Home Intrusion Detection Systems program to protect them when they are at home and, also, are engaged in hardening projects across the country with respect to our courthouses.

So, the threat environment is real. It has been present for a number of years, and the Judiciary and the United States Marshals Service take it seriously, which is why we are asking for this money.

Mr. JOYCE. I can attest to the fact of bomb threats and having my home swatted, and using the programs you are talking about didn't take my home address off, because we still have to put it down on places like where we put in our application to run for of-

fice, the title of my home. And that is unfortunate. I understand you are going through the same problem.

But, as you realize, this administration has made cost savings a priority across the federal government. How would you elaborate on the judiciary ensuring fiscal response on the activities they are undertaking with cost containment in mind and are there internal groups or programs to ensure that that is taking place?

Judge ST. EVE. Yes. Thank you, Mr. Chairman.

As I indicated in my opening statement, the Budget Committee has an entire subcommittee devoted to cost containment. And at any given time, we have various measures that are in place.

Recently, one such engagement we had was to put in place a cap on spending that individual chambers can have on library books, encouraging the use of electronic research and sharing of library materials.

We are looking into the use of technology for detainees who are housed far away from federal courthouses, so that probation officers and pretrial services officers and attorneys who are representing them don't need to travel—sometimes a significant amount of miles—to go and visit with them; instead, they can do it electronically through equipment. And that would save quite a bit of money and time for all three of those categories.

We are also looking at shared resources. My courthouse in Chicago, we have the court of appeals, the district court, the magistrate bankruptcy judges, all in the same courthouse. So, something that we recently instituted is that we are sharing HR among the district court, the magistrates, and the court of appeals now. So, we have combined those. And we are looking at doing the same for IT. Other courthouses are looking at shared resources that they can engage in.

So, at any given time, we have different things in place. As you know, we have the “no net new” policy in place on our space program, which means that courts cannot expand their space without giving up some. And we are focusing on space, which is quite expensive for us and a chunk of our budget. We are looking at other ways that we can save with space.

Mr. JOYCE. Thank you.

As I said before, people are going to be moving in and out. I am going to run down to a THUD hearing. The vice chair, Mr. LaLota, will take over at this point.

The chair now recognizes Mr. Ivey from Maryland.

Mr. IVEY. Thank you, Mr. Chairman.

Glad to see my colleague is moving up to the big chair here.

I do want to thank you all for coming in to testify.

I certainly share the views of Mr. Hoyer with respect to the need for the increases for the judiciary.

Cybersecurity I think, in particular, is an interest of mine, having served on the Homeland Security Committee last year.

But personal security for judges and personnel is a big one for me, too. We had a state judge who was assassinated in 2023. He had made a ruling earlier in the courthouse that day. The aggrieved party followed him home and shot him in his driveway.

And I'm aware of the case—I believe there is an individual who threatened, I think it was Justice Kavanaugh, and he is being prosecuted currently.

So, we know these things are out there and we know they happen on both sides. I happened to work on the task force last year with respect to the attempted assassination of then-Candidate Trump.

But I do want to say this, though—and I think it is important because there are these issues on both sides and the judiciary and beyond—I think what we say in politics and as elected officials is very important for us to pay attention to.

I do think, as Mr. Hoyer pointed out, House Committee—Judiciary Committee Chairman Jordan's comments with respect to cutting funds to the judiciary, depending on some of your rulings, I don't agree with that policy for sure. I think it impedes on separation of powers and in the independence of the judiciary.

But there are certainly others that have crossed the line, and ironically, I think President Trump, now-President Trump, certainly falls into that category with some of the statements that he has made. I think, with respect to Judge Boasberg, who is practicing here in the District of Columbia, or he is sitting here in the District of Columbia, calling him a troublemaker and an agitator, calling him a crooked judge, that he should be impeached, I thought was totally inappropriate and over the line. Talking about judges as lunatics is another one that I think is bad.

And then, with respect to Judge Chutkan, who was sitting in one of his criminal cases, he said, this judge is "the most evil person" during the pendency of that case. I just don't think that is the kind of language that we should be projecting into the public, especially in these times.

Because we know these are polarized times politically. I know people have strong views out there about what is happening. I have strong views, too, but I think it is important for us to not cross that line and say things that we think, or should think, could generate some sort of violent response.

And then, from a legal and constitutional standpoint, the independence of the judiciary, I think that is critical, too.

I have got seven House Republican colleagues who filed Articles of Impeachment against sitting judges. One of the judges I mentioned a moment ago is one of those seven. No showing or even allegation of wrongdoing particularly; just disagreement with the rulings that they issued in those particular cases that happened to involve the Trump administration. And they certainly have a right to their own views, but, again, I think it is important for us—not so much because that might create an issue of violence, but just respect for the Constitution and what it should mean when you start talking about impeaching judges. That is a big step.

And I think, you know, to my colleagues here and beyond, we should be sensitive about making those kinds of statements and crossing those lines. When I was a staffer here in the late eighties, we impeached two judges and they clearly crossed the lines with respect to bribery, for example, and I thought impeachment was clearly merited there. Because under the standard set by the Con-

stitution, they broke that and they broke the trust of the American people.

But throwing that term around, issuing Articles of Impeachment kind of willy-nilly, is beneath what this institution should be doing.

So, thank you so much for the work that you all are doing. I know these are going to be challenging times with respect to seeking the increases that you are seeking.

I share the need for the increase for federal public defenders, having practiced, and I have been on both sides of that. It is critical to make sure we have got enough people there to handle the workload that is coming through. That workload certainly in the District of Columbia is increasing and we need to make sure that we are up to the task on that front, and making sure that people have a chance to get equal justice.

So, thank you for the work that you do. I appreciate your testimony.

And I yield back.

Mr. LALOTA [presiding]. The gentleman's time has expired.

I now recognize the gentleman from North Carolina, my friend, Representative Edwards, for 5 minutes.

Mr. EDWARDS. Thank you. Thank you, Mr. Chair.

Judge CONRAD, with over 800 federally owned or leased court facilities, the judiciary is one of GSA's three largest tenants. How have organizational changes in the GSA affected the facilities of the federal judiciary?

Judge CONRAD. We have an ongoing relationship with the GSA, both in terms of courthouse construction and maintenance. We have historically asked for more than they can deliver with respect to their funding.

I mentioned the Puerto Rico emergency situation, where the courthouse is outdated, unsafe, and built on a seismic fault line, in a district where there is a very high-volume violent crime caseload.

And so, there's ongoing efforts at doing things efficiently, but the ability to maintain our courts, and particularly our older courts, is stressed in good times. And in these times it is a real challenge for us.

And so, I have met recently with the Public Buildings Commissioner. We have ongoing dialogue with the GSA. We have, actually, in light of some recent developments, had the ability to hire some really competent GSA people who were looking for jobs. They have come with us and bring with them a real knowledge of how things work on the other side that will enable us to communicate better.

Mr. EDWARDS. I recognize that 10 federal courthouses appeared on the now-redacted list of non-core federal facilities released by the GSA. Six courthouses currently appear on GSA's list of assets identified for accelerated disposition.

How frequently does the judiciary dispose of properties from the real estate portfolios?

Judge CONRAD. We have a Space and Facilities Committee of the Judicial Conference that looks at this question with some degree of intensity.

I can speak from the district that you come from in the Western District of North Carolina. We, years ago, had five federal courthouses. We now have three.

And so, that is an ongoing examination by our branch. Caseload changes and population changes are all taken into consideration. Resident or non-resident judges in courthouses impact the decision whether to close a courthouse or not.

I have had three conversations this week with different judges across the country who are actively considering whether to close down a courthouse or keep it open. And so, I think, with our budget request, we are also acting responsibly to try to contain our courthouse footprint and ask you for funding only when it is absolutely necessary.

Mr. EDWARDS. Does the judiciary currently own or lease any courtroom or office space that is not currently occupied or in use?

Judge CONRAD. I don't have on the top of my head the number of—you are asking about non-resident judge courthouses?

Mr. EDWARDS. Well, any federal courthouse or office.

Judge CONRAD. There are districts that have courthouses where judges travel from one courthouse to another to serve the needs of a different division. I don't have the exact number of those courthouses.

Mr. EDWARDS. The final question is, when preparing for hearings like this one, I, typically, find Inspector General reports to be a really good resource for information on how agencies can improve their performance. And I really was intrigued to learn that, while the Department of Justice has an Inspector General, the federal judiciary does not. And I was just curious to know your thoughts on why or why not should the federal judiciary have an Inspector General.

Judge CONRAD. We are a separate and independent branch of government that is decentralized in its structure. And we don't have a single Inspector General audit. We have approximately 100 audits that go on every year from the various district courts across the country. We have an Audit Committee.

Our governance is through the Judicial Conference, as you know, and we have 25 different Judicial Conference committees made up of volunteer judges and others who create policy for us and conduct audits. We have access to CPA firms that conduct audits for us.

And our belief is that we are very responsible in the use of the funds that you give us and that we are very careful with our Judicial Conference Audit Committee, with our Budget Committee, and the other structures that we have in place. And although we don't have a single IG audit that you speak of, we have the information necessary to tell you where the money is spent and how we are using it.

Mr. EDWARDS. Thank you. I appreciate your time.

Mr. Chairman, I yield.

Mr. JOYCE [presiding]. Thank you.

The chair now recognizes the gentleman from Texas, Mr. Cloud, for any questions.

Mr. CLOUD. Thank you, Mr. Chairman.

Thank you both for being here. Thank you for the work you do in our all-important judiciary.

I had a couple of questions I wanted to bring up.

One, I read through the strategic plan, and my understanding is those come out every five years. So, we should be expecting another one this year, is that correct?

Judge CONRAD. Yes.

Mr. CLOUD. About when could we expect that?

Judge CONRAD. We have spent time at the last two Judicial Conferences getting out the strategic plan to the committee responsible for it and to the other Conference committees that have input in it.

Mr. CLOUD. Is there a time? I'm sorry—

Judge CONRAD. It is a work-in-progress and—

Mr. CLOUD [continuing]. I have a lot of stuff to go through. So, is there a date that we can—roughly? I'm not—

Judge CONRAD. The next Judicial Conference is in September of 2025.

Mr. CLOUD. Okay. Is that when we would expect the report, shortly thereafter?

Judge CONRAD. It is possible that it would be produced at that time.

Mr. CLOUD. Okay. You had mentioned, Judge Conrad, in your statement the importance of us protecting judges against hurt or threats of impeachment. I think it is dangerous to combine those two in the same sentence. Against hurt, yes, we should definitely protect them. But that would be like you telling me that I should not be worried about what the people will think who elected me.

Impeachment is a constitutional role to hold the judiciary accountable. And certainly, you know, Congress created these courts, with the exception of the Supreme Court, and that is our mechanism to deal with the legal system that has gone wayward.

So, we want to do everything we can to protect the judges and anyone involved in the legal process, but I think it is a dangerous ground to say that. And I was actually disappointed by this Chief Justice when he came out, with everything going on in the judiciary right now, for him to come out and take issue with the President, when there is a lot of work to be done within the judiciary, is very concerning.

Now, one of the big issues, and the second one in the strategic plan, which I certainly appreciate, was preserving public trust, confidence, and understanding. And it talked, basically, about the need to educate the public about everything that is going on. Now, a lot has happened in five years, and we have seen a lot of what some would say is lawfare. I certainly would agree with that; I think a number of Americans do.

And I'm wondering what you will do as we approach the next strategic plan to deal with these sort of things, where we see lawyers who represent President Trump disbarred and threatened just for representing him in some cases, and then, we see those prosecuting President Trump, basically, given a free pass.

And so, you could go down the long list of bad practices that have happened—you know, from Jack Smith to Fani Willis was disqualified from a case, and Nathan Wade from his case, but nothing, neither of them have faced disbarment.

Alvin Bragg turned a misdemeanor into invented law, basically, in order to bring indictments. He has not been referred for disbarment.

Letitia James has been, basically, under investigation for the very thing she accused President Trump of, and Elise Stefanik and others have called for her to be disbarred. She has not been referred, you know.

So, we see a duplicity here and that is where we are getting a lot of the mistrust that the Americans have in the judiciary right now. I am wondering what your strategic plan will do to address those concerns.

Judge CONRAD. So, I would like to go back to your first comment and work from there, where you identify that in my opening remarks I had referred to the physical security of judges and impeachment in the same phrase or sentence. Your point is a fair one, and I take it——

Mr. CLOUD. Well, thank you, sir.

Judge CONRAD. As clarification, from the independent judiciary's perspective, they do represent two harms. The first harm is to judges and their family members who have been threatened either by intimidation or actual physical violence.

In the last several years, the Marshals have——

Mr. CLOUD. Well, we can have the Supreme Court and the administrative judge discuss this. You know, I don't think there is debate across the aisle as to whether we should protect judges, at least, hopefully, in this chamber.

Judge CONRAD. And then, a second point——

Mr. CLOUD. My concern is, what are we going to do to restore trust in the American people in a judicial process that seems very partisan.

For example, District judges who think that they can impose executive mandates. I mean, you go read Federalist 78 and it is very clear the judiciary will have no force or will over the purse——

Judge CONRAD. Right.

Mr. CLOUD [continuing]. Or the sword. And yet, we have a number of judicial judges who seem to think that they have been elected President.

Judge CONRAD. And our system, for 250 years, has functioned with one branch having the sword, one branch having the purse, and the third branch being, supposedly, the least dangerous of the branches.

There is disagreement, strong disagreement, passionate disagreement, with the rulings of district court judges. Our tradition of justice has been to challenge those rulings, to appeal them, and to get the ruling that you think, as a litigant, you are entitled to. It has never——

Mr. CLOUD. But my question was, what were you going to do in the strategic plan?

And my time is up, Chairman, but——

Mr. JOYCE. Your time is up. Thank you.

The chair now recognizes the gentlewoman from Iowa, Mrs. Hinson, for 5 minutes.

Mrs. HINSON. Thank you, Mr. Chairman.

Good morning. Thank you so much, Judges Conrad and St. Eve, for being with us today and answering our questions.

In my district in northeast Iowa, we are home to the Northern District of Iowa for the U.S. District Court, and we are very blessed to have the leadership of our Chief Judge C.J. Williams and the strong presence of the court in our community.

So, I just want to say thank you to the great people who work in our federal courthouse. My office also happens to be in the building. So, we get to see them on a regular basis.

And I know how committed our officials are to really protecting the integrity of their operations. And I do want to make sure that they have the tools necessary to respond to the evolving threats that we are seeing.

And I'm running back and forth between the Homeland Security subcommittee meeting and this one. And so, I just want to go to kind of an issue that kind of ties into both.

I also serve on the Select Committee on the Chinese Communist Party, and I remain deeply concerned about the state-sponsored cyberattacks and threats that we have seen coming out of the CCP. This really affects all branches of the federal government, including the judiciary. So, we have seen how those actors with the PRC are really targeting our federal networks, the critical infrastructure there, and even attempting to exploit many of those vulnerabilities within our judicial institutions.

So, given this threat landscape that we continue to see from the PRC, what specific steps are being taken from the PRC, what specific steps are being taken to ensure that the judiciary's IT systems and applications are protected from these attacks from foreign adversaries? And is there a higher level of coordination happening with CISA, with the marshals, other federal agencies, to ensure that these systems are safe and secure?

Judge ST. EVE. Yes. Thank you.

Cybersecurity has been a priority of the Judiciary, especially since 2021. We have an IT Committee that focuses on this. And, yes, we are coordinating with CISA. We have gotten input from them on our systems. We have coordinated with the White House national cyber director.

We have a five-year plan that we started in 2022 with this committee. We submitted a five-year funding plan for cybersecurity and IT modernization.

On the security side, we have implemented a lot of changes, including zero trust architecture and multifactor authentication. So, a judge or staff member can't sign in at their desktop or remotely without dual authentication now. That is one of the standards we have been recommended to put in place.

We are also putting a great effort forward to modernize our equipment. Some of it is obsolete, and because it is so old, it is really at a security risk. So, by modernizing our equipment, we are prioritizing security with that new equipment. And with that just comes increased security procedures.

So, we thank this subcommittee, because a couple of years ago we had a cyber debriefing and we talked about the need for a five-year plan. And we put a five-year funding plan in place, and it is

important that we continue to get that money. And we have been putting it to good use, yes.

Mrs. HINSON. Well, I would love to get some more details on some of the other things that you have put into place, just kind of an accounting of that so far. So, a five-year plan, obviously, you know of end up in 2027 to kind of look at maybe next steps there. I just want to make sure that we are keeping pace with what we need to keep up with that threat.

Judge ST. EVE. We are happy to do that.

Subsequent to the hearing, the Administrative Office of the U.S. Courts provided the requested information directly to the office of Rep. Hinson.

Mrs. HINSON. Yes. So, I appreciate that maybe on follow-up.

And then, one quick question, as my time is coming to an end. You know, when I look at a rural state like mine here in Iowa, we know that there can be some barriers to accessing federal courts.

You mentioned judges that are going back and forth. I had lunch with the Chief Judge a few weeks ago to talk through some of those concerns, especially as the caseloads continue to grow.

So, what are some of the challenges that courts are facing in managing this demand and how critical is it that we have the adequate number of judgeships to meet those growing caseloads?

Judge CONRAD. So, thank you for that question, because I do think there is a need that we proved last year for more judges and we hope to use the momentum that we established with the Senate and the House last year in terms of all three entities agreeing with respect to that need.

We have a judges bill that is currently in the House right now. Our Judicial Conference has recommended 69 new district court judge positions and two appellate court positions. And those are based on a very careful study of the 94 districts in the country and the places where judgeships are most needed. And so, that is an area where we could benefit tremendously if the positions were created.

Mrs. HINSON. I think it is the JUDGES Act. So, yes, absolutely.

Well, I appreciate you testifying today, and I think I will stay tuned for round two.

Thank you, Mr. Chairman.

Mr. JOYCE. Thank you, Mrs. Hinson.

And the chair now recognizes the gentleman from Maryland, Mr. Hoyer—

Mr. HOYER. I want to thank the chairman.

Mr. JOYCE [continuing]. The ranking member.

Mr. HOYER. Thank you very much.

I don't have any questions, but I do want to make an observation on Mr. Cloud's comments.

I have been here a long time, but in the history of the country, I do not think we have had—well, let me, in recent times, we have not had the challenge to the Congress's authority as we have seen in this administration.

There are judges, including the Supreme Court, who have concluded on a TRO basis, or a temporary basis—I don't know a final decision—that the administration is not following the law.

Mr. Cloud observes that the District Court judges are somehow accruing to themselves executive authority. I defer with the gentleman. What they are saying is, in their judgment, the executive does not have the authority that they are exercising. That is what checks and balances means. That is the essence of our democracy. That is the essence of how one branch checks the other branch.

And I want to make it very clear that the disdain that is directed at judges for saying that the executive department is not acting consistent with the law and with the separation of powers is not accruing to itself executive authority. It is doing its job of asserting what the balance, correct balance, under law and under the Constitution, is between the three branches of government. And I, for one, would hope that judges would continue to do that.

And very frankly, I have been upset with judges in the past, as we all get upset, because we disagree with them. That is our democracy; we disagree. I have disagreed strongly with the Supreme Court, but I have never suggested that, therefore, one of them be removed or a group of them be removed because of decisions that I didn't like.

We have a structure to do that. We have Constitutional Amendments, which are very difficult. We have statutory law, which is not nearly as difficult. And we have elections for Presidents and Congress to change policy.

But I want to make that observation, Mr. Chairman, because I think the assertion that somehow judges are accruing to themselves authority which they do not have is inaccurate.

Thank you.

Mr. JOYCE. Thank you, sir.

Mr. HOYER. And I'm going to go back to my other hearing now, Mr. Chairman.

Mr. JOYCE. Thank you, Mr. Hoyer. Yes, thank you, Mr. Hoyer.

The chair now recognizes the gentleman from New York and the vice chair of this committee, Mr. LaLota for any questions he may have in 5 minutes.

Mr. LALOTA. Thank you, Chairman.

Before I get to my questions, I'm going to yield a minute of my time to Mr. Cloud.

Mr. CLOUD. Thank you, and I will keep this really brief.

I appreciate Mr. Hoyer's thoughts. I would point to the Biden administration who willfully did not listen to the Supreme Court when it came to student loan programs, among other things.

The District judge's jurisdiction is in the title itself; it is a District judge. And the idea that they can have these federal injunctions that limit the President's executive authority that is clearly—clearly—given to him in the Constitution is well beyond the Constitution and should be dealt with by this Congress, including impeachment.

Mr. LALOTA. Thank you.

Judge St. Eve, how are you?

Judge ST. EVE. Fine, thank you.

Mr. LALOTA. Thanks for being with us today.

You mentioned earlier the increased prosecutions tied to immigration crimes, including illegal reentry and cartel-related traf-

ficking. Your Honor, do you believe we need more immigration judges in this country?

Judge ST. EVE. We probably do. That is outside of Article III and outside of my specialty. I get appeals from the Board of Immigration Appeals after they have gone through immigration judges. But in terms of our budget, that is outside of my expertise.

Mr. LALOTA. You have 23 years on the bench——

Judge ST. EVE. Twenty-three years on the bench, but——

Mr. LALOTA [continuing]. In District Courts. You are now a Circuit Court of Appeals judge, pretty prestigious. It must come with a ton of experience.

Just as a matter of judicial efficiency, supply-and-demand concepts, a lot of immigration cases come before our courts. Would we be able to dispense with them more expediently if we had more judicial staff?

Judge ST. EVE. Yes. What I see in appeals is that immigration proceedings get backed-up because of the volume. So, yes, from a pure efficiency standpoint, more immigration judges would be able to help process the immigration proceedings.

Mr. LALOTA. And based on your 23 years' experience on the federal bench, what is the consequence of judicial inefficiency, specifically, with respect to not being able to dispense with some of these immigration cases?

Judge ST. EVE. It clogs up the system. You see some things that take years to complete. That backs up everything behind them. And it is expensive.

Mr. LALOTA. Sure. So, let's talk about asylum for a moment. My understanding is, roughly, three of every four asylum claims are adjudicated in the petitioner's—against the petitioner's request; that three of four don't qualify for traditional asylum.

And yet, the standard of this country has been, at least under the Biden administration, when somebody claims asylum at the border, Biden paroled them to the interior of the country, pending their immigration case. It takes years often for that case to be heard.

So, isn't it a consequence of a judicial inefficiency, those years it takes to get to those cases, these folks, three of four who don't ordinarily qualify for this—isn't the consequence you have a bunch of folks in this country who are not really here under the authorities traditionally granted under asylum?

Judge ST. EVE. It is hard for me to generalize like that and say it is because of judicial inefficiency. I don't know. Some of the appeals that I see, there are lots of extensions requested by the lawyers. There are extensions requested while you are waiting to get a lawyer. So, I think it is hard to make a general statement that everything could be blamed on judicial inefficiency.

Mr. LALOTA. I'm sure we are not blaming everything on it, but I would posit that you have a lot of folks in this country who feigned asylum on their way in and took advantage of the system that was laid out to them—probably not fault of their own. The door was wide open. They got paroled into the interior of the country. A lot of them found their way to New York, where they got the free hotels and the health care, and it was an incentive to get there.

What I'm offering is, if we had a quicker judicial system, more judges to dispense with these cases, we could get to the point of the game where, okay, you don't qualify for asylum; now you've got to go back home.

So, my question, Your Honor, is, what is the judiciary doing to get to a proper staffing?

Judge ST. EVE. So, for staffing, again, immigration is not within the budget request that I'm here testifying about today. But in terms of staffing, we have work measurement formulas, based upon real statistics of what our caseload is. And the staffing we request that is in our Salaries and Expenses account is based upon those work measurement formulas and what our anticipated workload is and what the anticipated caseload is. And that is what we base our budget on in our request.

Mr. LALOTA. Great. Real quickly, with the few seconds I have remaining, with respect to the border District Courts, are they getting the judges and the staffing they need or are we stretching existing personnel too thin?

Judge ST. EVE. We are definitely stretching existing personnel too thin. And I think, in addition to the court staff and the staff in the clerks' offices, there's probation and pretrial services staff. And at the border, when you have a lot of defendants who are coming through, that really stretches the resources of the pretrial services officers and the probation officers.

Mr. LALOTA. Thank you, Your Honor. Your feedback is valuable to us. We appreciate it.

I yield.

Judge ST. EVE. Thank you, Congressman.

Mr. JOYCE. Thank you very much.

The chair now recognizes the gentleman from Missouri, Mr. Alford, for any questions he may have.

Mr. ALFORD. Well, thank you very much. I appreciate that.

Good to have our witnesses here. I appreciate your time for coming here.

Justices today face unprecedented threats to their personal safety. In an era of social media, mobs who disagree with a legal interpretation share personal identifiable information on social media. These online mobs encourage violence against judges and will dox their home addresses, familiar information, and anything else they can get their grubby, little hands on.

Judge CONRAD, how does the judiciary's Threat Management Branch help remove this information from the public domain, and what can Congress do to ensure the safety of folks like you?

Judge CONRAD. So, for a number of years, we have been active in trying to get the Daniel Anderl bill——

Mr. ALFORD. Is your mic on, sir?

Would you please start over?

Judge CONRAD. For a number of years, we have been very active, pursuant to the Daniel Anderl bill and other efforts, at getting that personally identifiable information offline. And we encouraged judges to sign up for DeleteMe-type protections, where the internet is scrubbed for personally identifiable information. Nearly 80 percent of our judges are engaged in those kind of efforts.

Mr. ALFORD. What do we need to do to get all of them involved in those efforts?

Judge CONRAD. Well, at every Judicial Conference across the country, we have a component that deals with judicial security and encourages best practices with respect to our judges.

Mr. ALFORD. Just over a month ago, a California man pleaded guilty to attempted murder of Justice Brett Kavanaugh three years ago. He was arrested outside the Justice's residence with a gun, a knife, zip ties, in the wake of the Supreme Court's Dobbs decision.

While I understand the Supreme Court handles their own threats, has the rest of the judiciary met to strengthening security after potentially large decisions like that could sway action by mentally deranged people?

Judge CONRAD. Yes, we have active coordination with the United States Marshals Service and try to surge resources to areas where we can anticipate problems. We have requested funding for courthouse hardening projects that will provide security to courthouses, and we have encouraged judges and supported them financially in obtaining Home Intrusion Detection Systems. And so, we are pretty focused on the home and the courthouse. Sometimes the vulnerability is in between.

Mr. ALFORD. How much money do you need from us to make sure that those programs get put in place; that we protect our judiciary?

Judge ST. EVE. Well, we are asking for \$892 million for our Court Security account. That funds our Court Security Officers, the Vulnerability Management Program that Judge Conrad just mentioned, and it also funds updating security equipment in the courthouses. And it is really needed for that last piece because that account has been frozen for the last two years. So, we have had to take money from that account that was intended to update our equipment—to put new cameras in, new security measures in—we have had to take that money and use it to pay for the Court Security Officers and the Vulnerability Management Program.

Mr. ALFORD. It is called robbing Peter to pay Paul.

Judge ST. EVE. Exactly.

Mr. ALFORD. What happens if we don't get this funded?

Judge ST. EVE. That equipment will become more obsolete and increase security risks at courthouses around the country.

Mr. ALFORD. Mr. Chair, I respectfully submit that we take a good, close look at this, and I know we will, because this is a precious part of our government and we need to protect those who serve us through the judiciary.

And with that, I yield back. Thank you, sir.

Mr. JOYCE. Thank you for that observation, and the chair totally agrees with you.

The chair now recognizes the gentleman from North Carolina, Mr. Edwards for more questions.

Mr. EDWARDS. Thank you, Mr. Chair.

Let's turn the conversation to technology, something I think we don't spend nearly enough time talking about. And when I look at your budget request and the historical spending, I see that the federal judiciary spends, let's call it about a million dollars a year,

which doesn't seem like a whole lot of money. But I know that, often, money towards technology goes into a big, old, black hole.

Can you tell me a little bit about how that million dollars or so is being spent? How much of that is on maintenance? How much is on new software development? The portion on new software development, how do you know we are getting our money's worth out of it?

I was an appropriator for technology back in North Carolina when I served in the senate, and I know we invested tens of millions of dollars in new development. Years later, we would run into a roadblock and realize we have wasted all the new development money that we had and we had to start over again.

I'm just curious, are you finding those type issues? When it comes to the JITF funding, how is that being spent? What are your concerns?

Judge ST. EVE. Okay. Thank you for clarifying that, Congressman Edwards. If I understand, you are asking, in particular, about our money into Judiciary Information Technology Fund?

Mr. EDWARDS. Let's start with that.

Judge ST. EVE. Okay.

Mr. EDWARDS. And then, tell me if there is something else that I'm not looking at.

Judge ST. EVE. As opposed to some of our cybersecurity efforts and the five-year plan—

Mr. EDWARDS. Yes, separate from cybersecurity.

Judge ST. EVE. Okay, okay. Thank you for that clarification.

So, our systems are becoming obsolete. And for years, we did not put money into IT.

Mr. EDWARDS. A common story.

Judge ST. EVE. Yes. Yes. For a long time, people thought IT was "oh, I need my printer fixed." And it has changed dramatically. But for years, and because we try to be good stewards of the money, we put our priority elsewhere. And as a result of that, we lost people in IT and our systems have become obsolete.

So, the money that goes to our IT account is going really to rebuild those systems and to modernize them. And along with that modernization comes security. Part of that money goes to bringing on and keeping IT personnel, which is, as you probably know, very hard to do, because a lot of IT personnel can earn a lot of money if they go outside of the government. And so, trying to keep those people is very important to us.

But we really depleted our IT to a large extent in terms of personnel, and we have been trying to increase that because it is essential to keeping our systems secure and modern.

Mr. EDWARDS. I will, Mr. Chairman, submit some written questions. I would like to understand more about this investment—

Judge ST. EVE. Of course.

Mr. EDWARDS [continuing]. In IT and where you see the future.

But let's shift to AI now. Where does artificial intelligence fall into the overall platform or plans for the federal judiciary?

Judge ST. EVE. So, the Director—and maybe I will let you answer this—has put together an AI Task Force.

Judge CONRAD. Recently, and it is directed both at the ways in which AI can be of benefit to the justice system and ways to prevent it from being destructive.

And so, the Task Force consists of gifted people across the country identifying the AI issues that we deal with now, and hopefully, anticipating them in the future. That Task Force has been recently constituted and we look forward to learning a lot through it.

Mr. EDWARDS. Will you be sharing the results of that task force with this committee?

Judge CONRAD. I would be glad to, yes, sir.

Mr. EDWARDS. All right. That will be one of my requests in my written follow-up.

Thank you, Mr. Chair.

Mr. JOYCE. Thank you, sir.

Mr. Alford is good with his questions.

And I appreciate your time here today. With that, I know this has been pretty engaging and fun for you, and our time has concluded. But I would like to thank you both for being here today.

I know, as Mr. Edwards has indicated, there may be members who would like to submit questions for the record. I ask that they submit those records for the subcommittee staff within the next seven days.

And with that, this subcommittee stands adjourned.

[Whereupon, at 11:09 a.m., the subcommittee was adjourned.]

STATEMENT OF MARK A. BARNETT
CHIEF JUDGE
UNITED STATES COURT OF INTERNATIONAL TRADE
BEFORE THE
SUBCOMMITTEE ON FINANCIAL SERVICES AND GENERAL GOVERNMENT
COMMITTEE ON APPROPRIATIONS
UNITED STATES HOUSE OF REPRESENTATIVES

May 14, 2025

Chairman Joyce, Ranking Member Hoyer, and members of the Subcommittee,

Thank you for providing me the opportunity to submit this statement on behalf of the United States Court of International Trade. As you know, the Court is established under Article III of the Constitution and has exclusive nationwide jurisdiction over civil actions arising out of the customs and international trade laws of the United States.

The Court's Fiscal Year 2026 budget request is \$24,928,000, which is comprised of \$2,553,000 for mandatory appropriations and \$22,375,000 for discretionary appropriations. The discretionary portion of the request represents an increase of \$1,115,000, or 5.3 percent, from the Fiscal Year 2025 discretionary appropriations of \$21,260,000. This increase reflects the necessary adjustments to the base funding to maintain current services, fund essential on-going operations and initiatives, and provide for adjustments in pay and benefits. The adjustment accounts for other inflationary factors applied to the base funding, including an increase in costs charged by the General Services Administration (GSA) for rent expenses in lower Manhattan in New York City. Further, it reflects increases in security costs charged by the U.S. Marshals Service's contractor for the Court's internal security officers. The Court is again asking for a program increase of \$527,000 for Courthouse Security in addition to inflationary increases. These funds are necessary for the replacement, installation, and deployment of several vital courthouse security systems. While the Judiciary's Salaries and Expense appropriation received \$112,500,000 in supplementary funding for courthouse security hardening in fiscal year 2023, the Court of International Trade did not receive any supplementary security funds in our independent appropriation in fiscal year 2023 or thereafter.

The Court remains committed to the efficient, cost-effective management of its resources through sound fiscal practices. The Court continues to utilize cost containment strategies in keeping with the overall administrative policies and practices of the Judicial Conference, particularly regarding security, equipment, technology, facility improvements, contractual obligations, and personnel. This is consistent with the Court's long-standing policy of requesting only funds that are needed for fulfilling the Court's judicial responsibilities, such as increases for pay, benefits, inflationary factors, and for essential on-going operations and initiatives of the Court.

The Court continues to meet the objectives set forth in its Strategic Plan using its annual appropriations and the Judiciary Information Technology Fund. These objectives serve the goal of furthering access to the Court through the effective and efficient delivery of services and information to litigants, the bar, the public, judges, and staff. As a national court, this access is critical to realizing the mission of resolving disputes by: (1) providing cost effective, courteous, and timely service; (2) providing independent, consistent, fair, and impartial interpretation and application of the federal customs and international trade laws; and (3) fostering procedural improvements in customs and international trade law and practice while furthering the overall administration of justice.

Technology remains a critical component of the Court's commitment to high quality service to its various constituencies. To this end, the requested appropriation will enable the Court to support and maintain its information technology program and the security of that program. Cybersecurity has been and will remain a funding priority as the Court conducts assessments to identify risks and implement security improvements. The Court's information technology program includes cyclical maintenance and, when necessary, replacement of hardware and software to ensure that the Court's infrastructure will continue to support its present and future technological and telecommunications needs. During Fiscal Year 2024, the Court used its Judiciary Information Technology Fund to strengthen its technological capabilities by: (1) replacing aged mobile devices; (2) replacing servers that reached end of life; and (3) expanding audio and video technology functionality to all Courtrooms.

In Fiscal Year 2025, the Court plans to expend funds on essential information technology projects to: (1) replace network switches that have reached end of life; (2) provide necessary maintenance support for the Court's IT hardware and software applications; and (3) continue its cyclical replacement and maintenance program for equipment and furnishings. Additionally, the Court will continue to support and expand its long-standing commitment to provide developmental and educational programs for information technology staff on subjects pertaining to current technology, cybersecurity, and job-related skills.

The Fiscal Year 2026 request provides funding for necessary upgrades, support, and maintenance of the Court's internal and perimeter security systems. Moreover, the Court will continue its efforts to address the educational needs of the bar and Court staff. Finally, the Court will continue its efforts to achieve cost savings when negotiating contracts with GSA, FPS, and vendors providing goods and services.

The Court's "General Statement and Information" and "Justification of Changes," which provide more detailed descriptions of each line-item adjustment, were submitted as part of the Judiciary Fiscal Year 2026 Congressional Budget Justification. If the Committee requires any additional information, we will be pleased to provide the requested information.

The Court is currently operating at fiscal year 2023 funding levels, following two years of no appropriation increases. While the Court recognizes the current fiscal environment and is appreciative for our current appropriation, it is critical that the Court be adequately funded to

continue providing essential Court services. I would like to extend my deepest appreciation to the Subcommittee and the entire Congress for recognizing the needs of the Court. The Court is dedicated to efficiently fulfilling its constitutional duties and pursuing its commitment to the administration of justice for all.

STATEMENT OF
JOHN S. COOKE, DIRECTOR
FEDERAL JUDICIAL CENTER
BEFORE THE
SUBCOMMITTEE ON FINANCIAL SERVICES AND GENERAL GOVERNMENT
COMMITTEE ON APPROPRIATIONS
UNITED STATES HOUSE OF REPRESENTATIVES

May 14, 2025

Chairman Joyce, Ranking Member Hoyer, and members of the Subcommittee, I am John Cooke, Director of the Federal Judicial Center. Thank you for this opportunity to provide this statement in support of our FY 2026 appropriation request. The Center's Board, which the Chief Justice chairs, has approved this request.

The Center's Fiscal Year 2026 Request

The Center's FY 2026 request is \$34,928,654, an increase of \$667,654 (1.9%), over the enacted FY 2025 Continuing Resolution of \$34,261,000. The increase of \$667,654 represents solely standard adjustments to our 2025 base to maintain current services.

The Center's Contribution to the Courts

The Center's statutory mission is to further the development and adoption of improved judicial administration in the federal courts. Its major statutory functions are research and education for the federal courts.

Research

Our independent, impartial, empirical research on federal litigation and judicial administration contributes directly to changes in procedures and policies that help courts operate efficiently and resolve cases fairly and expeditiously. It also informs our education about effective practices in the courts.

The courts, and particularly the Judicial Conference of the United States, as well as Congress and the public, are regular consumers of the Center's research projects. They rely on the Center for thorough, unbiased, well-documented research. Most of the approximately 35 major research projects and activities underway in 2025 were requested by the Judicial Conference and its committees. Examples of recent and current projects include: collecting and analyzing data to establish revised case weights for bankruptcy cases, which will provide an empirical basis for assessing needs for bankruptcy judgeships; a national workplace survey to inform the Judiciary's efforts to prevent workplace misconduct; and an in-depth analysis of case filings to determine the frequency of the appearance of personal identifying information and inform ways to protect such information.

Education and Training

The Center's educational programs equip judges and court staff with essential skills and knowledge, helping them perform their roles effectively.

Our orientation programs help new judges assume their responsibilities; the programs address managing civil and criminal cases fairly and expeditiously, ethics, workplace conduct, and, depending on the type of judge, sentencing, pretrial release, or bankruptcy, among other things. Continuing education offerings cover a wide range of topics, including updates on new statutes and case law, cybersecurity, and emerging issues in science and technology that impact litigation. Topics in programs for chief judges and court executives include budget and cost containment, human resources management, and courthouse security.

Court staff, who are integral to supporting judges and ensuring the effective operation of the courts, rely on the Center for training and resources. Topics include ethics and workplace conduct, performance management, and communication skills.

Probation and pretrial services officers learn about preparation of pretrial release and presentence reports and effective supervision strategies that contribute to public safety, offender rehabilitation, and reduced recidivism.

To meet these educational needs, the Center provides learning opportunities through both in-person programs and various media. We utilize a variety of delivery methods to reach judges and court staff efficiently, including hard-copy publications, as well as online tools such as internal and external websites, web applications, teleconferencing, web conferencing, podcasts, and streaming videos. These diverse platforms enable us to effectively serve a broad audience while remaining cost-efficient.

The Center's public website, www.fjc.gov, contains extensive information about the Center and its programs, reports, and publications.

Conclusion

I respectfully urge you to approve the 1.9% increase that the Center requires in order to fully execute its research and education mission in support of the fair and efficient administration of justice. Without this increase the Center would be compelled to forego education for judges on employment law, intellectual property, and other topics, education for judiciary employees on effective court operations, and education for probation and pretrial services officers on best practices in offender supervision. Center research aimed at finding cost savings and improvements in the administration of justice would be curtailed.

I am more than happy to provide further details, answer any questions, or clarify any aspects of our FY 2026 funding request.

Thank you for your consideration.

WRITTEN STATEMENTS FROM THE COURT OF INTERNATIONAL TRADE,
THE FEDERAL JUDICIAL CENTER AND THE U.S. SECRETARY COM-
MISSION

STATEMENT OF
HONORABLE CARLTON W. REEVES, CHAIR
UNITED STATES SENTENCING COMMISSION
BEFORE THE
SUBCOMMITTEE ON FINANCIAL SERVICES AND GENERAL GOVERNMENT
COMMITTEE ON APPROPRIATIONS
UNITED STATES HOUSE OF REPRESENTATIVES

May 14, 2025

Chairman Joyce, Ranking Member Hoyer, and members of the Subcommittee, on behalf of the United States Sentencing Commission (the “Commission”), I appreciate the opportunity to submit this statement in support of the Commission’s fiscal year 2026 appropriations request.

The Commission serves as an expert, bipartisan, independent agency within the judicial branch whose principal purpose is to establish sentencing policies and practices for the federal criminal justice system. Consistent with the Sentencing Reform Act of 1984, the Commission collaborates with all three branches of government to promote fair and effective federal sentencing policy and to protect public safety.

The many statutory duties of the Commission include:

- (1) **establishing federal sentencing guidelines** that sentencing judges must calculate and consider in all federal criminal cases;
- (2) **responding to congressional inquiries** and serving as the primary resource for sentencing data, expertise, and assistance for Members of Congress and their staff;
- (3) **collecting, analyzing, and reporting sentencing data** to systematically assess federal sentencing policies and serve as a clearinghouse for federal sentencing statistics;
- (4) **conducting research** on sentencing issues and serving as an information center for the collection, preparation, and dissemination of information on sentencing practices; and
- (5) **providing specialized training to** judges, probation officers, prosecutors, defense attorneys, and other members of the federal criminal justice community on application of the federal sentencing guidelines and federal sentencing generally.

The Commission is statutorily comprised of seven bipartisan voting members, three of whom shall be federal judges and no more than four of the same political party. The Attorney General (or the Attorney General’s designee) and the Chair of the U.S. Parole Commission serve as non-voting *ex officio* members. The Commission currently operates with a voting quorum of five members, Judge Luis Felipe Restrepo (Vice Chair), Laura Mate (Vice Chair), Claire Murray (Vice Chair), Commissioner Candice C. Wong, and me as Chair.

The Commission requests \$22,512,782 for fiscal year 2026 to fulfill its statutory duties under the Sentencing Reform Act of 1984. The fiscal year 2026 request reflects an \$871,782

increase above its fiscal year 2025 enacted appropriation of \$21,641,000, with no request for any program increases. Full funding is essential for the Commission to fulfill its statutory missions, continue investing in critical technology that strengthens cybersecurity and enhances workforce productivity, and meet the ever-increasing public demand for its work product and expertise.

The Commission's ongoing investments in technology are facilitating a renewed emphasis on public involvement in its work. For example, for the guideline amendment cycle ending May 1, 2025, the Commission solicited input on what its policy priorities should be even before developing a proposed list. This differed from the typical process of outlining proposed priorities and then seeking comment. Over the course of the amendment cycle, the Commission's development of an easily accessible public comment portal allowed it to receive, process, and consider nearly 3,000 pages of insightful comments from judges, Members of Congress, executive branch officials, attorneys, probation officers, advisory groups, professors, advocacy organizations, and incarcerated individuals.

In addition, the number of users and views of the Commission's website substantially increased in FY 2024 (the latest full year data available) to 3.4 million views and nearly 900,000 users. These figures are driven by the Commission's many data reports, "Quick Facts" series, interactive and educational tools, and new innovative resources. For example, the Commission's Judiciary Sentencing INformation (JSIN), an online tool launched in 2022, provides granular sentencing data and is now accessed approximately 60,000 times per year by approximately 17,000 users, including judges, prosecutors, defense attorneys, probation officers, and others.

The Commission also recently launched two interactive website resources on timely and complex topics. The first provides an overview of the availability of Federal Bureau of Prisons programming such as the Residential Drug Abuse Treatment Program and the accrual of earned time credits under the First Step Act of 2018. The second is a webpage on problem-solving courts, which is a compilation of information on court-sponsored programs related to diversion and alternatives to incarceration. Moreover, the Commission will soon unveil a new webpage devoted to supervised release in response to heightened interest and requests from judges and Members of Congress. This new page will highlight the Commission's recent comprehensive amendment it approved specifically to encourage judges to engage in an individualized assessment of the statutory factors when considering whether, and for how long, to impose a term of supervised release, as well as when considering whether to revoke a term of supervised release.

The Commission could not offer these public facing tools effectively, safely, and securely without continued strategic investment in technology, automation, and cybersecurity. In fiscal year 2026, the Commission must continue investing sufficient resources in technology to ensure the safety and security of its critical infrastructure and information systems, maximize the efficiency and capacity of its limited staff, and meet the ever-increasing demand for its work product and expertise.

The Commission is committed to leveraging technology to expand the catalogue of work product made easily accessible to the public, keep its information systems safe and secure from cybersecurity threats, and limit human resource requirements with innovative solutions. For example, the Commission is exploring AI and cloud-based solutions to achieve greater efficiency in data analysis, enhance security for all systems and platforms, and ensure accessible, user-

friendly interactive resources. As the Commission transitions to these technologies, they will require substantial investments, but in the long term they will increase productivity, lower costs, and improve security.

As a careful steward of the taxpayers' money, the Commission has not requested program increases in more than two decades, and its appropriations level has not increased in three years. I respectfully request that the Committee consider these important objectives as it works to advance the FY 2026 appropriations bills.

Sentencing Policy Development

Informed by nearly 3,000 pages of public comment, two roundtable discussions with nearly 50 experts on supervised release and federal drug sentencing, three full days of public hearings featuring testimony of more than 40 witnesses, and numerous data reports, in April 2025, the Commission unanimously voted to promulgate several guideline amendments that will make federal sentencing fairer and more effective.

The amendments include a comprehensive update to the supervised release guidelines to encourage courts to use an individualized assessment when deciding whether, and for how long, to impose supervised release and whether to revoke a term supervised release. The supervised release provisions in the *Guidelines Manual* have not been changed in more than 30 years. In addition, they encourage courts to consider terminating supervised release when it is no longer warranted, thereby freeing resources for those individuals who require them. These long-overdue updates will help federal courts use supervised release to more effectively facilitate rehabilitation, reduce recidivism, and protect public safety.

The Commission's amendments also address the dangerous harms of "fake pills" containing fentanyl, while also ensuring that sentences better reflect a defendant's function in drug trafficking.

In addition, the Commission responded to concerns about the proliferation of machine gun conversion devises (MCDs) by providing appropriate penalties for firearms offenses that involve MCDs. The Commission simplified the "three step" approach that courts currently use when applying the guidelines, and it promoted consistent guideline application by resolving certain circuit conflicts.

These guideline amendments take effect on November 1, 2025, absent congressional action to the contrary.

Research and Data

Research is a critical part of the Commission's mission and provides a valuable resource to policy makers and the Commission's stakeholders. The Commission regularly analyzes data to learn how courts sentence individuals and use the guidelines and uses these analyses to inform its policy making. The Commission publishes many of its analyses as a resource for the judiciary, Congress, the executive branch, and the criminal justice community.

Recent reports the Commission has issued include a report titled *Methamphetamine Trafficking Offenses in the Federal Criminal Justice System*, which is the most comprehensive report on methamphetamine offenses in over two decades. In that time, the number of individuals sentenced for methamphetamine trafficking increased 168 percent and now comprises half of all federal drug trafficking offenses. The study found that methamphetamine today is uniformly highly pure, but how often the methamphetamine is tested for purity varies. This has led to concern that purity distinctions in the penalty scheme are no longer reflective of culpability and may lead to sentencing disparity.

The Commission also examined and issued a report titled *Overdoses in Federal Drug Trafficking Crimes*. Drug overdoses are one of the leading causes of deaths in adults in the United States. While overdoses were involved in less than two percent of the federal drug trafficking cases studied, their prevalence increased by 44 percent from fiscal years 2019-2023. Fentanyl and fentanyl analogs were involved in 80 percent of the overdose cases in the federal caseload.

Cyber Technology in Federal Crime reports on demographic and sentencing information for individuals who use hacking, cryptocurrency, and the dark web for illegal purposes. Prior to the Commission's examination of this matter, there had been little analysis of the individuals sentenced for a federal offense who use cyber technology for illegal purposes.

Collecting, Analyzing, and Reporting Sentencing Data

Each year the Commission collects and analyzes data regarding every felony and Class A misdemeanor offense sentenced that year. Sentencing courts are statutorily required to submit five sentencing documents to the Commission within 30 days of entry of judgment: the charging document, plea agreement, Presentence Report, Judgment and Commitment Order, and Statement of Reasons form. The Commission analyzes these documents to report information of interest and importance to policymakers and the federal criminal justice community.

In FY 2024, the Commission received and reviewed approximately 314,000 documents from the courts. These documents reported on more than 61,000 original sentencing and 27,000 resentencings or motions for sentence reductions. The Commission can process this large volume of sentencing documents by continuously investing in means to automatically extract as much data and information as possible from court documents. These efforts not only improve efficiency and accuracy but also expand the type of information the Commission can collect and analyze on a routine basis. For example, the Commission now analyzes and reports data regarding the nature of more than 300,000 criminal history events each year, which could not be done without continual technology investments. This criminal history data has been used to respond to numerous congressional inquiries.

Each year the Commission compiles its annual sentencing dataset into one comprehensive publication, the *Sourcebook of Federal Sentencing Statistics*. The 2024 Sourcebook provides detailed analyses of the 64,678 individuals sentenced in FY 2024.

In addition, quarterly sentencing updates and reduction in sentence (“compassionate release”) data are posted to the Commission’s website.

Also, as required by 28 U.S.C. § 994(g) and 18 U.S.C. § 4047, the Commission considers the impact of guideline amendments on the federal prison population. The Commission is also often asked by Congress to complete prison and sentencing impact assessments for proposed legislation. This data is often cited in related policy discussions. The Commission also responds to more general data requests from Congress on issues such as drugs, immigration, fraud, firearms, and sex offenses. It provides district, state-wide, and circuit data analyses to House and Senate Judiciary Committee members and, on an as-requested basis, to other members of Congress. Similarly, the Commission responds to requests for data analyses from federal judges, including specific data requests relating to pending cases.

Specialized Training

The Commission continues to provide specialized seminars, workshops, and training programs for judges, probation officers, law clerks, prosecutors, and defense attorneys on application of the guidelines and federal sentencing generally. In FY 2024, the Commission trained individuals from all 94 federal districts.

The Commission’s ongoing investments in eLearning, remote training platforms, and other online resources continue to provide effective and efficient training. In FY 2024, the Commission conducted 45 virtual training sessions with over 6,000 participants.

The Commission’s online and on-demand courses were accessed over 1,400 times, and its eLearning courses were accessed more than 11,000 times, a 73 percent increase from the previous year. In FY 2024, the Commission conducted 72 in-person training programs attended by approximately 4,300 individuals. The Commission held its Annual National Seminar, with more than 800 judges, probation officers, defense attorneys, prosecutors, and others participating, and its Annual Judges’ Seminar was attended by more than 100 judges representing twelve circuits.

In addition to staff-led training seminars, the Commissioners provided training and engaged with judges and practitioners by visiting many circuit conferences, participating in various bench and bar conferences, as well as programs sponsored by the Federal Judicial Center and other criminal justice organizations.

The Commission’s HelpLine assists judges, practitioners, and probation offices with guideline application and related questions. In FY 2024, the Commission responded to approximately 3,400 inquiries.

Public Interface

The Commission continues to expand its public outreach. In FY 2024, the Commission’s website had 3.4 million views and nearly 900,000 users, a substantial increase from the previous year. The Commission also leverages social media and cloud-based tools to disseminate

information and updates broadly and efficiently to the public. In addition, all public meetings and hearings are livestreamed.

In conclusion, the Commission continues to maximize available resources and appreciates the funding Congress has provided to enable the Commission to fulfill its important mission.

Questions from Chairman Tom Cole

1. How would additional federal district court judges affect rising caseloads across the nation and the overall efficiency of the courts, particularly in Oklahoma's Northern and Eastern Districts following the *McGirt* v. *Oklahoma* Supreme Court decision?

On March 11, 2025, the Judicial Conference adopted recommendations to add two permanent judgeships to the courts of appeals and add 69 permanent judgeships to the district courts. The Judicial Conference transmitted its judgeship recommendations to Congress on March 13, 2025. [This table](#) provides judgeship recommendations by judicial district.

Overall, the caseload for the federal Judiciary has significantly increased since the Judicial Improvements Act of 1990, Pub. L. No. 101-650, was enacted more than 30 years ago. In the district courts, total filings increased by 37 percent between fiscal year 1991 and fiscal year 2024, as civil case filings increased by 38 percent and criminal felony defendants increased by 32 percent. The national average of weighted filings increased by 30 percent, from 386 weighted filings per authorized judgeship in 1991, to 502 in 2024. During this same period, there has been only a 4 percent increase in judgeships with the last permanent district court judgeships created in 2002.¹

The increase in caseload without a commensurate increase in the Article III judgeship resources over the past three decades has created enormous difficulties for many of our courts across the nation. At the time the Judicial Conference recommendations were transmitted to Congress, 11 district courts were struggling with extraordinarily high and sustained workloads of over 600 weighted filings per judgeship. The severity of the caseload in the District of Arizona, the Central District of California, the Eastern District of California, the District of Colorado, the District of Delaware, the Middle District of Florida, the Northern District of Georgia, the Southern District of Indiana, the District of New Jersey, the Eastern District of Texas, and the Western District of Texas require immediate action.

The Eastern and Northern Districts of Oklahoma currently have a combined five authorized district judgeships and the Judicial Conference seeks a total of three additional judgeships for those districts to provide much needed judicial resources to address *McGirt* workload.

2. What additional funding would be needed to support additional district court judges, as recommended in the 2025 Judicial Conference Judgeships Recommendation?

Circuit Judgeship. The estimated cost of a new appellate judgeship is \$978,000 in initial, first year costs to include a circuit judge's salary, support staff costs, and one-time costs for equipment and supplies. Estimated annual recurring costs are \$902,000. Included in these

¹ Between 1999 and 2003, Congress created 34 additional judgeships in the district courts, but since then six temporary judgeships have lapsed. As part of the Judiciary's appropriations for fiscal years 2000 and 2001, and as part of the Department of Justice authorization bill for fiscal year 2003, Congress created 9, 10, and 15 district court judgeships, respectively; however, Congress has not created any additional judgeships for the courts of appeals since 1990.

costs are \$298,000 per judgeship in mandatory appropriations for a circuit judge's salary and benefit costs. Support staff and other costs are paid out of discretionary appropriations.

District Judgeship. The estimated cost of a new district judgeship is \$1.0 million in initial, first year costs to include a district judge's salary, support staff costs, and one-time costs for equipment and supplies. Estimated annual recurring costs are \$954,000. Included in these costs are \$282,000 per judgeship in mandatory appropriations for a district judge's salary and benefit costs. Support staff and other costs are paid out of discretionary appropriations.

Questions from Ranking Member Steny Hoyer

1. **Federal Public and Community Defenders represent about 90% of people charged with federal offenses. Some defendants who cannot afford to retain counsel are represented by private-sector "panel" attorneys, who are appointed by the Court primarily in cases where the Federal Public Defender has a conflict of interest. All of these court-appointed attorneys provide services that are mandated by the Constitution. We do not have the option of not funding them sufficiently.**

However, as you mentioned in your written testimony, the 2025 CR left the Defender program with a funding shortfall that will require them to suspend payments to panel attorneys for more than two months at the end of this fiscal year. These are payments for work that has already been performed. Can you please explain how the deferral of those panel attorney payments will likely impact the criminal justice system, and also how it will impact the Federal Defender program financially as it heads into Fiscal Year 2026?

The deferral of panel attorney payments has a critically significant impact on the criminal justice system. During the deferral period some panel attorneys continued to accept new appointments and perform work without pay at great cost to themselves, particularly for those panel attorneys who are solo practitioners or who work in small firms. Others were forced to redirect time and effort to paying work, leading to withdrawals from pending cases, declinations of appointments to new cases, resignations from the panel, or requests for delays and postponements in court proceedings. In one district, for example, the entire panel of attorneys and related service providers notified the court that they were unable to accept any new appointments due to the ongoing funding crisis. Such actions can lead to a denial of prompt justice to both prosecutors and the defense; potentially create unlawful delays in the constitutional right of defendants to a speedy and fair trial; and add to overall case costs in the form of unnecessary detention of defendants. What's more, these effects may persist even after panel attorney funding is restored, as continuing uncertainty around the program's financial stability will cause challenges in recruiting and retaining qualified panel counsel who may be concerned about the recurrence of a substantial deferral in FY 2026 or future years.

With respect to budgetary impacts, a deferral of panel attorney payments in one fiscal year has an immediate and direct effect on the appropriations request for the next fiscal year.

Because of the lengthy deferral of panel attorney payments in FY 2025, the Defender Services program began FY 2026 already owing approximately \$70 million of unpaid obligations from the prior year. These prior year costs must then be added to the program's FY 2026 appropriation. In addition, the FY 2026 budget must restore \$93 million to the panel attorney funding base in order to sustain the FY 2025 level of payment activity in FY 2026; otherwise, another shortfall will occur again at the end of FY 2026. Nearly *two thirds* of the entire increase in the Defender Services FY 2026 budget request is associated only with mitigating the effects of the FY 2025 panel deferral.

2. **Most panel attorneys are either solo practitioners or in a small firm. They employ staff and have overhead. How will the months of delayed payment impact these small business owners? Don't they have to front many of their expenses, such as the cost of travel to visit their clients? And are you concerned that the deferral of payments might cause them to decline to accept new cases?**

Months of delayed payments have a serious detrimental impact on panel attorneys, particularly those who are sole practitioners or who work in small firms. Those attorneys have to cover from their own pockets not only their own overhead (staff salaries, rent, legal research subscriptions, etc.) but also all case-related costs like travel. Many of them cannot afford to go months without any business income and so, as referenced above, may respond by decreasing their federal defense caseload in favor of paying work, refusing appointment to new cases, resigning from their district's panel, or requesting delays and postponements in current cases until funding is restored. The Judiciary has documented instances of each of these outcomes, which serve neither the interests of the panel attorneys nor the prompt and effective administration of justice.

Also as noted above, these concerns may persist even after panel attorney funding is restored, as continuing uncertainty around the program's financial stability will cause challenges in recruiting and retaining qualified panel counsel who may be concerned about the recurrence of a substantial deferral in FY 2026 or future years.

3. **You explained in your written testimony how the criminal caseload of the courts and of the Federal Defender program is driven by the priorities of the Executive Branch, particularly the Department of Justice. You've also outlined how caseloads are expected to increase substantially, in light of the current Administration's directive to prosecutors to charge the most serious "readily provable offense," as well as the lifting of the moratorium on the federal death penalty. At the same time, the Federal Defender program has been in a hard hiring freeze for the second year in a row.**

Can you please explain how this hiring freeze, combined with increased caseloads, can jeopardize the ability of the Courts to process cases? If the attorneys who represent 90% of federal criminal defendants don't have the resources they need to do their jobs, how will that impact their clients, and what ripple effects might you expect to see throughout the criminal justice system?

Nationally, federal defender organizations (FDOs) are under a hiring freeze that has been in place for 21 of the past 28 months. FDOs are currently staffed more than 12% below the level dictated by the FDO staffing formula that calculates personnel requirements in accordance with caseload and workload. It is not sustainable to continue suppressing hiring of defender staff below the levels needed to address incoming caseload. When FDOs cannot take their expected share of cases, those representations are then redirected to the panel, where the cost is incurred anyway because the representation must be provided by one means or the other.

At best, this redirection of representations will increase panel attorney workload above budgeted levels, contributing to continuing shortfalls in the panel attorney funding base and potentially necessitating the recurrence of funding deferrals. At worst, the private panel attorneys will be unable or unwilling to absorb the additional workload, leaving defendants without constitutionally required representation. This could lead to the denial of prompt justice to both prosecutors and the defense; potentially create unlawful delays in the constitutional right of defendants to a speedy and fair trial; and add to overall case costs in the form of unnecessary detention of defendants.

4. **As a result of the hiring freeze and insufficient funding, the Federal Defender program is currently staffed well below its full staffing formula. With caseloads increasing due to the Administration's prosecutorial priorities, some federal defender offices may be forced to decline cases if they determine that they do not have sufficient staff to provide constitutionally effective representation.**

Can you please explain why it would be more expensive—why it will cost the government more money—if staffing shortfalls cause cases to be diverted from the Federal Defender program to private panel attorneys?

No contemporary cost analysis has been done comparing the relative cost of representation provided by FDO staff versus private panel attorney; however, the hourly cost for assistant federal defenders is less than the statutory hourly rate for panel attorneys. The average hourly rate for an assistant federal defender, including benefits, is \$115.50. If overhead is included, the hourly rate is \$136.20. The statutory hourly rate for panel attorneys is \$175 for non-capital cases and \$223 for capital cases. It is important to note that this rudimentary analysis does not consider that panel attorney rates are significantly below market rates in almost every jurisdiction and insufficient to cover overhead expenses (which take up between 62 to 72 percent of the hourly rate).

A strong, well-funded hybrid system of both federal defenders and private panel attorneys is critical to providing the Constitutionally-mandated 6th Amendment right to counsel in federal court and to the operation of the federal criminal justice system. As noted in the [*2017 Report of the Ad Hoc Committee to Review the Criminal Justice Act*](#) (often referred to as the “Cardone Report”), a hybrid system allows for flexibility, since panel attorneys can step in to respond to a sharp increase in prosecutions when federal defender caseloads are overwhelming and provide representation in multi-defendant cases to alleviate conflicts of interest (the defender office often taking the lead defendant while panel attorneys act as

counsel for the other defendants). This hybrid system “offers the consistency of having an institutional defender office, which not only sets the bar for defense best practices locally but, with ready access to resources, can often provide training opportunities and assistance to panel attorneys in that district.” *Id.* at 18.

- 5. Should Congress issue a supplemental appropriation in the amount of \$92.7 million, so you will not have to suspend payments to panel attorneys and service providers for over two months? How would a supplemental appropriation in that amount impact the Defender program’s budget for FY2026?**

Due to significant underfunding of the Defender Services program in FY 2025, the Judiciary initially estimated that \$93 million of payments to court-appointed private practice panel attorneys and related service providers could not be made in FY 2025 and would have to be deferred to FY 2026. The Judiciary’s FY 2026 budget request included \$93 million to cover the FY 2025 deferred payments.

The Judiciary sought supplemental appropriations in FY 2025 so payments to panel attorneys and service providers would not have to be deferred, but no supplemental appropriations were provided. If supplemental appropriations had been provided it would have reduced the Judiciary’s FY 2026 congressional request by \$93 million.

Due to the FY 2025 funding shortfall, payments to panel attorneys and service providers were suspended on July 3, 2025, representing an unprecedented delay in paying court-appointed counsel for legal representation provided. The government-wide lapse in appropriations further suspended payments through November 12, 2025. In total, approximately \$100 million in payments were suspended, \$70 million between July 3 - September 30, 2025 (versus the \$93 million initial estimate), and \$30 million between October 1 - November 12, 2025.

THURSDAY, MAY 15, 2025.

U.S. FEDERAL TRADE COMMISSION

WITNESS

ANDREW FERGUSON, CHAIRMAN, FEDERAL TRADE COMMISSION

Mr. JOYCE. The Subcommittee on Financial Services and General Government will come to order. This hearing is titled “Oversight of the Federal Trade Commission.” Members will have five legislative days with which to revise and extend their remarks and insert extraneous material into the record.

I now recognize myself for an opening statement. I would like to thank Chairman Ferguson for being here today and his leadership over the last several months. The Federal Trade Commission plays an important role in promoting marketplace competition and protecting consumers. Ensuring robust competition is vital to fostering economic growth while also lowering costs for all Americans.

Over the last several years under previous leadership the FTC routinely strayed from its core mission and stretched the limits of its statutory authorities. I am encouraged by the commission’s renewed focus and direction under your leadership.

Advances in technology and the emergence of artificial intelligence have presented new opportunities and challenges for businesses and consumers alike. American innovators are at the forefront of these major technological advances. While regulators have a responsibility to maintain common-sense guard rails, they should do so in a way that does not stifle innovation and force good paying jobs overseas.

The FTC’s spending level for fiscal year 2025 was held flat from fiscal year 2024 at 425.7 million. Despite that flat funding for the last two fiscal years the commission faces rising costs for expert witnesses, infrastructure, and technology. Furthermore, the recent passage of the TAKE IT DOWN Act requires the FTC to deploy additional resources to crack down on the publication of non-consensual intimate images including those generated by AI. I look forward to hearing more about the commission’s implementation of this important piece of legislation and the additional resources that will be required.

Chairman Ferguson, you have described the Federal Trade Commission’s role as a cop on a beat. Like police officers the commission has a responsibility to enforce the law fairly without bias or prejudice. The American people deserve an FTC that sticks to its core mission of promoting competition and preventing fraud in the marketplace, providing regulatory certainty and predictability to the private sector will spur economic growth and benefit all Americans through affordable prices.

I look forward to hearing from Chairman Ferguson about his vision for the commission and the resources that will be required to executed on the Federal Trade Commission's mission.

I now recognize the ranking member, Mr. Hoyer, for his opening statement.

Mr. HOYER. I thank the chairman very much.

Welcome Chairman Ferguson, to the committee. I want to thank you for the work that you have done and you are doing. You had a very extensive statement, footnoted more than any other statement I think I have read for an opening statement. I thought I was reading a law brief. But having said that, it was very comprehensive.

But one of the things I noticed in it, and I say this at the—well, I am going to ask questions later. I am going to be going in and out. It has nothing to do with your testimony. It has to do with—we have two hearings going on at the same time.

One of my top priorities, Mr. Chairman, as you know throughout my time in Congress has been making our workers, our businesses, and our entire economy more competitive. That is why as majority leader I started the agenda that I call Make It in America, which obviously is a double entendre. People came to America to make it, to succeed. But also the way we are going to succeed better is to make it, whatever it may be, in America. We are moving towards that effort. But as you point out in your statement, it can be a self-defeating effort, the larger one enterprise gets and other enterprises are left by the wayside.

Many of the historic bills we passed in the 117th Congress, including the CHIPS and Science Act, the Bipartisan Infrastructure Law, and the Inflation Reduction Act, were designed to promote competition and to grow manufacturing and our science research in America. That is the objective we ought to all share. If you support innovation, if you support growth, if you support development, then you have to support competition.

I tell my Democrats if you want to be pro-worker, you need to be pro-employer. Both need to be in equilibrium, both have a role to play, and both need a referee. You talked about cop on the beat. Referee.

If you recognize the importance of the free market as I do, then you have to recognize how crucial it is to keep it free and keep it on market. The FTC is essential to that mission to promote fair competition and protect American consumers. It breaks up monopolies that inflate the price of everything from groceries to gas to health care. It protects Americans from scam calls, fraud, and unfair business practices. It stands up for Americans' privacy rights, going after businesses that misuse or fail to secure their personal data.

One thing I may just—it ticks me when I get advertisements that I don't ask for on this device which I own. I don't know whether there is a solution to that, because obviously they got to pay for the product they "give me," in quotes. But that is a particular concern I have that you may pay attention to. The FTC needs to maintain public trust and credibility to do this vital, non-partisan work.

Now I mentioned non-partisan work. What I was starting to say—let me say I noticed at least three times in the opening sort

of synopsis of your statement that you use the term the “Trump-Vance FTC.” I was caught by that because I don’t see that very often in statements that are made. Actually it is America’s FTC. Now you are appointed. You are a Republican—I am a Democrat, so we have different points of view. But we need to make sure the agenda of the administration really needs to be, in this case from your perspective, the agenda of what the FTC is intended to do. Now we may have differences on that, but I would urge you to do it in as non-partisan a way and very frankly I urged your predecessor to do the same thing. There would be different views to whether that was accomplished.

The FTC needs to maintain public trust and credibility, as I said, and that will help I think. That is why the agency has always been independent. I am deeply concerned by this administration’s efforts, frankly, to undermine not only the independence that that—naming it the Trump-Vance FTC would imply, but it also will creep—it seems to be creeping into almost everything we do, where so-called non-loyalists are being fired. They need to be loyal to the country and to the oath that we all take to the Constitution and the laws thereof, not to any individual or group of individuals.

In March Donald Trump violated 90 years of Supreme Court precedent when he fired two Democratic FTC commissioners without any legal cause, which under the law is required. Those two commissioners are challenging that action in court. I hope they win. And if it is anything like the dozens of other cases we have seen in the past four months, I believe the courts will likely rule against the administration.

One more minute?

Nevertheless, he Trump’s attempt to politicize the FTC ought to concern us all. So should the reports that Elon Musk and his DOGE agents may be able to access sensitive financial data the FTC compiles on American businesses including Musk’s competitors. That is the opposite of the FTC’s purpose and we must not let it happen. Democrats and Republicans need to come together to protect this vital institution and ensure that it has the resources it needs to keep serving the American people.

I thank FTC’s Chair Ferguson for joining us today and I hope that he can address some of these concerns that speak to the importance of this funding. The American people are counting on the FTC and the FTC is counting on this committee.

Thank you very much, Mr. Chairman.

Mr. JOYCE. Thank you, Mr. Hoyer.

Today we welcome the testimony of the Honorable Andrew Ferguson, Chairman of the Federal Trade Commission.

Chairman Ferguson, without objection, your full written testimony will be entered into the record.

[The information follows:]

Mr. JOYCE. With that in mind, we ask you to please summarize your opening statements in five minutes.

STATEMENT OF ANDREW FERGUSON

Mr. FERGUSON. Thank you, Mr. Chairman, Ranking Member Hoyer, members of the subcommittee. I am Andrew Ferguson, Chairman of the Federal Trade Commission and I am pleased to

appear before you today to testify about the FTC, its competition and consumer protection priorities, and how we are restoring the agency's financial health and public credibility. I am also pleased to be joined by our newest commissioner, Mr. Mark Meador.

I was profoundly honored when President Donald J. Trump appointed me to lead the agency in January. President Trump's resounding victory in the 2024 election has given him a broad mandate to restore our economy. Restoring our economy requires a dynamic business environment characterized by increasing innovation, wages, productivity, and growth. The fruits of such an economy must be enjoyed by all Americans particularly the backbone of our economy, our workers.

Vigorous and effective consumer protection and competition law enforcement is key to facilitating a dynamic pro-worker economy and I am honored to be the chairman of the FTC under President Trump and to help drive this pro-growth, pro-worker agenda.

I am also honored to run an agency that is filled with lawyers, economists, investigators, and professional staff who are tirelessly dedicated to the rule of law, to promoting competition, and to protecting consumers. They are the life blood of the FTC and we owe our success to them.

We also confront challenges. Poor management decisions made by the previous administration have spread our resources thin. Thankfully the measures we have taken to restore fiscal health to the FTC align with the President's directives to ensure that the agency is operating as efficiently and effectively as possible in the fulfillment of its mission to protect the American people from monopolies and frauds.

I resolutely believe in the mission of the FTC. No economic system in history has promoted the common good more than the American free enterprise system. No economic system has contributed more to human flourishing, but our free enterprise system promotes the common good of all Americans only if we protect it from anti-competitive business practices, anti-competitive consolidation, and fraud.

Without vigorous enforcement of our competition and consumer protection laws our free enterprise system would benefit only the wealthy and the corrupt. For that reason the Trump-Vance FTC has gone back to the agency's roots. Vigorous enforcement of the law is our focus.

Congress established the FTC to be a cop on the beat for our markets, not to make the rules. We enforce the laws that the people through their representatives in Congress have decided best promote competition and fairness. We investigate wrongdoing and if we believe violations of the law are taking place, we bring lawsuits. If we don't, we get out of the way and let markets promote innovation and growth.

We seek to protect competition and combat fraud through vigilant, fair, and thorough investigations and litigation where necessary. The FTC is here to defend our free enterprise system and make it work for everyone. We want to protect Americans when they shop for groceries, when they go to the hospital, and when they speak online.

My written testimony discusses in more detail the FTC's important work to protect U.S. consumers and competition as well as a brief overview of the FTC's budget, resources, and cost saving endeavors. Today I will briefly highlight some of the agency's major recent activities and initiatives.

We are focused on protecting Americans in the markets that affect them the most. That is why we have focused substantial resources on protecting Americans online. We have ongoing competition litigation against major big tech platforms under both the consumer protection and competition laws. This continues to be a major priority.

For the same reason we are intently focused on health care markets. The first major competition action undertaken by the Trump-Vance FTC was to enjoin a merger of medical device manufacturers that the commission alleges would have increased the prices of medical devices used by millions of Americans. I am deeply concerned by the increasing prices across all of our health care markets. The FTC will do everything that it can to ensure that prices in health care markets are the product of vigorous competition and that our health care markets are free of deception and unfairness.

We are also going beyond our law enforcement efforts in the health care space by using our Section 6(b) authority to examine the operations of the nation's pharmacy benefits managers, an industry that manages nearly 95 percent of all prescriptions filled in the United States.

As part of that probe the FTC issued interim reports in July 2024 and January 2025 on PBM markups of specialty generic drugs. There is still much work to be done on this report and I have made completing this report quickly and thoroughly one of the FTC's highest priorities. I look forward to presenting it to Congress when it is completed.

We continue to focus on protecting vulnerable Americans from scams and frauds. The FTC has a long and proud history of protecting elderly Americans, veterans and their families from scams and frauds through both education outreach and vigorous law enforcement. We are not taking our foot off the gas on that front.

Similarly, protecting the vulnerable requires us to protect our children and teens as well. We are implementing an updated rule on the Children's Online Privacy Protection Act and will be hosting a workshop entitled, "The Attention Economy: How Big Tech Firms Exploit Children and Hurt Families." This event will bring together parents, child safety experts, and leaders from across the Federal Government to discuss how big tech companies impose addictive design features, erode parental authority, and fail to protect children from exposure to harmful conduct. I look forward to hosting that in less than a month.

Again, thank you for the opportunity to testify about the priorities of the FTC. We look forward to continuing to work with this subcommittee and with all of Congress. I am happy to answer your questions.

[The information follows:]

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**TESTIMONY OF THE
FEDERAL TRADE COMMISSION**

**Before the
COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON FINANCIAL SERVICES AND GENERAL GOVERNMENT**

UNITED STATES HOUSE OF REPRESENTATIVES

WASHINGTON, D.C

MAY 15, 2025

I. INTRODUCTION

Chairman Joyce, Ranking Member Hoyer, and members of the Subcommittee, I am Andrew N. Ferguson, Chairman of the Federal Trade Commission (“FTC” or “Commission”), and I am pleased to appear before you today to testify about the Trump-Vance FTC, our budgetary accountability actions, and our efforts to protect consumers and promote competition.¹

I joined the Commission over a year ago, and during my time here, I have seen firsthand a civilian workforce tirelessly dedicated to upholding the rule of law, promoting competition, and protecting consumers. Each case the FTC wins is a testament to their outstanding talent and their commitment to public service. This small agency consistently delivers big results for the American people.

That is why I was profoundly honored when President Donald J. Trump appointed me to lead the agency in January. I accepted that charge at a critical moment in the FTC’s history. Our challenges are as formidable as ever, but our resources have been spread thin by the previous administration’s mismanagement. Thankfully, the measures we must take to address our resource constraints align with the President’s directives to ensure that the agency is operating as efficiently and effectively as possible while fulfilling its important mission.

I resolutely believe in this mission. No economic system in history has better promoted the common good than the American free-enterprise system. No economic system has contributed more to human flourishing. But our free-enterprise system promotes the common good of all Americans only if we protect it from anticompetitive business practices, anticompetitive consolidation, and fraud. Without vigorous enforcement of our competition and consumer-protection laws, our free-enterprise system would benefit only the wealthy and the corrupt.

For that reason, the Trump-Vance FTC has gone back to the agency’s roots. Vigorous enforcement of the law is our focus. Congress established the FTC to be a cop on the beat for our markets, not to make the rules. We don’t get to pick and choose what laws we like and what laws we don’t. We enforce the laws that the people, through their representatives in Congress, have decided best promote competition and fairness. We investigate wrongdoing and, if we believe violations of the law are taking place, we bring lawsuits. We seek to protect competition and combat fraud through vigilance, fair and thorough investigations, and ultimately litigation. The FTC is here to defend our free enterprise-system and make it work for everyone. We want to protect Americans whenever they shop for groceries, go to the hospital, or speak online.

The FTC is the only federal agency directed by law to both protect consumers and promote competition in most sectors of the economy. This work is effectuated by three main bureaus at the FTC: the Bureau of Consumer Protection (“BCP”); the Bureau of Competition (“BC”); and the Bureau of Economics (“BE”), which supports both BCP and BC. The FTC’s

¹ This written statement presents the view of the Federal Trade Commission. The oral statement and responses to questions reflect my own views and do not necessarily reflect the views of the Commission or any Commissioner.

jurisdiction includes children's privacy, consumer fraud, mergers and acquisitions, and anticompetitive conduct by companies. We enforce the law across a range of sectors, including healthcare, consumer goods, and high technology.

My testimony today discusses the FTC's work to protect U.S. consumers and competition, highlighting some of the agency's major recent activities and initiatives. I begin, however, with a brief overview of the FTC's current budget, resources, and cost-saving endeavors.

II. BUDGET AND RESOURCES

In FY 2025, the FTC's enacted budget is \$425.7 million with 1,221 personnel currently onboard. Personnel costs make up roughly 66 percent of our expenses, and the balance of the costs go primarily to expert witnesses, infrastructure, and IT modernization. As Chairman, I am committed to using our resources efficiently to promote competition and protect consumers and fully support President Trump's promise to reduce the size of the federal government to no larger than necessary to fulfill its statutory mandates.

The FTC began FY 2025 with roughly 1,315 personnel onboard and has already reduced to its current level of 1,221, or a reduction of 94 personnel. Even with these reductions, the FTC must go further. We anticipate reducing to an FTE level, or Full-Time Employee level, that will be the lowest it has been in 10 years by using the Voluntary Early Retirement Act (VERA), the Voluntary Separation Incentive Program (VSIP), and the Deferred Resignation Program, as well as potentially through a targeted Reduction in Force (RIF), if necessary. Additionally, in FY 2025 the FTC reduced its contract obligations by more than 5 percent and continues to seek further efficiency with respect to ongoing contracts. We are also engaged in efforts to identify cost-effective solutions for our facilities – a task that presents unique challenges given the FTC is made predominantly of attorneys who require office space to conduct their sensitive work.

While we do not yet have an FY 2026 budget, we are positioning our agency to serve as an effective partner in this Administration by preparing for legislation and ultimately laws strongly supported by President Trump and a priority of the Office of the First Lady, such as the Take It Down Act, which would significantly expand the FTC's enforcement authority to protect the American people from graphic deep fakes or non-consensual images. In addition, the FTC will also prioritize funding for expert witness costs necessary to support litigation in increasingly complex competition and consumer protection matters, and continue to invest in infrastructure that can address the growth of cases that require us to manage big data environments and to leverage advanced analytics capabilities. These emerging priorities require meaningful investments, and the FTC will need to account for them as we continue to fulfill our mandate.

The FTC will continue to provide remarkable value to the American public for a relatively low cost. The FTC's budget request typically assumes offsetting collections from Do Not Call fees and Hart-Scott-Rodino filing fees under the current fee structure, thereby reducing FTC reliance on the general fund appropriation. Notably, in FY 2025 Congress appropriated the FTC \$425.7 million of which \$138.7 million, or 33 percent will come from the general fund. The American public, in return, reaped an enormous return from the FTC's work. \$333.7 million was

paid to consumers in FY 2024. Moreover, the FTC reduced anticompetitive merger activity, saving substantial amounts for consumers on the everyday cost of goods – for example, the FTC saved shoppers \$1.9 billion annually by blocking Kroger’s unlawful proposed merger with Albertsons, which would have increased grocery prices across the country.²

We will prioritize protecting consumers, workers, and honest businesses while encouraging innovation and promoting a fair economy and widespread prosperity, and we recognize that maintaining this high level of performance will require adequate staffing. Thus, the FTC is committed to maintaining a workforce that can deliver for the American people and carry out its mission while reducing the size of the agency in line with the President’s vision. This would guarantee that the FTC can continue to implement the Administration’s priorities, return to the American people money taken by fraudsters and other bad actors, block unlawful, harmful mergers and acquisitions, and combat the effects of unfair, deceptive, and anticompetitive business practices.

III. CONSUMER PROTECTION MISSION

As the nation’s consumer protection agency, the FTC has a broad mandate to protect Americans from unfair or deceptive acts or practices. Among other mandates, the FTC works to fight deception and related harms affecting consumers; combat opioid recovery fraud and other health fraud; stand up for all consumers, including older adults and servicemembers; address unlawful conduct related to privacy and data security; and enforce the laws in ways that benefit domestic manufacturers and other small businesses. Under the Trump-Vance Administration, the Trump-Vance FTC will focus its resources and efforts on fighting fraud. The FTC is also working on important efforts that the last administration failed to undertake, such as holding Big Tech accountable for unlawful conduct that results in censorship and undermines free speech online. Finally, the FTC is working hard to enforce the BOTS Act and otherwise prevent unfair and deceptive conduct in the ticket sales industry.

A. Protecting All Consumers from Fraud and Deceptive Business Practices

The FTC is undertaking robust enforcement efforts to address fraud and deceptive business practices.

1. Reducing Robocalls

In FY 2024, the FTC received more than 2 million complaints about unwanted calls, including nearly 1.1 million reports about robocalls.³ The Commission uses every tool at its disposal to combat these calls. Over the years, the FTC has filed 172 enforcement actions against 570 companies and 449 individuals alleged to be responsible for placing billions of unwanted or deceptive telemarketing calls to consumers. We have also collected nearly \$400 million in civil penalties and equitable monetary relief from these violators. In cases where

² *FTC v. Kroger Co.*, No. 3:24-CV-00347-AN, 2024 WL 5053016 (D. Or. Dec. 10, 2024).

³ FTC, Do Not Call Registry Data Book 2024 (2024), https://www.ftc.gov/system/files/ftc_gov/pdf/DNC-Data-Book-2024.pdf.

perpetrators ran telemarketing scams, the FTC has obtained court orders shutting down these businesses and securing monetary relief so monies could be returned to consumers.⁴

The FTC is also disrupting foreign-based scammers that export illegal robocalls into the United States. The Commission continues to send warning letters as part of Project Point of No Entry (“PoNE”). PoNE targets “point of entry” or “gateway” Voice over Internet Protocol (“VoIP”) service providers.⁵ In collaboration with the Federal Communications Commission, the Industry Traceback Group, and state attorneys general, the FTC identifies point of entry VoIP service providers that are routing or transmitting illegal robocall traffic. The FTC then demands that they stop, warns that their conduct may violate the Telemarketing Sales Rule (“TSR”), monitors their pursuit of recalcitrant VoIP providers, and conducts law enforcement investigations and files lawsuits when appropriate. Through PoNE, the FTC has sent 31 warning letters to providers that were allegedly responsible for more than 450 robocall campaigns. Of the 24 providers targeted in earlier rounds, 22 significantly curbed or altogether stopped the flow of illegal calls.

On July 18, 2023, the FTC announced Operation Stop Scam Calls, the largest crackdown on illegal telemarketing in our history. The operation consisted of more than 180 actions targeting those responsible for billions of illegal calls to U.S. consumers.⁶ More than 100 state and federal law enforcement partners participated in the sweep. The FTC’s cases targeted robocalls at every level, including telemarketers that make robocalls, VoIP providers that provide telemarketers access to telephone networks, and the lead generators that obtain and sell the leads robocallers use to call consumers. The FTC is determined to go after not only individual bad actors but also the platforms that enable these practices on a massive scale.

Robocalls continue to vex consumers and remain a scourge, but our strategy of targeting upstream facilitators of illegal telemarketing is paying dividends to the American people. Although robocalls remain an ongoing problem, the FTC’s efforts have gone a long way to improving quality of life for Americans who want an end to vexatious calls. The number of complaints coming into the FTC regarding unwanted calls is down more than 60 percent from 2021.⁷

⁴ Temporary Restraining Order, *FTC v. Smith*, No. 2:23-cv-04848 (E.D. Pa. Dec. 8, 2023), https://www.ftc.gov/system/files/ftc_gov/pdf/Weblio-TRO.pdf (freezing the defendants’ assets and prohibiting their deceptive practices); Order, *FTC v. Green Equitable Solutions*, No. 2:22-cv-6499 (C.D. Cal. Feb 2, 2024) (banning defendants from telemarketing and ordering them to pay a \$15,891,536 monetary judgment).

⁵ Press Release, Fed Trade Comm’n, Project Point of No Entry Keeps FTC’s Focus on Gateway Voice Service Providers to Stop Illegal Robocalls from Entering the United States (Jan. 30, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/01/project-point-no-entry-keeps-ftcs-focus-gateway-voice-service-providers-stop-illegal-robocalls>.

⁶ Press Release, Fed. Trade Comm’n, FTC, Law Enforcers Nationwide Announce Enforcement Sweep to Stem the Tide of Illegal Telemarketing Calls to U.S. Consumers (July 18, 2023), <https://www.ftc.gov/news-events/news/press-releases/2023/07/ftc-law-enforcers-nationwide-announce-enforcement-sweep-stem-tide-illegal-telemarketing-calls-us>.

⁷ Compare *Do Not Call Registry Data Book 2024*, FTC at 6 (https://www.ftc.gov/system/files/ftc_gov/pdf/DNC-Data-Book-2024.pdf) with *Do Not Call Registry Data Book 2021*, FTC at 6 (https://www.ftc.gov/system/files/documents/reports/national-do-not-call-registry-data-book-fiscal-year-2021/dnc_data_book_2021.pdf).

2. Combatting Fraud Targeting Older Americans

Protecting older consumers is one of the FTC's top priorities, which the agency is pursuing through aggressive law enforcement actions, innovative education and outreach campaigns, extensive research, and collaboration with partners and stakeholders. The FTC has brought a number of actions against companies for allegedly engaging in illegal practices that disproportionately impact older adults, such as tech support scams,⁸ deceptive job claims,⁹ money making schemes,¹⁰ and deceptive financing practices.¹¹

Consumer education and outreach work is a vital component of the agency's mission to help protect older adults from scams and fraud. The centerpiece of this work is the Pass It On campaign,¹² which provides easily digestible materials and information about how to spot common scams (e.g., grandparents scams, romance scams, identity theft), actionable advice on what to do if you are being targeted for a scam, and encourages consumers to pass on the information. The materials respect older adults' lifetime of experience and encourages them to share what they know in their community. Since its original launch in 2014, the agency has distributed nearly 23 million Pass It On materials nationwide. Numerous members of Congress have ordered copies of Pass It On to help their constituents spot and avoid scams, and the campaign has served as the basis for many members' town hall meetings. The FTC also created the Senior Fraud Advisory Office, pursuant to the Seniors Fraud Prevention Act of 2022, to advise the Commission on strategies to protect older Americans.

The Commission coordinates with various stakeholders across government, industry, and consumer advocacy organizations in its efforts to protect older adults from scams. Pursuant to the Stop Senior Scams Act of 2022, the Commission formalized its collaborations by establishing the Scams Against Older Adults Advisory Group. In 2024 and 2025, the Advisory Group issued: (a) guidance on effective consumer education and outreach; (b) best practices on training industry employees to spot and stop scams; (c) a report highlighting existing research on effective scam prevention messaging and outlining where additional research is necessary; (d) research on state laws that allow financial institutions to hold or freeze transactions when

⁸ Press Release, Fed. Trade Comm'n, Tech Support Firms Will Pay \$26 Million to Settle FTC Charges That They Deceived Consumers Into Buying Repair Services (Mar. 14, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/03/tech-support-firms-will-pay-26-million-settle-ftc-charges-they-deceived-consumers-buying-repair>.

⁹ Press Release, Fed. Trade Comm'n, FTC Takes Action Against Care.com for Deceiving Caregivers About Wages and Availability of Jobs on its Site, Impeding Cancellation Process (Aug. 26, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/08/ftc-takes-action-against-carecom-deceiving-caregivers-about-wages-availability-jobs-its-site>.

¹⁰ Press Release, Fed. Trade Comm'n, FTC Acts to Stop Sprawling Business Opportunity Scheme That Took Millions From Consumers (Dec. 19, 2023), available at <https://www.ftc.gov/news-events/news/press-releases/2023/12/ftc-acts-stop-sprawling-business-opportunity-scheme-took-millions-consumers>.

¹¹ Press Release, Fed. Trade Comm'n, FTC Sends More than \$19.8 Million in Refunds to Consumers Harmed by Aqua Finance's Deceptive Sales Tactics (Feb. 19, 2025), <https://www.ftc.gov/news-events/news/press-releases/2025/02/ftc-sends-more-198-million-refunds-consumers-harmed-aqua-finance-deceptive-sales-tactics>.

¹² See <http://www.ftc.gov/PassItOn>.

fraud against an older adult is suspected; and (e) best practices addressing gift card fraud.¹³ The Advisory Group made these resources publicly available to assist industry and others to prevent scams from impacting older adults.¹⁴ The Commission's annual report to Congress describes in detail its work on behalf of older adults.¹⁵

3. Protecting Servicemembers and Veterans

Combatting fraud targeted at servicemembers is a top priority of the Trump-Vance FTC. The Commission has taken efforts along these lines in the past. For example, in July 2024, the Commission voted for an action against online career-training company Career Step resolving charges that it lured consumers, including servicemembers and their spouses, with deceptive ads (including through military-focused publications such as Military.com) that falsely touted inflated employment outcomes, job placement, and partnerships with prominent companies.

The stipulated order required the company to pay \$27.8 million in debt cancellation and \$15.7 million in cash in redress to harmed consumers.¹⁶ In July 2022, in its first case enforcing the Military Lending Act,¹⁷ the FTC and a group of 18 states took action against Harris Jewelry, a national jewelry retailer, to stop the company from allegedly targeting military families with illegal financing and sales practices, ultimately requiring the company to pay \$10.9 million in refunds and engage in other affirmative assistance to its victims.¹⁸ The Commission's efforts to protect military and veteran communities include a vigorous, long-standing educational campaign,¹⁹ which the FTC created and manages with its partners, including the Department of Defense's Office of Financial Readiness. The FTC regularly engages in national-level outreach

¹³ See FTC, Second Scams Against Older Adults Advisory Group Meeting (Apr. 2, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/03/ftc-convenes-advisory-group-fight-scams-against-older-adults>; see also <https://www.ftc.gov/olderadults>.

¹⁴ FTC, Addressing Scams Affecting Older Adults, available at www.ftc.gov/olderadults.

¹⁵ FTC, Protecting Older Consumers 2023-2024: A Report of the Fed. Trade Comm'n (Oct. 2024), https://www.ftc.gov/system/files/ftc_gov/pdf/federal-trade-commission-protecting-older-adults-report_102024.pdf.

¹⁶ Press Release, Fed. Trade Comm'n, Career Step to Pay \$43.5 Million in Cash and Debt Cancellation to Resolve Charges It Used Deceptive Advertising to Lure Servicemembers and Their Spouses (July 30, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/07/career-step-pay-435-million-cash-debt-cancellation-resolve-charges-it-used-deceptive-advertising>. In 2025, the FTC sent more than \$15.5 million in refunds to consumers, including servicemembers and their spouses, harmed by Career Step's deceptive practices. See FTC Sends More than \$15.5 Million in Refunds to Consumers Affected by Career Step's Deceptive Job Placement and Employer Partnerships Claims (Mar. 12, 2025), <https://www.ftc.gov/news-events/news/press-releases/2025/03/ftc-sends-more-155-million-refunds-consumers-affected-career-steps-deceptive-job-placement-employer>.

¹⁷ 10 U.S.C. § 987.

¹⁸ Press Release, Fed. Trade Comm'n, FTC and 18 States Sue to Stop Harris Jewelry from Cheating Military Families with Illegal Financing and Sales Tactics (July 20, 2022), <https://www.ftc.gov/news-events/news/press-releases/2022/07/ftc-18-states-sue-stop-harris-jewelry-cheating-military-families-illegal-financing-sales-tactics>; see also *infra* note 75 (discussing action against BurgerIM for deceiving veterans).

¹⁹ See, e.g., militaryconsumer.gov (launched by FTC and operated in cooperation with Department of Defense Office of Financial Readiness (DoD FinRed) and the Consumer Financial Protection Bureau's Office of Servicemember Affairs (CFPB OSA)); Consumer Alert, Fed. Trade Comm'n, Time to help your buddies (June 30, 2023), <https://www.militaryconsumer.gov/blog/time-help-your-buddies> (military consumer alert celebrating Military Consumer Month and launching a blog series tackling topics including romance scams, veteran benefits, identity theft, and investment scams).

to get anti-scam messaging to servicemembers, veterans, and their families, including through the American Forces Network.²⁰ The agency also participates in ongoing military-related working groups led by, for example, the Department of Veterans Affairs.

4. Preventing Financial Misconduct

The FTC brought 24 federal court actions in recent years against companies that allegedly made false promises regarding credit repair,²¹ mortgage or other debt relief

²⁰ See AARP, Veterans and Military Families, <https://www.aarp.org/volunteer/causes/veterans-military-families/>.

²¹ Complaint, *FTC v. Michael Rando*, No. 3:22-cv-00487-TJC-MCR (M.D. Fla. 2022), https://www.ftc.gov/system/files/ftc_gov/pdf/01%20-%20Complaint.pdf; Complaint, *FTC v. Fin. Educ. Servs. Inc.*, No. 2:22-cv-11120-BAF-APP (E.D. Mich. 2022), https://www.ftc.gov/system/files/ftc_gov/pdf/Complaint_0.pdf; Complaint, *United States v. Turbo Solutions Inc.*, No. 4:22-mc-369/4:24-cv-02451 (S.D. Tex. 2022), https://www.ftc.gov/system/files/ftc_gov/pdf/AlexMillerComplaint.pdf; Complaint, *FTC v. Boostmyscore LLC*, No. 1:20-cv-00641 (D. Colo. 2020), https://www.ftc.gov/system/files/documents/cases/192_3059_boost_my_score_complaint_filed_0.pdf; Complaint, *FTC v. Grand Teton Professionals, LLC*, No. 3:19-cv-00933-VAB (D. Conn. 2019), https://www.ftc.gov/system/files/documents/cases/182_3168_grand_teton_complaint_6-21-19.pdf.

services,²² collected on phantom debts,²³ deceptively marketed cash advances,²⁴ payday loan providers,²⁵ payment processors,²⁶ and a bill payment company.²⁷ For example, in February of this year, the FTC sued a phantom debt collection operation that allegedly threatened consumers with legal action, wage garnishment, negative impacts to consumers' credit, and arrest if they did

²² First Amended Complaint, *FTC v. Superior Servicing LLC*, No. 2:24-cv-02163-GMN-MDC (D. Nev. 2025), https://www.ftc.gov/system/files/ftc_gov/pdf/superiorservicing_first_amedneded_complaint.pdf; Complaint, *FTC v. Panda Benefit Services, LLC*, No. 8:24-cv-01386-CAS-RAOx (C.D. Cal. 2024), https://www.ftc.gov/system/files/ftc_gov/pdf/panda_prosperity_complaint.pdf; Complaint, *FTC v. Start Connecting LLC*, No. 8:24-cv-01626-KKM-AAS (M.D. Fla. 2024), https://www.ftc.gov/system/files/ftc_gov/pdf/usasdr_complaint.pdf; Complaint, *FTC v. Intercont'l Sols. LLC*, No. 8:23-cv-01495-SB-JDE (C.D. Cal. 2023), ; Complaint, *FTC v. BCO Consulting Servs., Inc.*, No. 8:23-cv-00699-JWH-ADS (C.D. Cal. 2023), https://www.ftc.gov/system/files/ftc_gov/pdf/FTC-v-BCO-Consulting-Services-Inc-et-al-23-cv-0699-Complaint.pdf; Complaint, *FTC v. SL Fin. LLC*, No. 8:23-cv-00698-JWH-ADS (C.D. Cal. 2023), https://www.ftc.gov/system/files/ftc_gov/pdf/01-Complaint-FTC-v-SL-Finance-LLC.pdf; Complaint, *FTC v. Prosperity Training Tech., LLC*, No. 3:22-cv-00487-TJC-MCR (M.D. Fla. 2022), https://www.ftc.gov/system/files/ftc_gov/pdf/01-Complaint.pdf; Complaint, *FTC v. ACRO Servs. LLC*, No. 3:22-cv-00895 (M.D. Tenn. 2022), https://www.ftc.gov/system/files/ftc_gov/pdf/Complaint-Unsealed.pdf; Complaint, *FTC & Cal. Dep't of Fin. Prot. & Innovation v. Green Equitable Sols.*, No. 2:22-cv-06499-FLA (C.D. Cal. 2022), https://www.ftc.gov/system/files/ftc_gov/pdf/Home%20Matters%20-%20Complaint.pdf; Complaint, *FTC & Fla. Att'y Gen. v. GDP Network LLC*, No. 6:20-cv-01192-WWB-DCI (M.D. Fla. 2022), https://www.ftc.gov/system/files/documents/cases/1923137fsolutioncomplaint_0.pdf; Complaint, *FTC v. SLAC, Inc.*, No. 5:20-cv-00470 (C.D. Cal. 2020), https://www.ftc.gov/system/files/documents/cases/doc_1_complaint.pdf; Complaint, *FTC v. Am. Fin. Support Servs., Inc.*, No. 8:19-cv-02109-JWH (C.D. Cal. 2019), https://www.ftc.gov/system/files/documents/cases/192_3040_arete_financial_group_complaint_for_permanent_injunction_and_other_equitable_relief_11-12-19.pdf; Complaint, *FTC & Minn. v. Manhattan Beach Venture LLC*, No. 2:19-cv-7849 (C.D. Cal. 2019), https://www.ftc.gov/system/files/documents/cases/172_3041_mbv_complaint_0.pdf; Complaint, *FTC v. Student Advocates Team, LLC*, No. 8:19-cv-01728-JVS (C.D. Cal. 2019), https://www.ftc.gov/system/files/documents/cases/172_3036_pag_complaint_1.pdf; Complaint, *FTC v. Elegant Sols., Inc.*, No. 8:19-cv-01333-JVS (C.D. Cal. 2019), https://www.ftc.gov/system/files/documents/cases/192_3105_mission_hills_complaint_7-11-19.pdf.

²³ Complaint, *FTC v. Blackrock Services, Inc.*, No. 8:25-cv-00363-HDV-ADSx (C.D. Cal. 2025), https://www.ftc.gov/system/files/ftc_gov/pdf/Blackstone-Complaint.pdf; Complaint, *FTC v. Global Circulation, Inc.*, No. 1:24-cv-04927-TRJ (N.D. Ga. 2024), https://www.ftc.gov/system/files/ftc_gov/pdf/DE1-Complaint_0.pdf; Complaint, *FTC v. Critical Resolution Mediation LLC*, No. 1:20-cv-03932-JPB (N.D. Ga. 2020), https://www.ftc.gov/system/files/documents/cases/complaint_5.pdf; Complaint, *FTC v. Absolute Financial Services, LLC*, No. 0:20-cv-02596-JMC (D.S.C. 2020), https://www.ftc.gov/system/files/documents/cases/202_3072_absolute_financial_services_-_complaint.pdf; Complaint, *FTC v. National Landmark Logistics LLC*, No. 0:20-cv-02592-JMC (D.S.C. 2020), https://www.ftc.gov/system/files/documents/cases/202_3071_national_landmark_logistics_-_complaint.pdf.

²⁴ Complaint, *FTC v. Cleo AI, Inc.*, No. 1:25-cv-02594 (S.D.N.Y. 2025), https://www.ftc.gov/system/files/ftc_gov/pdf/cleo_ai_redacted_complaint_2025.03.27.pdf.

²⁵ Complaint, *FTC v. Lead Express, Inc.*, No. 2:20-cv-00840-JAD-NJK (D. Nev. 2020), https://www.ftc.gov/system/files/documents/cases/1923208harvestmooncomplaint_0.pdf.

²⁶ Complaint, *FTC v. Automatic Funds Transfer Servs., Inc.*, No. 1:21-cv-02932 (D.D.C. 2021), https://www.ftc.gov/system/files/documents/cases/complaint_7.pdf.

²⁷ Complaint, *FTC v. Doxo*, No. 2:24-cv-00569 (W.D. Wash. 2024), https://www.ftc.gov/system/files/ftc_gov/pdf/Doxo-Filed-Complaint.pdf.

not pay on fake debts.²⁸ At the Commission's request, the court entered a temporary restraining order that halted the defendants' operations and froze the assets of the scheme and its operators.

5. **Fighting Opioid Recovery Fraud and Other Health-Related Misconduct**

The FTC employs the authority Congress gave us in the Opioid Addiction Recovery Fraud Prevention Act ("OARFPA") to stop companies from exploiting Americans struggling with substance use disorders. The Commission has brought multiple OARFPA actions challenging deceptive claims for products and services purporting to treat or cure substance use disorders. In Smoke Away, for example, the FTC obtained a \$7.6 million judgment for consumer redress and civil penalties in a settlement against the company for allegedly deceptive advertising that its products eliminate nicotine addiction.²⁹ In Rejuvica, we obtained a partially suspended \$3.2 million judgment against the company for allegedly deceptive claims that its products reduced alcohol cravings.³⁰ And in AWAREmed, we obtained a \$100,000 civil penalty against a treatment clinic for allegedly deceptive claims about addiction and cancer treatment.³¹ All three of these cases additionally involved alleged deceptive endorsements or testimonials of addiction treatment services and products.

Most recently, in January 2025, the Commission brought an OARFPA action against Evoke Wellness, a substance abuse disorder treatment clinic, alleging that Evoke Wellness used a combination of deceptive Google ads and telemarketing to trick consumers into choosing Evoke treatment clinic over the clinics those consumers searched for on Google.³² The FTC also has used its authorities to put an end to a variety of other deceptive claims about health products or services. In January 2025, the FTC and the State of Georgia jointly obtained orders against Stem Cell Institute of America, a company that deceived consumers needing medical treatment into buying expensive and unproven stem cell therapy. These orders banned the

²⁸ Press Release, Fed. Trade Comm'n, FTC Action Leads to Court Order Halting Phantom Debt Collection Scheme That Took Millions from Consumers and Threatened Consumers' Credit, Homes, and Employment (Mar. 3, 2025), <https://www.ftc.gov/news-events/news/press-releases/2025/03/ftc-action-leads-court-order-halting-phantom-debt-collection-scheme-took-millions-consumers>.

²⁹ Press Release, Fed. Trade Comm'n, FTC Acts to Stop Owner, Marketers of 'Smoke Away' from Deceptively Claiming Products Enable Users to Quit Smoking (June 30, 2023), <https://www.ftc.gov/news-events/news/press-releases/2023/06/ftc-acts-stop-owner-marketers-smoke-away-deceptively-claiming-products-enable-users-quit-smoking>.

³⁰ Press Release, Fed. Trade Comm'n, FTC Takes Action Against Makers of Sobrenix Supplement That Deceptively Claimed to Reduce Alcohol Cravings, Relied on Fake Endorsements July 19, 2023), <https://www.ftc.gov/news-events/news/press-releases/2023/07/ftc-takes-action-against-makers-sobrenix-supplement-deceptively-claimed-reduce-alcohol-cravings>.

³¹ Press Release, Fed. Trade Comm'n, FTC Sues Medical Clinic and Its Owner for False or Unsubstantiated Claims Its Treatment Center Could Cure Addiction and Other Diseases (Mar. 16, 2023), <https://www.ftc.gov/news-events/news/press-releases/2023/03/ftc-sues-medical-clinic-its-owner-false-or-unsubstantiated-claims-its-treatment-could-cure-addiction>.

³² Press Release, Fed. Trade Comm'n, FTC Sues Evoke Wellness and Top Executives for Misleading Consumers Seeking Substance Use Disorder Treatment (Jan. 13, 2025), <https://www.ftc.gov/news-events/news/press-releases/2025/01/ftc-sues-evoke-wellness-top-executives-misleading-consumers-seeking-substance-use-disorder-treatment>.

company from marketing stem cell therapy and ordered it to pay, to the state co-plaintiff, \$5.5 million in monetary penalties.³³

6. Halting Deceptive Billing and Cancellation Practices

The Trump-Vance FTC has prioritized taking action against deceptive billing and cancellation practices. Just last month, the Commission announced an action against Uber, alleging the company charged consumers for a subscription service without their consent, failed to deliver promised savings, and made it difficult for users to cancel the service despite its “cancel anytime” promises.³⁴ According to the FTC’s complaint, consumers have reported finding Uber subscription charges on their credit card bill despite never having signed up for a subscription. The complaint also states that consumers can be forced to navigate as many as 23 screens and take as many as 32 actions to cancel, and that some users are told they have to contact customer support to cancel but are given no way to contact them. The complaint alleges that this conduct violates the FTC Act and the Restore Online Shoppers’ Confidence Act (ROSCA).

The Commission is also currently litigating a ROSCA case against Amazon.³⁵ The FTC’s complaint alleges that Amazon enrolled many consumers in Amazon Prime without their knowledge or consent. Amazon then made it unreasonably complicated for many consumers to cancel their subscription. Specifically, they made it hard to navigate an unnecessarily difficult cancellation procedure. The parties are nearing the end of fact and expert discovery. Trial is scheduled to start on September 22 of this year.

The Commission also took action against online cash advance company Cleo AI in March.³⁶ According to the complaint, Cleo promised consumers access to hundreds of dollars, but almost no one received anything close to the advertised amounts. The complaint also states that Cleo made it difficult for consumers to cancel subscriptions; consumers reported being charged monthly fees despite repeated requests to cancel, and that they were told they could not cancel their subscription until outstanding cash advances were paid. The company agreed to pay \$17M to settle the charges.

³³ Press Release, Fed. Trade Comm’n, Stem Cell Institute Co-Founders and Companies Banned from Marketing Stem Cell Treatments and Ordered to Pay More Than \$5.1 Million for Refunds and Civil Penalties (Jan. 8, 2025), <https://www.ftc.gov/news-events/news/press-releases/2025/01/stem-cell-institute-co-founders-companies-banned-marketing-stem-cell-treatments-ordered-pay-more-51>.

³⁴ Press Release, Fed. Trade Comm’n, FTC Takes Action Against Uber for Deceptive Billing and Cancellation Practices (Apr. 21, 2025), <https://www.ftc.gov/news-events/news/press-releases/2025/04/ftc-takes-action-against-uber-deceptive-billing-cancellation-practices>.

³⁵ Press Release, Fed. Trade Comm’n, FTC Takes Action Against Amazon for Enrolling Consumers in Amazon Prime Without Consent and Sabotaging Their Attempts to Cancel (June 21, 2023), <https://www.ftc.gov/news-events/news/press-releases/2023/06/ftc-takes-action-against-amazon-enrolling-consumers-amazon-prime-without-consent-sabotaging-their>.

³⁶ Press Release, Fed. Trade Comm’n, Cash Advance Company Cleo AI Agrees to Pay \$17 Million As Result of FTC Lawsuit Charging It Deceives Consumers (Mar. 27, 2025), <https://www.ftc.gov/news-events/news/press-releases/2025/03/cash-advance-company-cleo-ai-agrees-pay-17-million-result-ftc-lawsuit-charging-it-deceives-consumers>.

7. Empowering Innovation and Addressing Fraud in New Fields

The rapid emergence of new tools powered by artificial intelligence (“AI”) presents significant opportunities for consumers, workers, and our economy. But, as has occurred in other areas of technological development, it also provides bad actors the opportunity to use the promise of AI to scam consumers. Circumspect and appropriate enforcement of existing laws to prevent fraudulent conduct in emerging fields like AI helps empower innovation while ensuring consumers gain the benefit of these new technologies.

To combat this fraud, the FTC has sued companies that made deceptive claims about AI to further their schemes.³⁷ For example, the FTC sued FBA Machine, a business opportunity scheme that allegedly took more than \$15.9 million from consumers by falsely promising that consumers would make guaranteed income through online storefronts that utilized AI-powered software.³⁸ Similarly, the FTC accused Ascend Ecom, an online business opportunity scheme, of falsely claiming its “cutting edge” AI-powered tools would help consumers quickly earn thousands of dollars a month in passive income by opening online storefronts. According to the complaint, the scheme defrauded consumers of at least \$25 million.³⁹ The FTC also charged Ecommerce Empire Builders, a business opportunity scheme, with falsely claiming to help consumers build an “AI-powered Ecommerce Empire” by participating in its training programs that can cost almost \$2,000 or by buying a “done for you” online storefront for tens of thousands of dollars. Litigation against all three of these business opportunity operations is ongoing.⁴⁰

In another case filed as part of Operation AI Comply, the FTC charged DoNotPay — a company that promoted its online subscription service as “the world’s first robot lawyer” — with deceptively promising that its service would allow consumers to “sue for assault without a lawyer” and “generate perfectly valid legal documents in no time.” The complaint alleged that the company did not conduct testing to determine whether its AI chatbot’s output was equal to the level of a human lawyer, and that the company itself did not hire or retain any attorneys. The FTC has finalized an order requiring DoNotPay to pay \$193,000 in monetary relief and notify consumers who subscribed to the service between 2021 and 2023 about the FTC settlement. The order also prohibits DoNotPay from advertising that its service performs like a real lawyer unless it has sufficient evidence to back up that claim.⁴¹

And in another case, the FTC alleged Workado, LLC promoted its AI Content Detector as “98 percent” accurate in detecting whether text was written by AI or human. But independent testing put the number at just 53 percent. The FTC finalized an order prohibiting Workado from

³⁷ Press Release, Fed. Trade Comm’n, FTC Announces Crackdown on Deceptive AI Claims and Schemes (Sept. 25, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/09/ftc-announces-crackdown-deceptive-ai-claims-schemes>.

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ *Id.*

⁴¹ Press Release, Fed. Trade Comm’n, FTC Finalizes Order with DoNotPay That Prohibits Deceptive “AI Lawyer” Claims, Imposes Monetary Relief, and Requires Notice to Past Subscribers (Feb. 11, 2025), <https://www.ftc.gov/news-events/news/press-releases/2025/02/ftc-finalizes-order-donotpay-prohibits-deceptive-ai-lawyer-claims-imposes-monetary-relief-requires>.

making any misleading representations about the effectiveness of its products and requiring Workado to notify all eligible consumers about the settlement.⁴²

8. Battling Unfair Ticket Practices

The Trump-Vance Administration is committed to protecting consumers from unfair ticket practices such as exorbitant scalping and fees that cause fans to be priced out of enjoying live entertainment. In 2016, Congress passed the BOTS Act which prohibits the circumvention of ticket issuer's security measures or purchasing rules. The FTC has brought several BOTS Act cases and will continue to police the marketplace for violations.⁴³ In accordance with Executive Order on *Combating Unfair Practices in the Live Entertainment Market*, the Commission will also work with the Department of Treasury and the Department of Justice to create and deliver a report summarizing actions taken to address unfair practices in the live concert and entertainment industry and recommending additional regulations or legislation needed to protect consumers. Finally, on January 10, 2025, the Commission published a final Rule on Unfair or Deceptive fees, which covers the live-event tickets and short-term lodging industries. The Rule becomes effective on May 12, 2025, and will, among other things, require businesses to clearly, conspicuously, and prominently display the total price for a live-event ticket.

9. Providing Consumer and Business Education

Part of the FTC's consumer protection mission includes consumer education and outreach to help people avoid scams and fraud, as well as guidance that gives businesses clarity and certainty about their compliance obligations under the law. By raising awareness of scam trends and delivering practical, user-friendly educational resources and information, the FTC seeks to help the American people spot, avoid, and report scams. As part of this educational outreach, the agency publishes information on spotting and avoiding common scams, online safety for parents and children, recovering from identity theft, as well as resources for small business owners.⁴⁴ The impact of these efforts enhance the agency's law enforcement mission, as evidenced by consumers who have reported spotting and avoiding scams after seeing FTC messaging.⁴⁵ Because fraud can affect anyone, the agency strives to reach all consumers through its relationships with trusted partners. These efforts include community media telebriefings, in-person roundtables, and media campaigns.⁴⁶

⁴² Press Release, Fed. Trade Comm'n, FTC Order Requires Workado to Back Up Artificial Intelligence Detection Claims (Apr. 28, 2025), <https://www.ftc.gov/news-events/news/press-releases/2025/04/ftc-order-requires-workado-back-artificial-intelligence-detection-claims>.

⁴³ Press Release, Fed. Trade Comm'n, FTC Brings First-Ever Cases Under the BOTS Act (Jan. 22, 2021), [FTC Brings First-Ever Cases Under the BOTS Act | Federal Trade Commission](https://www.ftc.gov/news-events/news/press-releases/2021/01/ftc-brings-first-ever-cases-under-the-bots-act).

⁴⁴ See FTC materials at <https://consumer.ftc.gov/>, <https://consumer.gov/>, and <https://www.ftc.gov/business-guidance/small-businesses>.

⁴⁵ See Consumer Alert, Fed. Trade Comm'n, Getting the word out about FTC imposter scams (Mar. 26, 2025), <https://consumer.ftc.gov/consumer-alerts/2025/03/getting-word-out-about-ftc-imposter-scams>.

⁴⁶ See, e.g. Business Alert, Fed. Trade Comm'n, Did your business receive a CID? The FTC means business (Mar. 10, 2025), <https://www.ftc.gov/business-guidance/blog/2025/03/did-your-business-receive-cid-ftc-means-business>; Business Alert, Fed. Trade Comm'n, BOTS Act compliance: Time for a refresher? (Apr. 11, 2025), <https://www.ftc.gov/business-guidance/blog/2025/04/bots-act-compliance-time-refresher>; and Business Alert, Fed. Trade Comm'n, Looking for an Employer Identification Number (EIN)? The FTC warns businesses and consumers

B. Enforcement Against Unlawful Data Security and Privacy Practices

The Commission enforces several sector-specific laws that touch on privacy and data security, such as the Gramm-Leach-Bliley Act's Privacy Rule and Safeguards Rule, the Controlling the Assault of Non-Solicited Pornography and Marketing (CAN-SPAM) Act, the Telemarketing Sales Rule (TSR), the Children's Online Privacy Protection Act (COPPA) and COPPA Rule, and the Fair Credit Reporting Act. Section 5 of the FTC Act, which prohibits unfair or deceptive trade practices, is another privacy and data security enforcement tool.⁴⁷ The Commission has brought privacy-related enforcement actions for more than three decades, settling more than 100 privacy cases and more than 170 TSR and CAN-SPAM cases. In addition to enforcement actions, the Commission has sought to increase understanding of emerging issues and technologies by holding workshops which invite stakeholders to share their various perspectives and conducting 6(b) studies. The FTC has also endeavored to educate businesses and consumers on data security and privacy issues.

1. Protecting Consumers from Unlawful Privacy Practices

The modern economy relies on the collection and transfer of vast amounts of data, but most of these transactions are opaque to consumers. Many companies go out of their way to prevent Americans from knowing how much of their private data is being collected, and what their private data is being used for. Where companies have misrepresented their data collection and use practices to consumers, or where data practices have caused substantial injury to consumers, the Commission has brought law enforcement actions. These actions include orders to ensure that the unlawful conduct will not recur.

2. Protecting Children and Teens

The collection, aggregation, disclosure, and retention of personal information poses real dangers to children. That is why Congress has been especially solicitous of children's privacy online. A quarter-century ago, Congress passed COPPA and directed the Commission to promulgate regulations. COPPA and the COPPA Rule apply to operators of websites and online services directed to, or with actual knowledge of the collection of personal information from, children under the age of thirteen. The Rule requires such operators to, among other things, provide direct and online notices to parents and obtain verifiable parental consent before collecting, using, or disclosing personal information from children under the age of thirteen. Some of the Commission's most valuable work has been the enforcement of COPPA and the COPPA Rule.

For that same reason, protecting children and teens online is similarly of paramount importance to the Trump-Vance FTC. The Commission recently approved a complaint and settlement with Cognosphere, LLC, the developer and operator of the popular "Genshin Impact"

to watch out for IRS imposters (Apr. 1, 2025), <https://www.ftc.gov/business-guidance/blog/2025/04/looking-employer-identification-number-ein-ftc-warns-businesses-consumers-watch-out-irs-imposters>.

⁴⁷ The Commission supports congressional efforts to create baseline privacy legislation that protects Americans online.

video game and referred the matter to the Department of Justice for filing.⁴⁸ The complaint alleges both that Genshin Impact is directed to children and that the Defendant had actual knowledge that it collected personal information from children but failed to give parents notice of its practices for personal information collected from children or to obtain verifiable parental consent before collecting children's personal information.⁴⁹

The Commission also approved a settlement with an anonymous internet messaging service marketed to teenagers and children under 13, called NGL Labs, LLC, and two of its cofounders.⁵⁰ In addition to allegations that NGL violated COPPA, the defendants are alleged to have violated Section 5 of the Federal Trade Commission Act by sending fake anonymous messages, many of them designed to be provocative (e.g., "I know what you did" and "I've had a crush on you for years and you still don't know lmao") to teenage users for the purpose of upselling those users on a paid membership that would supposedly allow them to discover the identity of the senders. The FTC has also recently provided guidance on "What to know about kids and video games, ads, and unexpected payments,"⁵¹ and "Parents: Talking to your kids about text scams."⁵²

The Commission is also dedicated to exploring other ways the FTC can protect children and support families. On June 4, the FTC is hosting a workshop entitled "The Attention Economy: How Big Tech Firms Exploit Children and Hurt Families."⁵³ The event will bring together parents, child safety experts, and government leaders to discuss how Big Tech companies impose addictive design features, erode parental authority, and fail to protect children from exposure to harmful content. Experts will also discuss concrete solutions to protect kids online, including age verification and parental consent requirements. The FTC looks forward to hearing from some of the leading policy experts in this space.

⁴⁸ FTC Press Release, Genshin Impact Game Developer Will be Banned from Selling Lootboxes to Teens Under 16 without Parental Consent, Pay a \$20 Million Fine to Settle FTC Charges (Jan. 17, 2025), <https://www.ftc.gov/news-events/news/press-releases/2025/01/genshin-impact-game-developer-will-be-banned-selling-lootboxes-teens-under-16-without-parental>. See also FTC Consumer Alert, FTC settlement order bans sales of Genshin Impact loot boxes to kids under 16 without their parents' consent, <https://consumer.ftc.gov/consumer-alerts/2025/01/ftc-settlement-order-bans-sales-genshin-impact-loot-boxes-kids-under-16-without-their-parents>.

⁴⁹ Although Chairman Ferguson dissented from a number of the counts in that case, he voted for the matter because of the severity of the alleged violations of COPPA.

⁵⁰ Press Release, FTC Order Will Ban NGL Labs and its Founders from Offering Anonymous Messaging Apps to Kids Under 18 and Halt Deceptive Claims Around AI Content Moderation (July 9, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/07/ftc-order-will-ban-ngl-labs-its-founders-offering-anonymous-messaging-apps-kids-under-18-halt>. See also Consumer Alert, Anonymous messaging app NGL barred from marketing to kids, must refund unauthorized charges. (July 9, 2024), <https://consumer.ftc.gov/consumer-alerts/2024/07/anonymous-messaging-app-ngl-barred-marketing-kids-must-refund-unauthorized-charges>.

⁵¹ FTC, What to know about kids and video games, ads, and unexpected payments (April 10, 2025), <https://consumer.ftc.gov/consumer-alerts/2025/04/what-know-about-kids-and-video-games-ads-and-unexpected-payments>.

⁵² FTC, Parents: Talking to your kids about text scams (March 31, 2025), <https://consumer.ftc.gov/consumer-alerts/2025/03/parents-talking-your-kids-about-text-scams>.

⁵³ FTC, *FTC Reschedules its Attention Economy Workshop for June 4* (Apr. 16, 2025), <https://www.ftc.gov/news-events/news/press-releases/2025/04/ftc-reschedules-its-attention-economy-workshop-june-4>; FTC, *FTC to Hold Workshop on May 28 on The Attention Economy: How Big Tech Firms Exploit Children and Hurt Families* (Mar. 25, 2025), <https://www.ftc.gov/news-events/news/press-releases/2025/03/ftc-hold-workshop-may-28-attention-economy-how-big-tech-firms-exploit-children-hurt-families>.

3. Strengthening Data Security

The Commission brought its first data security case under Section 5 of the FTC Act in 2002 under the leadership of Chairman Timothy J. Muris.⁵⁴ As Chairman Muris stated at the time: “Companies that promise to keep personal information secure must follow reasonable and appropriate measures to do so. It’s not only good business, it’s the law.” Since then, the Commission has brought approximately 90 data security cases based upon alleged violations of Section 5 of the FTC Act and other applicable laws that the Commission enforces.

A recent data security case involves one of the world’s largest website hosting companies, GoDaddy LLC.⁵⁵ GoDaddy’s data-security failures resulted in several major security breaches between 2019 and 2022 in which bad actors gained unauthorized access to customers’ websites and data. These breaches exposed consumers visiting the websites to risks, including that consumers were redirected to malicious websites.

C. Protecting Workers, Entrepreneurs, and Small Businesses

American workers and small businesses are consumers too, and the Commission is taking a comprehensive approach — through enforcement and advocacy — to ensure that they are not held back by unfair or deceptive practices. In addition, the FTC recently launched a joint Labor Task Force across its bureaus and offices to protect American Workers.⁵⁶ The Task Force will work to prioritize rooting out and prosecuting deceptive, unfair, and anticompetitive labor-market practices.⁵⁷ Its efforts are well underway.

1. Protecting Businesses from Unfair or Deceptive Practices

To protect small businesses from unscrupulous lenders and other financing schemes, the Commission has brought several actions against marketers of small business funding services.⁵⁸

⁵⁴ FTC Press Release, Microsoft Settles FTC Charges Alleging False Security and Privacy Promises (Aug. 8, 2002), <https://www.ftc.gov/news-events/news/press-releases/2002/08/microsoft-settles-ftc-charges-alleging-false-security-privacy-promises>.

⁵⁵ FTC Press Release, FTC Takes Action Against GoDaddy for Alleged Lax Data Security for Its Website Hosting Services (Jan. 15, 2025), <https://www.ftc.gov/news-events/news/press-releases/2025/01/ftc-takes-action-against-godaddy-alleged-lax-data-security-its-website-hosting-services>.

⁵⁶ Press Release, Fed. Trade Comm’n, FTC Launches Joint Labor Task Force to Protect American Workers (Feb. 26, 2025), <https://www.ftc.gov/news-events/news/press-releases/2025/02/ftc-launches-joint-labor-task-force-protect-american-workers>.

⁵⁷ *Id.* (“The task force will focus on, for example, prioritizing investigations and prosecutions of deceptive, unfair, or anticompetitive labor market conduct and coordinating all such actions across the Bureaus, creating information-sharing protocols across the FTC’s Bureaus and offices to exchange best practices for uncovering and investigating such conduct, and promoting research regarding harmful labor market practices to inform the FTC and the public.”)

⁵⁸ Complaint, *FTC v. Seek Capital, LLC*, No. 2:24-cv-09511-RGK-MAA (C.D. Cal. 2024), https://www.ftc.gov/system/files/ftc_gov/pdf/seek_complaint.pdf; First Amended Complaint, *FTC v. RCG Advances, LLC*, No. 1:20-cv-04432-JSR (S.D.N.Y. 2020), <https://www.ftc.gov/system/files/documents/cases/x200045rcgamendedcomplaint.pdf>; Complaint, *FTC v.*

For example, in February 2024, the Commission was awarded \$20.3 million for consumer refunds and civil penalties following its first jury trial in its law enforcement action against merchant cash operator Jonathan Braun, the principal of RCG Advances.⁵⁹ In addition, the court barred the defendants from the merchant cash advance industry and from debt collection.⁶⁰ The Commission has also been active in bringing law enforcement actions against companies that impersonate other businesses.⁶¹ For example, in April 2025, the Commission charged a debt collection operation with violating the Trade Regulation Rule on Impersonation of Government and Businesses for falsely claiming affiliation with numerous lenders.⁶²

2. Ensuring Domestic Manufacturers Can Compete Fairly

The Trump-Vance FTC will vigorously pursue marketers making false “Made in USA” claims. In 2024, the Commission announced its largest-ever action targeting deceptive Made in USA claims. In an action against Williams-Sonoma, the Commission secured a \$3 million civil penalty and strong injunctive relief to prevent further deception.⁶³ The case followed previous actions, such as a complaint charging tractor maker Kubota North America Corporation with deceptively labeling thousands of imported replacement parts as Made in USA. That action resulted in a \$2 million civil penalty.⁶⁴ Other recent Made in USA actions have involved

Yellowstone Capital LLC, No. 1:20-cv-06023 (S.D.N.Y. 2020).

<https://www.ftc.gov/system/files/documents/cases/1823202yellowstonecomplaint.pdf>.

⁵⁹ Press Release, Fed. Trade Comm’n, Court Enters \$20.3 Million Judgment in FTC Case Against Merchant Cash Advance Operator Jonathan Braun for Deceiving Small Businesses and Unlawfully Seizing Assets (Feb. 14, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/02/court-enters-203-million-judgment-ftc-case-against-merchant-cash-advance-operator-jonathan-braun>.

⁶⁰ Press Release, Fed. Trade Comm’n, FTC Case Leads to Permanent Ban Against Merchant Cash Advance Owner for Deceiving Small Businesses, Seizing Personal and Business Assets (Oct. 30, 2023), <https://www.ftc.gov/news-events/news/press-releases/2023/10/ftc-case-leads-permanent-ban-against-merchant-cash-advance-owner-deceiving-small-businesses-seizing>. Previously, the court entered settlements with the other defendants containing similar relief. Press Release, Fed. Trade Comm’n, FTC Action Results in Ban for Richmond Capital and Owner From Merchant Cash Advance and Debt Collection Industries and Return of More Than \$2.7M to Consumers (Jun. 6, 2022), <https://www.ftc.gov/news-events/news/press-releases/2022/06/ftc-action-results-ban-richmond-capital-owner-merchant-cash-advance-debt-collection-industries>; Press Release, Fed. Trade Comm’n, Merchant Cash Advance Providers Banned from Industry, Ordered to Redress Small Businesses (Jan. 5, 2022), <https://www.ftc.gov/news-events/news/press-releases/2022/01/merchant-cash-advance-providers-banned-industry-ordered-redress-small-businesses>.

⁶¹ Complaint, *FTC v. Blackrock Services, Inc.*, No. 8:25-cv-00363-HDV-ADSx (C.D. Cal. 2025).

https://www.ftc.gov/system/files/ftc_gov/pdf/Blackstone-Complaint.pdf.

⁶² Press Release, Fed. Trade Comm’n, FTC to Ban Debt Collector Who Allegedly Coerced Consumers into Paying Debt They Didn’t Owe (May 1, 2025), <https://www.ftc.gov/news-events/news/press-releases/2025/05/ftc-ban-debt-collector-who-allegedly-coerced-consumers-paying-debt-they-didnt-owe>.

⁶³ Press Release, Fed. Trade Comm’n, Williams-Sonoma Will Pay Record \$3.17 Million Civil Penalty for Violating FTC Made in USA Order (Apr. 26, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/04/williams-sonoma-will-pay-record-317-million-civil-penalty-violating-ftc-made-usa-order>.

⁶⁴ *U.S. v. Kubota North America Corp.*, No. 3:24-cv-00159-S (N.D. Tex. Jan 25, 2024).

companies making false claims for imported textile products,⁶⁵ glass baking products,⁶⁶ and motocross parts.⁶⁷

The Commission will also continue to return significant funds to consumers deceived by these claims whenever possible.⁶⁸

3. Vigorously Enforcing the Franchise Rule to Protect Consumers

The agency has an integrated approach to franchise issues, undertaking enforcement, policy initiatives, and consumer and business education. For example, last fall the Commission sued a coffee shop franchise and its founders for failing to disclose critical information required by the Franchise Rule and for violations of the FTC Act.⁶⁹ Shortly thereafter, the court entered a stipulated permanent injunction against the defendants.⁷⁰ In addition, in 2022, we partnered with the Department of Justice (“DOJ”) to file a suit against a fast-food franchise chain, alleging that the chain made false promises and withheld information required by the Franchise Rule to persuade more than 1,500 consumers, some of them veterans, to purchase franchises.⁷¹ In November 2023, the court entered a stipulated permanent injunction against the individual defendant⁷² and in January 2024, the court entered a default judgment against the corporate defendants.⁷³

The FTC has also sought to provide education and guidance to consumers and businesses regarding franchises. In 2023, the FTC launched the consumer education blog series entitled Franchise Fundamentals in which the FTC highlights factors for prospective franchisees to consider when deciding whether to purchase a franchise. The five-part blog series covered: (1) debunking certain myths about being a franchisee; (2) researching franchise opportunities; (3) a review of the items listed in franchise disclosure documents; (4)

⁶⁵ See *In re Lions Not Sheep Products, LLC*, No. C-4772 (July 28, 2022), https://www.ftc.gov/system/files/ftc_gov/pdf/C4772%20Decision%20and%20Order.pdf (imported apparel products relabeled as “Made in USA”); *In re Electrowarmth Products, LLC*, No. C-4779 (Oct. 25, 2022) (imported bedding products entering the USA pre-labeled as “Made in USA”).

⁶⁶ *In re Instant Brands LLC*, Docket No. C-4788 (Mar. 1, 2023) (imported glass measuring cups advertised as “Made in USA”).

⁶⁷ *In re Cycra, Inc.*, Docket No. C-4794 (May 2023).

⁶⁸ See, e.g., *In re Lions Not Sheep Products, LLC*, No. C-4772.

⁶⁹ Press Release, Fed. Trade Comm’n, FTC Takes Action Against Qargo Coffee for Franchise Rule Violations (Oct. 16, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/10/ftc-takes-action-against-qargo-coffee-franchise-rule-violations>.

⁷⁰ *FTC v. Qargo Coffee, Inc. et al.*, No. 24cv23978 (Oct. 16, 2024). Among other things, the order includes a monetary judgment of more than \$1,258,575 and injunctive relief, including a prohibition on enforcing or threatening to enforce any noncompete agreement or provision against certain franchisees or licensees.

⁷¹ Press Release, Fed. Trade Comm’n, FTC Sues Burger Franchise Company That Targets Veterans and Others with False Promises and Misleading Documents (Feb. 8, 2023), <https://www.ftc.gov/news-events/news/press-releases/2022/02/ftc-sues-burger-franchise-company-targets-veterans-others-false-promises-misleading-documents>.

⁷² *FTC v. BurgerIM Group USA, Inc., et al.*, No. CV 22-825 (Feb. 7, 2022). Among other things, the order bans defendant Loni from selling franchises and includes a suspended monetary judgment of more than \$38,000,000 in consumer redress and \$5,000,000 in civil penalties.

⁷³ *Id.* The order, among other things, bans the defendants from selling franchises and includes a monetary judgment of more than \$48,000,000 for consumer redress and \$7,750,000 in civil penalties.

key steps prospective franchisees should take before joining a franchise; and (5) reducing risk and reporting to the FTC.

IV. COMPETITION MISSION

The FTC uses the resources provided by Congress to discharge its statutory duties, while maximizing the agency's effectiveness, to protect the American public from anticompetitive conduct and prevent harmful collusion and consolidation.

Our competition mission is driven by the tenet that vigorous antitrust enforcement is critical to growing a dynamic economy, as well as to our shared prosperity and liberty. Recent decades have shown how Americans lose out when markets become more consolidated and less competitive. Prices rise, wages fall, quality declines, innovation suffers, and our markets become more fragile and less resilient. This is why the Bureau of Competition focuses on reviewing mergers and acquisitions and on addressing anticompetitive conduct, which remains a top priority under this administration. The Commission will continue to pursue existing investigations and open new ones when we believe competition is threatened.

One of the Commission's top priorities is reviewing proposed transactions reported to the antitrust agencies under the Hart-Scott-Rodino Act, 15 U.S.C. §18a. The newly revised HSR Form became effective in February this year following a three-year bipartisan effort to make premerger review more effective and efficient. This will be an important tool for us to identify proposed acquisitions that warrant an in-depth investigation quickly and confidently.⁷⁴ Just as important, the Commission has resumed granting early termination for those deals that we can quickly determine pose no risk to competition. The Commission has no interest in being a roadblock or even a speed bump for M&A transactions that do not present competition issues.

To promote stability and provide clear guidance to the market, I announced that the 2023 Merger Guidelines remain in effect.⁷⁵ The Commission must also ensure that we are accounting for all the stakeholders that benefit from vigorous and dynamic markets, and that includes workers. For too long, the antitrust agencies ignored the potential for mergers or other business arrangements to harm workers. Anticompetitive mergers and conduct can deprive individuals of opportunities to flourish, to make the most of their talent, and to profit from their skills and hard work. Antitrust enforcers have an obligation to protect workers and support strong, competitive markets for their labor.

As discussed earlier, my first new competition priority directed the Bureau of Competition, the Bureau of Consumer Protection, the Bureau of Economics, and the Office of Policy Planning, to form a Joint Labor Task Force. The Task Force will be responsible for: investigating and litigating anticompetitive labor market conduct; creating an information-sharing protocol across the FTC to exchange best practices for investigations; promoting research on labor markets and disseminating those findings throughout the FTC and to the

⁷⁴ Press Release, Fed. Trade Comm'n, FTC Finalizes Changes to Premerger Notification Form (Oct. 10, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/10/ftc-finalizes-changes-premerger-notification-form>.

⁷⁵ Press Release, Fed. Trade Comm'n, FTC Chairman Andrew N. Ferguson Announces that the FTC and DOJ's Joint 2023 Merger Guidelines Are in Effect (Feb. 18, 2025) <https://www.ftc.gov/news-events/news/press-releases/2025/02/ftc-chairman-andrew-n-ferguson-announces-ftc-doj-joint-2023-merger-guidelines-are-effect>.

public; and engaging in public outreach to inform workers of the state of the law and to encourage workers to report anticompetitive labor market conduct to the FTC.⁷⁶

Overall, the FTC’s competition work emphasizes lower prices for consumers and job creation for workers by protecting them from monopolies and undue concentration. Next, I will turn to discussing key programmatic areas for antitrust enforcement and policy work that puts American consumers first and promotes a vibrant economy.

A. Targeting Anticompetitive Conduct for Maximum Impact

The Commission continues to target root causes of anticompetitive conduct and tackle the most significant harms across markets, particularly by dominant firms whose business practices affect many Americans.

This is an unprecedented time for the Commission: we are currently prosecuting four monopolization cases in federal court against some of the largest companies in the world. For instance, FTC staff is in the midst of a historic trial against Meta, a lawsuit that began during the first Trump administration and that, in addition to other forms of relief, seeks the divestiture of Instagram and WhatsApp.⁷⁷ After five years of protracted pretrial proceedings, FTC staff is adducing evidence that highlights the competitive importance of data and notes that privacy degradation can constitute an antitrust harm—an aspect of competition highlighted by the court when it denied Meta’s motion to dismiss the FTC’s case.⁷⁸

The Commission has joined with 17 state attorneys general in a monopolization lawsuit against Amazon, alleging that the company has engaged in a course of exclusionary conduct to maintain its monopoly in the online superstore and the online marketplace services markets.⁷⁹ The complaint alleges that Amazon’s conduct has stopped sellers from lowering prices, degraded quality for shoppers, overcharged sellers, stifled innovation, and prevented rivals from fairly competing. These alleged tactics include anti-discounting measures that deter online sellers from offering lower prices than Amazon, maintaining higher prices for products across the internet, and conditioning online vendors’ ability to obtain Prime status on the use of Amazon’s costly fulfillment services.

Last September, the court denied Amazon’s motion to dismiss the FTC’s claims, allowing the case to proceed to pretrial discovery. As the court explained, the FTC’s complaint plausibly alleges that through a number of business practices, “Amazon actively deters third-

⁷⁶ Press Release, Fed. Trade Comm’n, FTC Launches Joint Labor Task Force to Protect American Workers (Feb. 22, 2025), https://www.ftc.gov/system/files/ftc_gov/pdf/memorandum-chairman-ferguson-re-labor-task-force-2025-02-26.pdf.

⁷⁷ Press Release, Fed. Trade Comm’n, FTC Alleges Facebook Resorted to Illegal Buy-or-Bury Scheme to Crush Competition After String of Failed Attempts to Innovate (Aug. 19, 2021), <https://www.ftc.gov/news-events/news/press-releases/2021/08/ftc-alleges-facebook-resorted-illegal-buy-or-bury-scheme-crush-competition-after-string-failed>.

⁷⁸ *FTC v. Facebook, Inc.*, 581 F. Supp. 3d 34 (D.D.C. 2022).

⁷⁹ Press Release, Fed. Trade Comm’n, FTC Sues Amazon for Illegally Maintaining Monopoly Power (Sept. 26, 2023), <https://www.ftc.gov/news-events/news/press-releases/2023/09/ftc-sues-amazon-illegally-maintaining-monopoly-power>.

party sellers from offering lower prices for their products on sites other than Amazon's," which is sufficient to state claim under Section 2 of the Sherman Act.⁸⁰ In April 2025, the court also rejected Amazon's arguments that the FTC must also initiate administrative proceedings, finding that the FTC has the authority under Section 13(b) of the FTC Act to bring an action in federal court for a permanent injunction.⁸¹

It is vitally important that the FTC continue to scrutinize digital markets, recognizing the enormous power that these technology companies wield and the scope of their influence on the lives of ordinary Americans. Dominant digital platforms have captured control over key arteries of commerce and communications in ways that can undermine competition. The FTC's work in digital markets recognizes the critical role of data, network externalities, moat-building strategies, and other key factors to ensure that our enforcement is reflecting commercial realities.

Preventing the abuse of monopoly power that harms American farmers also continues to be a priority for the Commission. The FTC continues to pursue a case it filed in September 2022 with a bipartisan coalition of ten state attorneys general that charges the two largest pesticides manufacturers, Syngenta and Corteva, with maintaining their monopoly positions by paying distributors to block competitors from selling farmers their cheaper generic products.⁸² The complaint alleges that Syngenta Crop Protection and Corteva, Inc. rely on pay-to-block schemes in which distributors get paid only if they limit their dealings with competing manufacturers. In January 2024, the court denied the defendants' motion to dismiss, finding that complaint plausibly alleges that defendants' use of loyalty discounts "exacerbates the already high costs to enter the market by locking up access to the most efficient channel of distribution."⁸³ This matter is pending in federal court in North Carolina.

The Commission is also pursuing monopolization claims against Deere & Co., alleging that Deere has forced farmers who rely on its equipment to use only authorized dealers for needed repairs. As agricultural equipment becomes increasingly complex, repairs require access to not just parts but also software tools to diagnose a problem and get the machinery back into the field to avoid lengthy downtime that may affect yields and profits for farmers. In its complaint, which is joined by the states of Illinois and Minnesota, the FTC alleges that Deere maintained its monopoly for repair of certain large agricultural equipment by making a key diagnostic tool available only to Deere dealers, denying farmers the ability to repair their own equipment or choose their preferred service provider. This matter is pending in federal court in Illinois.

The Commission also voted to bring an administrative action against the three largest pharmacy benefit managers (PBMs)—Caremark Rx, Express Scripts, and OptumRx—and their affiliated group purchasing organizations (GPOs) for allegedly engaging in anticompetitive and unfair rebating practices that have artificially inflated the list price of insulin drugs, impaired

⁸⁰ *FTC v. Amazon.com, Inc.*, No. 2:23-cv-01495 (W.D. Wash.) (opinion at 17 Sept. 30, 2024).

⁸¹ *FTC v. Amazon.com, Inc.*, No. 2:23-cv-01495 (W.D. Wash.) (order Apr. 8, 2025).

⁸² Press Release, Fed. Trade Comm'n, FTC and State Partners Sue Pesticide Giants Syngenta and Corteva for Using Illegal Pay-to-Block Scheme to Inflate Prices for Farmers (Sept. 29, 2022), <https://www.ftc.gov/news-events/news/press-releases/2022/09/ftc-state-partners-sue-pesticide-giants-syngenta-corteva-using-illegal-pay-block-scheme-inflate>.

⁸³ *FTC v. Syngenta Crop Protection AG*, 711 F. Supp. 3d 545, 577 (M.D.N.C. 2024).

patients' access to lower list price products, and shifted the cost of high insulin list prices to vulnerable patients. As the FTC alleges in its complaint, Americans are paying too much for prescription drugs, including life-saving drugs like insulin. Prescription drug prices in the U.S. are nearly three times higher than in other countries. The complaint also alleges that many Americans struggle to afford the medications they need to survive and that PBMs and their respective GPOs have abused their economic power by rigging pharmaceutical supply chain competition in their favor. This case is proceeding administratively, and the Commission remains openminded about the facts and the laws at issue.

B. Prioritizing Vigorous Merger Enforcement to Combat Consolidation

Preventing mergers and acquisitions that violate federal antitrust law is critically important and enormously demanding work for the Commission. Over the last several years, the FTC has moved to challenge major transactions in sectors across the economy, including retail and grocery, energy, healthcare, mortgage technology, and digital markets.⁸⁴ This includes filing suits to block mergers outright,⁸⁵ as well as scrutinizing other anticompetitive mergers that parties have abandoned or restructured after the agency indicated competition concerns but before it filed a complaint.⁸⁶

⁸⁴ Fed. Trade Comm'n & Dep't of Justice, Hart-Scott-Rodino Annual Rep. Fiscal Year 2022 (2023), https://www.ftc.gov/system/files/ftc_gov/pdf/p110014fy2021hsrannualreport.pdf.

⁸⁵ Press Release, Fed. Trade Comm'n, FTC Moves to Block Tapestry's Acquisition of Capri (Apr. 22, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/04/ftc-moves-block-tapestrys-acquisition-capri>; Press Release, Fed. Trade Comm'n, FTC Challenges Kroger's Acquisition of Albertsons (Feb. 26, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/02/ftc-challenges-krogers-acquisition-albertsons>; Press Release, Fed. Trade Comm'n, FTC Sues to Block Novant Health's Acquisition of Two Hospitals from Community Health Systems (Jan. 25, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/01/ftc-sues-block-novant-healths-acquisition-two-hospitals-community-health-systems>; Press Release, Fed. Trade Comm'n, FTC Seeks to Block Sanofi's Acquisition of Rare Disease Drug that Threatens Sanofi's Monopoly (Dec. 11, 2023), <https://www.ftc.gov/news-events/news/press-releases/2023/12/ftc-seeks-block-sanofis-acquisition-rare-disease-drug-threatens-sanofis-monopoly>; Press Release, Fed. Trade Comm'n, FTC Sues to Block John Muir Health's Takeover of San Ramon Regional Medical Center (Nov. 17, 2023), <https://www.ftc.gov/news-events/news/press-releases/2023/11/ftc-sues-block-john-muir-healths-takeover-san-ramon-regional-medical-center>; Press Release, Fed. Trade Comm'n, FTC Sues to Block IQVIA's Acquisition of Propel Media to Prevent Increased Concentration in Health Care Programmatic Advertising (July 17, 2023), <https://www.ftc.gov/news-events/news/press-releases/2023/07/ftc-sues-block-iquvias-acquisition-propel-media-prevent-increased-concentration-health-care>; Press Release, Fed. Trade Comm'n, FTC Sues to Block Biopharmaceutical Giant Amgen from Acquisition That Would Entrench Monopoly Drugs Used to Treat Two Serious Illnesses (May 16, 2023), <https://www.ftc.gov/news-events/news/press-releases/2023/05/ftc-sues-block-biopharmaceutical-giant-amgen-acquisition-would-entrench-monopoly-drugs-used-treat>; Press Release, Fed. Trade Comm'n, FTC Acts to Block Deal Combining the Two Top Mortgage Loan Technology Providers (Mar. 9, 2023), <https://www.ftc.gov/news-events/news/press-releases/2023/03/ftc-acts-block-deal-combining-two-top-mortgage-loan-technology-providers>; Press Release, Fed. Trade Comm'n, FTC Seeks to Block Microsoft Corp.'s Acquisition of Activision Blizzard, Inc. (Dec. 8, 2022), <https://www.ftc.gov/news-events/news/press-releases/2022/12/ftc-seeks-block-microsoft-corps-acquisition-activision-blizzard-inc>.

⁸⁶ See, e.g., Press Release, Fed. Trade Comm'n, FTC Statement on Amendment to Global Partners, Gulf Oil Acquisition (Apr. 9, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/04/ftc-statement-amendment-global-partners-gulf-oil-acquisition>; Press Release, Fed. Trade Comm'n, Statement Regarding the

In the most recent merger enforcement action, the Commission authorized staff to seek a preliminary injunction to prevent the private investor GTCR from acquiring Surmodics, a deal that would combine the two largest manufacturers of critical medical device coatings.⁸⁷ The complaint charges that the proposed acquisition would violate Section 7 of the Clayton Act by creating a combined company controlling more than 50 percent of the market for outsourced hydrophilic coatings. According to the complaint, these coatings are often used by medical device manufacturers and are applied to lifesaving medical devices such as catheters and guidewires. The Commission's suit for a preliminary injunction is pending in federal court in the Northern District of Illinois.⁸⁸

The Commission is particularly concerned about mergers that may cause widespread consumer harm. The FTC recently blocked the largest proposed supermarket merger in U.S. history—Kroger's \$24.6 billion acquisition of Albertsons.⁸⁹ In its complaint, the FTC alleged that the proposed deal would eliminate fierce competition between Kroger and Albertsons, leading to higher prices for groceries and other essential household items for millions of Americans and to lower quality products and services, while also narrowing consumers' choices for where to shop for groceries. The complaint also alleged that the proposed acquisition would immediately erase aggressive competition for workers, threatening the ability of employees to secure higher wages, better benefits, and improved working conditions. The federal court in Oregon ultimately ruled in favor of the Commission and issued a preliminary injunction to stop the merger. The parties subsequently abandoned their merger plans.

The FTC also went to court to block Tapestry, Inc.'s proposed acquisition of Capri Holdings Limited,⁹⁰ a transaction that would have combined Tapestry's Coach and Kate Spade branded products with Capri's Michael Kors branded products. The FTC's complaint alleged that the merger would eliminate important ongoing competition, including competition on price, discounts and promotions, innovation, design, marketing, and advertising. After a trial on the FTC's motion, the federal court issued an injunction and a 169-page decision that begins with

Termination of Qualcomm's Proposed Acquisition of Autotalks (Mar. 25, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/03/statement-regarding-termination-qualcomms-proposed-acquisition-autotalks>; Press Release, Fed. Trade Comm'n, Statement Regarding the Termination of Choice Hotel's Proposed Takeover of Wyndham Hotels & Resorts (Mar. 12, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/03/statement-regarding-termination-choice-hotels-proposed-takeover-wyndham-hotels-resorts>; Press Release, Fed. Trade Comm'n, Statement Regarding the Termination of Amazon's Proposed Acquisition of iRobot (Jan. 31, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/01/statement-regarding-termination-amazons-proposed-acquisition-irobot>.

⁸⁷ Press Release, Fed. Trade Comm'n, FTC Challenges Medical Device Coatings Deal (Mar. 6, 2025), <https://www.ftc.gov/news-events/news/press-releases/2025/03/ftc-challenges-medical-device-coatings-deal>.

⁸⁸ The Commission voted to amend the complaint to add the states of Illinois and Minnesota as co-plaintiffs to the action. See Press Release, Fed. Trade Comm'n, "Illinois and Minnesota Join FTC Lawsuit Challenging Medical Device Coatings Deal," (Apr. 17, 2025), <https://www.ftc.gov/news-events/news/press-releases/2025/04/illinois-minnesota-join-ftc-lawsuit-challenging-medical-device-coatings-deal>.

⁸⁹ Press Release, Fed. Trade Comm'n, FTC Challenges Kroger's Acquisition of Albertsons (Feb. 26, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/12/statement-ftc-victory-securing-halt-kroger-albertsons-grocery-merger>.

⁹⁰ Press Release, Fed. Trade Comm'n, FTC Moves to Block Tapestry's Acquisition of Capri (Apr. 22, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/04/ftc-moves-block-tapestrys-acquisition-capri>.

this apt observation: “Antitrust has come into fashion.”⁹¹ The court found that the merging parties are close competitors such that the merger would result in the loss of head-to-head competition, forcing women to pay more for important consumer products. Soon after, the parties abandoned their merger plans.

The Commission remains committed to stopping illegal mergers in vital markets for healthcare services.⁹² Those mergers threaten patients with higher cost and lower quality care⁹³ and healthcare workers with lower wages and poorer working conditions. These deals can often affect competition on a local basis, with significant impact on patients who look for healthcare providers close to home. For instance, the Commission successfully blocked John Muir Health’s proposed \$142.5 million acquisition of sole ownership rights in San Ramon Regional Medical Center, a rival hospital that also provides care to patients in California’s I-680 corridor. In a joint complaint filed with the California Attorney General, the Commission alleged the deal would allow John Muir to demand higher rates at its two hospitals as well as San Ramon Medical for inpatient general acute care services, which covers a broad range of essential medical, surgical, and diagnostic services that require an overnight hospital stay. Soon after the Commission filed suit, the companies abandoned their plans.⁹⁴ Just a few months later, the Commission successfully blocked Novant Health’s proposed \$320 million acquisition of two North Carolina hospitals in the Lake Norman area. The FTC alleged that the acquisition would reduce competition and lead to higher rates for patients in the region. A federal court of appeals denied a stay pending appeal, and the companies proceeded to abandon the proposed transaction.⁹⁵

⁹¹ *FTC v. Tapestry, Inc.*, No. 1:24-cv-03109 (opinion Oct. 24, 2024).

⁹² See, e.g., Press Release, Fed. Trade Comm’n, *FTC Sues to Block Merger Between Utah Healthcare Rivals HCA Healthcare and Steward Health Care System* (June 2, 2022), <https://www.ftc.gov/news-events/news/press-releases/2022/06/ftc-sues-block-merger-between-utah-healthcare-rivals-hca-healthcare-steward-health-care-system>; Press Release, Fed. Trade Comm’n, *Federal Trade Commission Opposition to Transaction Leads New Jersey Healthcare Rivals RWJBarnabas Health and Saint Peter’s Healthcare System to Abandon Proposed Merger* (June 14, 2022), <https://www.ftc.gov/news-events/news/press-releases/2022/06/federal-trade-commission-opposition-transaction-leads-new-jersey-healthcare-rivals-rwjbarnabas>. Additionally, the two largest healthcare systems in Rhode Island, Lifespan Corp. and Care New England Health System, called off their merger after the FTC, in conjunction with the Rhode Island Attorney General, sought to block the merger. See Press Release, Fed. Trade Comm’n, *Statement Regarding Termination of Attempted Merger of Rhode Island’s Two Largest Healthcare Providers* (Mar. 2, 2022), <https://www.ftc.gov/news-events/news/press-releases/2022/03/statement-regarding-termination-attempted-merger-rhode-islands-two-largest-healthcare-providers>.

⁹³ See, e.g., Zack Cooper et al., *The Price Ain’t Right? Hospital Prices and Health Spending on the Privately Insured*, 134 Q.J. ECON. 51 (2019); Nancy Beaulieu et al., *Changes in Quality of Care after Hospital Mergers and Acquisitions*, 382 NEW ENG. J. MED. 51 (2020). For surveys of the research literature, see, e.g., Martin Gaynor & Robert Town, *The Impact of Hospital Consolidation*, THE SYNTHESIS PROJECT, ROBERT WOOD JOHNSON FOUNDATION (June 2012), http://www.rwjf.org/content/dam/farm/reports/issue_briefs/2012/rwjf73261; Martin Gaynor, Kate Ho & Robert Town, *The Industrial Organization of Health-Care Markets*, 53 J. ECON. LITERATURE 235 (2015).

⁹⁴ See Press Release, Fed. Trade Comm’n, *Statement Regarding the Termination of John Muir’s Takeover of San Ramon Regional Medical Center from Tenet Healthcare* (Dec. 18, 2023), <https://www.ftc.gov/news-events/news/press-releases/2023/12/statement-regarding-termination-john-muir-takeover-san-ramon-regional-medical-center-tenet>.

⁹⁵ See Press Release, Fed. Trade Comm’n, *Statement Regarding the Termination of Novant Health’s Acquisition of Hospitals from Community Health Systems* (July 1, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/07/statement-regarding-termination-novant-healths-acquisition-hospitals-community-health-systems>.

The Commission is also attentive to the impact that a series of smaller acquisitions can have for patients. In 2023, the Commission sued Welsh Carson and its portfolio company U.S. Anesthesia Partners (USAP) for acquiring a number of independent anesthesia practices in the Houston and Dallas-Fort Worth metropolitan areas.⁹⁶ The complaint alleges that these acquisitions gave USAP monopoly power, and it used that monopoly power to increase the prices above competitive levels. That conduct, the complaint alleged, violated Section 2 of the Sherman Act and Section 5 of the FTC Act, as well as Section 7 of the Clayton Act. The court upheld the claims against USAP in the face of several statutory and constitutional arguments, finding “USAP acquired at least 15 anesthesia groups over the last 12 years. USAP continues to hold these companies. Even though the acquisitions themselves have closed, maintaining the assets of these companies could constitute a violation of antitrust law appropriately pursued under Section 13(b).”⁹⁷ Although the federal court dismissed Welsh Carson from the case, the company subsequently agreed to an FTC order limiting its ownership rights in USAP and requiring it to obtain prior approval for future investments in certain healthcare providers.⁹⁸ The federal court case involving USAP is pending in the Southern District of Texas.

As a complement to its merger litigation efforts, the FTC is also reassessing the efficacy of its approach to merger remedies. That includes the possibility that the parties could resolve the Commission’s concerns about the likely effects of a proposed merger without resorting to costly and time-consuming litigation. In other words, the Commission is open to settlement offers that eliminate the possibility that the proposed acquisition could cause harm to market participants. Here too the Commission will rely on its experience in fashioning effective remedies and will be clear about what is expected in any consent order.

The Commission has also made clear that companies must take seriously their obligation to comply with the Commission’s orders. In December 2022, the Commission sued 7-Eleven, Inc., alleging that the convenience store chain violated a 2018 FTC consent order by acquiring a fuel outlet in St. Petersburg, Florida without first providing notice to the Commission.⁹⁹ The consent order stemmed from 7-Eleven’s \$3.3 billion acquisition from Sunoco of more than 1,000 retail fuel outlets with attached convenience stores. The FTC is seeking civil penalties for 7-Eleven’s violation of the consent order to protect the public interest and deter 7-Eleven, a serial acquirer of retail fuel outlets, and others from flouting future consent orders. A federal judge recently denied the 7-Eleven’s motion to dismiss, finding that the Commission acted within its authority under Section 5(l) of the FTC Act.¹⁰⁰

⁹⁶ Press Release, Fed. Trade Comm’n, FTC Challenges Private Equity Firm’s Scheme to Suppress Competition in Anesthesiology Practices Across Texas (Sept. 21, 2023), <https://www.ftc.gov/news-events/news/press-releases/2023/09/ftc-challenges-private-equity-firms-scheme-suppress-competition-anesthesiology-practices-across>.

⁹⁷ *FTC v. U.S. Anesthesia Partners, Inc.*, No. 4:23-cv-03560 (S.D.Tx) (opinion May 13, 2024).

⁹⁸ Press Release, Fed. Trade Comm’n, FTC Secures Settlement with Private Equity Firm in Antitrust Roll-Up Scheme Case, <https://www.ftc.gov/news-events/news/press-releases/2025/01/ftc-secures-settlement-private-equity-firm-antitrust-roll-scheme-case>.

⁹⁹ Press Release, Fed. Trade Comm’n, FTC Sues 7-Eleven for Anticompetitive Acquisition in Violation of 2018 Consent Order (Dec. 4, 2023), <https://www.ftc.gov/news-events/news/press-releases/2023/12/ftc-sues-7-eleven-anticompetitive-acquisition-violation-2018-consent-order>.

¹⁰⁰ *FTC v. Seven & I Holdings, Co., Ltd.*, No. 23-3600 (D.D.C. Mar. 31, 2025).

C. FTC Research Initiatives

The Commission plays a key role in monitoring competition in evolving industries and dynamic markets. Despite a very heavy enforcement workload, we continue to make substantial investments to remain faithful to our mandate to engage in policy and research development. Through several recently issued Requests for Information (“RFIs”), the FTC invites public feedback about pressing and emerging issues to better understand new business practices and market trends.

Three areas of focus for the FTC are understanding potentially anticompetitive censorship by tech platforms, anticompetitive regulatory barriers, and mega investors in housing markets. For example, the FTC launched a public inquiry to better understand how technology platforms deny or degrade users’ access to services based on the content of their speech or affiliations, and how this conduct may have violated the law.¹⁰¹ Tech firms can employ confusing or unpredictable internal procedures that cut users off, sometimes with no ability to appeal the decision. These actions taken by tech platforms could qualify as unfair or deceptive. Additionally, they may harm consumers and damage competition. They may be the result of a lack of competition among tech platforms, or they may have been the product of anti-competitive conduct. The FTC wants to understand how consumers have been harmed by these tech platform limitations.

Recently and in response to President Trump’s Executive Order on Reducing Anticompetitive Regulatory Barriers,¹⁰² the FTC launched a public inquiry into the impact of federal regulations on competition, with the goal of identifying and reducing anticompetitive regulatory barriers. In so doing, the FTC seeks to identify unnecessary regulations that exclude new market entrants, protect dominant incumbents, and predetermine economic winners and losers. This important initiative will put the Trump-Vance FTC on the front lines of advancing the President’s agenda to revitalize the American economy. Eliminating regulations that reduce competition, entrepreneurship, and innovation will strengthen the American economy and benefit millions of ordinary Americans.

Earlier this year, the Commission also requested public comment on proposed FTC orders that would seek to understand how large-scale single-family rental owner operators, known as mega investors, have affected home prices and rents across the single-family rental market.¹⁰³ Many Americans are justly concerned that their rent is simply too high, and the Commission has an obligation to Congress and the American people to determine whether rising housing prices are the result of weak competition in relevant housing markets. The potential 6(b) orders would seek information from more than 30 mega investors regarding their corporate

¹⁰¹ Press Release, Fed. Trade Comm’n, Federal Trade Commission Launches Inquiry on Tech Censorship (Feb. 20, 2025), <https://www.ftc.gov/news-events/news/press-releases/2025/02/federal-trade-commission-launches-inquiry-tech-censorship>.

¹⁰² Press Release, Fed. Trade Comm’n, FTC Launches Public Inquiry into Anti-Competitive Regulations (Apr. 14, 2025), <https://www.ftc.gov/news-events/news/press-releases/2025/04/ftc-launches-public-inquiry-anti-competitive-regulations>.

¹⁰³ Press Release, Fed. Trade Comm’n, FTC Seeks Public Comment on Single-Family Rental Home Mega Investors Study (Jan. 15, 2025), <https://www.ftc.gov/news-events/news/press-releases/2025/01/ftc-seeks-public-comment-single-family-rental-home-mega-investors-study>.

structure, current and historical housing inventory information, rental and fee income, as well as strategic business plans and other investor information regarding growth plans, competition, prices, and expenses. The goal of such a study would be to shine a light on what is driving housing costs out of reach for too many Americans.

The FTC also continues to examine the operations of the nation's pharmacy benefits managers (PBMs) that manage nearly 95 percent of all prescriptions filled in the United States. This inquiry began in 2022 when the FTC issued a series of orders, using its authority under Section 6(b) of the FTC Act, to the six largest PBMs and other companies. In July 2024, Commission staff released an interim report that detailed the PBMs' operations and their influence over specialty generic drugs, including significant price markups by PBMs for cancer, HIV, and a variety of other critical drugs.¹⁰⁴ In January, the Commission authorized a second interim staff report finding the 'Big 3 PBMs'—Caremark Rx, LLC (CVS), Express Scripts, Inc. (ESI), and OptumRx, Inc. (OptumRx)—marked up numerous specialty generic drugs dispensed at their affiliated pharmacies by thousands of percent, and many others by hundreds of percent.¹⁰⁵ According to the staff report, such significant markups allowed the Big 3 PBMs and their affiliated specialty pharmacies to generate more than \$7.3 billion in revenue from dispensing drugs in excess of the drugs' estimated acquisition costs from 2017-2022. The Big 3 PBMs netted such significant revenues while patient, employer, and other health care plan sponsor payments for drugs steadily increased every year, according to the staff report. Commission staff continue to work on this important project. The Commission best serves Congress, state legislators, and the American people when we produce comprehensive, fact-based, and data-driven reports.

V. CONCLUSION

The FTC continues to seek to fulfill its broad mission on behalf of consumers, workers, and honest businesses using the range of tools and resources Congress has afforded us. We look forward to continuing to work with the Subcommittee and Congress, and I am happy to answer your questions.

¹⁰⁴ Press Release, Fed. Trade Comm'n, FTC Releases Interim Staff Report on Prescription Drug Middlemen (July 9, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/07/ftc-releases-interim-staff-report-prescription-drug-middlemen>.

¹⁰⁵ Press Release, Fed. Trade Comm'n, FTC Releases Second Interim Staff Report on Prescription Drug Middlemen (Jan. 14, 2025), <https://www.ftc.gov/news-events/news/press-releases/2025/01/ftc-releases-second-interim-staff-report-prescription-drug-middlemen>.

Mr. JOYCE. Thank you, Mr. Chairman.

I now recognize myself for an initial question.

Chairman, under the Biden administration the FTC took an aggressive and unprecedented approach to enforcement and rule-making. The commission stretched its statutory authorities and at times looked like it took a hostile view towards mergers and acquisitions.

Under your leadership how will the FTC make a different approach going forward, or will you take a different one? And if yes, how?

Mr. FERGUSON. Mr. Chairman, I agree with you. I think that the FTC under the previous administration had a bit of an ideological bent against mergers and acquisitions. And my view is that mergers and acquisitions are a very critical part of how the economy grows and how we get innovation. Founders/innovators need access to capital and people will not invest in new ideas if they can't get their investments back. And mergers and acquisitions is part of how capital flows to innovators and innovators get their new ideas to us in the marketplace. So M&A is very important.

At the same time protecting Americans from monopolies and from anti-competitive conduct is very important, and that is our job. I see it as the FTC's mission to serve as a cop on the beat in the M&A space. If we think that a deal is anti-competitive and we think we can win in court, we are going to go to court. And if we can't, we are going to get out of the way and we are going to get out of the way quickly. Congress set timelines by which we are supposed to examine M&A activity and we are going to stick by those timelines. That is on the front end.

On the back end the big change is that we are open to merger remedies at the FTC. My colleague Gail Slater at the Department of Justice has said the same thing. The previous administration prohibited remedies as a way to address anti-competitive conduct that didn't require blocking a whole merger. We are open to remedies negotiations with parties. The remedies have to be real, they have to be enforceable, and we have a strong preference for structural remedies over behavioral remedies.

But in order to make sure that we are preventing as much anti-competitive conduct as we can we have to recognize that sometimes we can eliminate anti-competitive features of mergers without blocking the whole thing, and we have to be open to doing that. So on the M&A front those are the biggest differences between the previous administration and the current one.

Mr. JOYCE. Are there any specific enforcement actions or rulemakings that you are looking to reverse?

Mr. FERGUSON. We tend not to discuss the deliberations on that stuff. I wrote lots of dissents in the previous administration on both rulemakings and enforcement actions. And one of the things that we did when President Trump was sworn in is that we did not accept on faith the lawfulness, reasonableness, or the prudence of any ongoing enforcement matter or investigation and are conducting our own review top to bottom of everything that we inherited.

If we think it is unlawful, if we think it is a poor use of agency resources, if we think it is inconsistent with administration priorities, then we will take steps to eliminate it, to change it, to align

it with the law. If we don't, we will continue it. But particularly given that the FTC at the end of the Biden administration raced a huge amount of material out the door, we are conducting a thorough review. And as we find things that we think are either unlawful or inconsistent with administration priorities, we will be changing them.

Mr. JOYCE. Complex antitrust cases such as the proposed Kroger-Albertsons merger have required the FTC to spend millions of dollars on expert witnesses and data storage and analytics. How much does the FTC spend on expert witnesses and data analytics each year and are these growing costs inhibiting the commission's ability to be—to bring and successfully try antitrust cases?

Mr. FERGUSON. It is not inhibiting our ability to do it, but it is a serious challenge that we are confronting. We have a Bureau of Economics at the commission with some of the country's most talented economists. They do unbelievable work, both at the investigative stage and at the litigation stage. We could not do our enforcement work without the Bureau of Economics.

But a lot of our cases, not just big tech cases—a lot of our enforcement matters require us to onboard massive amounts of data in order to investigate potential wrongdoing and proceed to litigation where appropriate. And we don't currently have the infrastructure to house, maintain, and access those data in a meaningful way so we end up paying vendors a lot of money to do that for us.

We ran a pilot program at the end of the previous administration on ways to reduce those costs by bringing some of that infrastructure internally. It was very successful. We have been working with other parts of the government to expand that pilot and make it programmatic at the FTC.

On the expert front, you are right, expert witnesses are expensive. Even with our very talented economists in the Bureau of Economics we often have to hire industry specialists, experts from outside the agency. We are imposing budgeting requirements within the agency for the first time as far as I know in the agency's history to make sure that at the outset of litigation everyone knows what the agency is willing to spend and we constrain the agency to spend only those resources on litigation. That is going to help save us a lot of money by avoiding the ballooning problem at the end of litigation we have had in the past.

Mr. JOYCE. Thank you. The chair now recognizes the lady—gentlelady from Washington, Ms. Gluesenkamp Perez, for five minutes for any questions she may have.

Ms. GLUESENKAMP PEREZ. Thank you, Mr. Chair.

And thank you, Chair Ferguson, for being here. I appreciate the work you are doing. Before becoming a congresswoman I ran an auto repair and a machine shop and care deeply about a level playing field for small businesses. That is how we build wealth in this country is a diversity and a level playing field. I think it is a lens of being pro-business and antitrust.

And one of the things that I have heard in your testimony is about the expert witness testimony, but I have also had questions about how many people on staff in your department that don't have a college degree because—and even mechanics I know could point to a headlight assembly and tell you that there is an issue going

on when you can no longer replace a single light bulb and you have to do the entire assembly for \$700 where we used to do it for 3. And it is these kinds of things in the lens of I think experience of like what is important to people? There are big arguments and then there are the kind of—the things that make or break a household budget. And those things I think are often best informed by having a plurality and diversity of experience. And so I am wondering how you are choosing to balance the credentialing of your team.

Mr. FERGUSON. So I agree with you that having diverse experiences and viewpoints is super important for the FTC to do its work. I think for all government agencies there is an unfortunate bureaucratic impulse to sort of look only inside the Beltway, interact only with the interests that have inside-the-Beltway presences, and that generally small and medium-sized businesses will suffer as a result because they are the ones that can't go to the lobby shops in Washington and inundate Congress and the Executive Branch with lobbyists. So I certainly agree with you.

We are a law enforcement agency and almost all of our work winds up in court, which means we end up being very lawyer-heavy. We hire from law schools all across the country. Even on the commission itself we have two commissioners who graduated from state schools. The previous administration had focused a little heavy on the Ivy Leagues for commissioners. I went to a state school. One of my colleagues went to a state school. We are from all over the country. That lends itself to diversity of experience and makes sure that we don't get tunnel vision from within the Beltway.

So I agree with you. It would be very easy to lose focus on the things that matter to Americans on the ground around the kitchen table without a diversity of experience. And that is important to me at the FTC.

Ms. GLUESENKAMP PEREZ. Yes, I think there have been arguments about needing a larger budget to be able to expand the staff, but I think it is about the prioritization of how respect—who deserves a seat at the table and identifying and prioritizing the experiences.

One of the things that I have been looking at—if you—I don't know, my washing machine is from 1997, but a lot of the newer ones, it is like they are playing Tchaikovsky. And they don't last more than six years and there is very clear design issues why that is happening. Having more information as a consumer about what the expected life—what the life expectancy, what the annual maintenance costs, those kinds of ways to get at—not building more agency, more bureaucracy, but saying let's—people just deserve the right to have more clarity of information and would certainly appreciate your support in identifying some planned obsolescence strategies as well as obfuscation of the durability of a given product might be. Your thoughts on that?

Mr. FERGUSON. I would love to work with you on it. Look, the FTC's most important consumer protection mission is preventing deception. And deception under Section 5 is not just straight out lies. It is also omitting things that would be important and material to consider before he or she decides to purchase something.

And misrepresenting either intentionally or through omission the life span of a product is potentially a problem. So I am more than happy to work with you on that in industries where you think that is a particular problem and requires our focus.

Ms. GLUESENKAMP PEREZ. You go to McDonald's?

Mr. FERGUSON. Not often, but sometimes yes.

Ms. GLUESENKAMP PEREZ. Yes, you know about the issue with the ice cream machines?

Mr. FERGUSON. I am aware that it is sometimes difficult to get a McFlurry when you want it. [Laughter.]

Ms. GLUESENKAMP PEREZ. Well, I have appreciated the work that has happened to ensure that people who are buying equipment have the right to fix it. Whether we are talking about a car, an ice cream machine I think there are some very embedded paternalistic attitudes towards who has the right and the agency and what a material environmentalism and applied environmentalism is in making things that last longer and having clarity for the owners. This tort law goes back to the 1400s. You bought it; you have the right to fix it and maintain it. And I am hoping that we are seeing a continuation of that and a seriousness of building wealth and economic self-determination in America.

Mr. FERGUSON. My grandfather had a Ford tractor from the 1950s with which he tinkered up until his death. And I grew up in a farming community, so I understand particularly to farmers the importance of being able to repair your equipment without having to go back to the manufacturer.

We have an ongoing case against John Deere on this issue. This is also an issue that the states have started to address legislatively. I know that there has been legislation Congress has passed on this front, and other legislation considered.

Insofar as preventing someone from repairing violates Section 5, we are prepared to enforce it. We also want to recognize that generally the best approach to problems is to let the people's representatives, both in the state legislatures and in Congress, to address it first. And so we don't want to interfere with those efforts. But this issue is important to me. I grew up around this issue. I hear you loud and clear.

Ms. GLUESENKAMP PEREZ. Thank you. I yield back. Thank you.

Mr. JOYCE. Thank you.

The chair now recognizes the distinguished gentleman from Arkansas, Mr. Womack.

Mr. WOMACK. Thank you, Mr. Chairman.

And, Mr. Chairman, welcome. You are a breath of fresh air. I got to say that. My words, in my strong opinion in—the last administration was more agenda-driven. And in listening to your testimony this morning and then in our private conversation you seem to have the view that your job is like that of an umpire, of a referee to make sure that you are holding the people and the institutions that are subject to your purview accountable. And again my words; certainly not yours. And so it is from that standpoint that I think you are on the right course of getting the FTC back to the nuts and bolts, the blocking and tackling, if you will, of what the commission was set up for.

I do have a question about budget though. When we had our conversation—and these are appropriators up here. So it is our job to fund the discretionary side of the government. And yours is part of that. We don't have clarity right now. And we need clarity. My assumption is, and I want to be clear that it is just an assumption, that there will be many agencies that will be facing some budget adjustments, some cuts, if you will. And where is the FTC right now with regard to the prospect of having to settle for less and be able to continue to function as a reputable institution within the government?

Mr. FERGUSON. The agency that I inherited, even at current funding levels, was in a very difficult position. The previous administration had hired employees at levels far beyond what we could afford.

Mr. WOMACK. Would you call it bloated?

Mr. FERGUSON. It was bloated. There was a two-year hiring spree that got us to levels that we couldn't sustain. It was important to me coming in as chairman to make the difficult decisions necessary to restore fiscal health to the agency.

And so as the President has, with what he ran on in the 2024 election, oriented the government towards efficiency and being no larger than necessary to carry out its critical missions for the American people. We were already well underway on getting the agency down to a size consistent with what this body had appropriated us. We were sort of ready to go on that front.

Consistent with the President's agenda as well, we have been conducting a thorough review of our contracting. We have already reduced contracts spend for this fiscal year by more than \$6 million. We also, as I discussed earlier, are undertaking steps that we are very optimistic about that will over the course of the next several years shrink the amount of money we have to pay outside vendors to house our data in some of our big and important investigations and litigations.

So we are well on our way to being prepared for whatever budget this committee decides to appropriate for the FTC.

Mr. WOMACK. In other words, counter to what a lot of agency heads would suggest. They need more money. They need more people. They need more resources. It sounds to me like that you feel like you can—the FTC can do its job on——

Mr. FERGUSON. And that is a testament to the FTC staff. I would put the FTC staff up against the staff of any agency, civilian or Federal, in the Federal Government. And whatever this committee decides to appropriate to the commission, the American consumers will be protected by our staff.

Mr. WOMACK. In the President's executive order agency heads, in consultation with the FTC chair and the U.S. Attorney General, complete a review of all agency regulations under their rulemaking authority and determine which rules create anti-competitive barriers. How do you plan to execute antitrust enforcement in recognition of this particular executive order?

Mr. FERGUSON. President Trump has put out a bunch of amazing executive orders. I am not sure I am as excited about any of them as I am on this one. So when we talk about competition in America

we generally think about monopolies and consolidation and price fixing, which is appropriate.

But one of the biggest obstacles to competition, particularly to small and medium-sized businesses, is regulation. And I worked on the Hill. I have seen it in action. I have worked in state government. I have seen it in action. Big businesses will often come in to the government and propose regulations that they can comply with quite easily but that make it very difficult for competitors to rise and challenge them. And the President's executive order tells us look through the entire Code of Federal Regulations. Find regulations that are barriers to entry, that raise rivals' costs, and get them out of there.

So we put out an RFI to the public. We said if you—especially small businesses—if you are aware of regulations that benefit your competitors but make it harder for you to compete, tell us. We will review them. We will make recommendations to the President.

We also sent letters to every agency head in the Federal Government asking them to do the same thing. We will have economists and lawyers at both the Department of Justice and the FTC reviewing these regulations as they are identified to us. And I am very excited when we eventually send the list to OMB and the President on our recommendations for de-scoping and deletion.

Mr. WOMACK. Yes, one final comment because I may not be around for—if we have a second round of questions and I want to be able to say this in regard to what you just discussed. And that is I am sure hopeful that among those things that are considered in this context is Section 1071 of the Dodd-Frank Act because that is—and Ms. Gluesenkamp Perez and I both agree that this small business side of the equation is where the jobs are created and where we need to be creating emphasis as far as the FTC goes. But that is one that is very punitive to our banking community.

So I applaud you for the work that you are doing. Keep it up. And we look forward to getting to your budget. Thank you.

Mr. JOYCE. Thank you, sir.

The chair now recognizes the gentleman from Maryland, Mr. Ivey, for five minutes of questions.

Mr. IVEY. Thank you, Mr. Chairman.

Good morning, Mr. Chairman. I want to thank you for appearing here today. I appreciate your opening comments. I look forward to the report you are going to come back with with respect to PBMs. I think it is a very important issue. It is also a very complicated issue. So adding your insight, your agency's insight will be especially helpful.

I didn't follow the medical device merger issue in detail, but I was pleased to see that you are open to enjoining a merger. Your opening comments I think reflect the fact that you are trying to call the balls and strikes, that you are not trying to be ideological about it. I appreciate that. Continuing the ongoing litigation with big tech I thought was interesting as well.

And I believe you—well, the FTC upheld the junk fees, I will call it, determination, which I think is important. I think it is really one of those things that is tremendously helpful to people across the board.

And I do want to join with my colleague from Washington State on the right to repair issue. I think that is one that is very important. Business-to-business conflicts, that is one thing, but a lot of these scenarios we have individuals. You talked about a farmer owning a tractor with respect to John Deere. And I know that is ongoing. But that is the kind of scenario we—I think we really need you to step up and make sure that people are protected so that they can just take care of basic things to run their business or take care of their appliances. McDonald's, I am not a big McFlurry guy, but if they get a break along the way, that is fine.

Click to Cancel is another one that I think is—could really be helpful to a lot of people across the board. I know every time I try and cancel something that frequently one of my kids signed up for, it takes forever to do it. You can sign up in a minute, but getting out of it can take half a lifetime. So I appreciate anything you can do on that front as well.

I do want to say this with respect to the noncompete issue. And you opened by talking about the importance of workers and how they are the backbone of the economy and you want to take a pro-worker approach. The noncompete piece—in my experience when I was practicing corporation-to-corporation, no poaching, that kind of stuff, I get it. But there is a lot of times when have workers, individuals who really don't have negotiating capability with respect to larger corporations and they want to try and move to do another job or find other types of employment might have some situation where—beyond their control. And these clauses can really get in the way and hamstring them.

And I took a look at your dissent on that issue and I appreciate your views on it. I know a lot of that is procedural and I don't mean to belittle that, but this is a very important restriction on what regular people can do from an employment standpoint. And I hope that you will be able to find a way to address that with respect to people who don't have that kind of power. They can't hire the big lobbyists, as you mentioned.

And I want to close with this, and I know this is ongoing litigation as well, the termination of Commissioners Slaughter and Bedoya. As you know, caught a lot of people's attention. That would include me. And I know it is still kind of in court, just getting underway, but one of the things that concerned me about that was it didn't appear that there were any grounds for the termination.

Now, I note that you issued a statement with respect to it I think on the day they were terminated. And in the statement you issued you didn't reference the standard for termination: inefficiency, neglect of duty, or malfeasance in office. And you supported the termination, but not on statutory grounds, not on legal grounds. And I think that is pretty significant, especially given your background. I took a look at your 40-page dissent. A Supreme Court clerk. You mentioned being from a state school. You didn't mention it was UVA, which is a little more than a regular state school. [Laughter.]

Mr. FERGUSON. They will appreciate you saying that.

Mr. IVEY. Well, my brother will, too. But my larger point though is you didn't hit on the law in the statement that you gave. You are a defendant in the case, so I know you will have a chance to explain your position at length, but I think it is important for us

to make sure we understand that independent commissions are supposed to be independent. The President certainly has the authority to make appointments. And as you pointed out, he just did. But there is supposed to be a partisan balance to these and those terminations upset that balance from a statutory standpoint.

So you are in the middle of the case. I want to commend you overall in general for a lot of the positions you have taken and I look forward to working with you going forward.

Mr. JOYCE. Thank you. The chair now recognizes the gentlelady from Iowa, Ms. Hinson, for any questions she may have.

Ms. HINSON. Thank you, Mr. Chairman.

Good morning, Mr. Chairman. Thank you so much for coming before our committee to testify and for the great work that you and—you mentioned the incredible staff that you have at the FTC who are keeping American consumers protected. I really appreciate that great work that you are doing. Obviously holding the bad actors accountable and ensuring that we have a system that doesn't burden our small businesses with excessive regulations remains a priority. I am really excited to hear that we share that priority.

One area that I think is a raging example of that is the pharmacy benefit managers. And I know there has already been discussion about that report this morning, but I think people are getting fed up of seeing people profit off of sick Americans and pushing many of these independent pharmacies in small rural communities like many in my district out of business.

And just this week we actually had a fellow Iowan and president of the American Pharmacists Association, Dr. Randy McDonough. He testified in front of Senate Judiciary Committee this week that in Iowa alone 200 pharmacies have closed since 2014. A record 31 pharmacies closed in 2024. I mean those numbers are staggering to me. When we think about access to health care, access to those life-saving drugs, really, really important that we find a solution here.

The FTC obviously released the interim report in January revealing that the big three PBMs impose markups of hundreds of thousands of percentages on numerous specialty generic drugs dispensed at their affiliated pharmacies. So I think we are all trying to wrap our heads around how they have been able to get away with this for this long. Can you talk a little bit about the FTC's plans to not only continue but ultimately complete this study and release that final report?

Mr. FERGUSON. Absolutely. The commission has gotten huge quantities of data from the PBMs and the GPOs, and we are going through it. I think it is very—in my view as I said in my concurrence to the first interim report, it was a bit rushed. The work was not the FTC's best. There were substantial improvement in the second interim report.

My view is that whatever we next produce needs to be a very, very thorough accounting of all the data we have and of all the issues it presents so that legislators here in Congress and in the states and policy makers throughout the Federal Government and the state governments have our full understanding of what is going on in these incredibly complicated markets.

We are devoting a ton of resources to getting this done. I want it done as quickly as possible, but I do not want speed to be the enemy of thoroughness. So we are trying to sort of thread the needle to make it as thorough, comprehensive as possible, which includes interacting with PBMs to hear their side of the story while also making sure that we have a full understanding of what's actually going on in these markets and that you all have it as soon as possible.

We have other PBM matters ongoing. This is all public, but we took Caremark to court in the District of Columbia just a couple months ago because they were refusing to comply with some of our orders in a law enforcement investigation, and we won. They were ordered to comply. That was a significant win, not just for our PBM investigation, for our investigative authority across the board. And we have an ongoing administrative adjudication involving PBMs and insulin. It is difficult for me to talk about that one because I sit as a judge in the course of that proceeding. But this is one of our critical priorities at the FTC because health care is one of our critical priorities.

Everyone participates in health care markets and the prices in health care are going up across the board. And the rate at which people have to use the health care markets is also going up across the board. And I don't think competition is a panacea to the health care cost crisis in this country, but at least the FTC can make sure that everyone is competing within the bounds of the laws that Congress has passed. And that is what we are focused on.

Ms. HINSON. Yes, this is about a level playing field and—

Mr. FERGUSON. That is right.

Ms. HINSON [continuing]. Protecting consumers at the same time. And I think that my—I think all of us policy makers are trying to get to a point where we figure out how did we get here in the first place, right? So I don't know if you have any insight in that when you think about the FTC's job to protect consumers and here we are decades into this experiment with PBMs and we have kind of opened Pandora's box I think.

And to your point about trying to be thorough here, time is of the essence because we are seeing states take action. My own home state of Iowa just passed—they just ended their legislative session I think at like 6:30 this morning, but they just passed Senate File 383. It is one of the most comprehensive state-level PBM reforms in the country. And so I mean do you have any insight on just overall observations on how we got here and why these steps were not being taken along the way?

Mr. FERGUSON. So I have my suspicions, but I don't want to get ahead of the report. I want the FTC's work, having analyzed all the data, to be our definitive statement on this. So if you will permit me, I will let the report when it is ready for release to Congress speak on this.

I also think it is important—I think state and federal legislative action to address the problems that may be posed by PBMs are good. It is always better for the people's representatives to confront the people's problems rather than deferring to the bureaucrats.

I think the report will be very helpful as Congress and the state legislatures are trying to figure out what to do. But I think we

should all welcome legislative action on this because you all understand the needs of your constituents better than anybody else, including their relationships with the PBMs.

Ms. HINSON. Yes. And the need for lower-cost prescription drugs, for sure. Thank you so much, Mr. Chair, for coming. Appreciate it.

Mr. FERGUSON. Thank you.

Ms. HINSON. I yield back.

Mr. JOYCE. Thank you.

The chair now recognizes the gentleman from Wisconsin, Mr. Pocan, for five minutes.

Mr. POCAN. Thank you, Mr. Chairman.

And thank you for being here today. Sorry I missed the opening testimony. We have, you will see Steny here in a second here, battling hearings going on.

One of the things that I think that I really appreciated about Former Chair Lina Khan was keeping the FTC independent. And you have mentioned that a number of times.

In 2023 you testified to the Senate during your confirmation process that if confirmed as an FTC commissioner “I will abide by binding Supreme Court precedent,” and then you went on to cite *Humphrey’s Executor v. United States* as the precedent that you would support. As you know that case upheld the independence of the FTC and specifically limited the President’s ability to remove a commissioner.

While the President has illegally fired two of your fellow commissioners and you went on to publicly support his actions on March 18 you said that, quote, “President Trump is vested with all of the executive power in our government. I have no doubts about his constitutional authority to remove commissioners.” So that is in direct conflict with what you said when you testified before the Senate in 2023.

So what is accurate? What you said when you were under oath in front of the Senate or what you said most recently when Donald Trump broke the law?

Mr. FERGUSON. I am a defendant in that litigation, but I can tell you what the brief said because the brief is filed in my name.

Mr. POCAN. Yes, and I would like to get to three subjects during my time, so—

Mr. FERGUSON. Sure.

Mr. POCAN. Yes, thank you.

Mr. FERGUSON. Sure. *Humphrey’s Executor* is good law. It governs the removal protections for the 1935 FTC. As I am sure you know as well as I do, the 2025 FTC has orders of magnitude more authority than the 1935 FTC. And what the Supreme Court said in 2020 in *Seila Law* is that the *Humphrey’s Executor* exception does not apply to federal agencies that wield substantial executive power.

Mr. POCAN. So the question I had is which was the accurate statement?

Mr. FERGUSON. Both of them are accurate.

Mr. POCAN. Okay.

Mr. FERGUSON. What I said in 2023 is *Humphrey’s Executor* is good law, which is true, as is *Seila Law*. The Supreme Court’s definitive—

Mr. POCAN. Mr. Chairman, I would like to enter into the record just the comments from that Senate hearing just so I can have it entered as well.

[The information follows:]

CHAIR MARIA CANTWELL (D-WA)

The State of Virginia joined an amicus brief in *Illumina, Inc. and Grail, Inc.*, No. 23-60167 (5th Cir.), in which the amici states argued, among other points, that (1) Congress's delegation of authority to the Federal Trade Commission ("FTC") to "pick its forum as between its own administrative law judge and an Article III court[]" is unconstitutional, and (2) the FTC's structure is unconstitutional because FTC commissioners cannot be removed by the President except for cause.

Question 1. Setting aside your participation in the amicus brief, do you believe the FTC's structure is unconstitutional? If yes, why?

If confirmed as an FTC Commissioner, I will abide by binding Supreme Court precedent. The Supreme Court has held that the FTC's removal provisions are consistent with Article II of the Constitution. See *Humphrey's Executor v. United States*, 295 U.S. 602 (1935). Although subsequent decisions have drawn *Humphrey's Executor* into question, see, e.g., *Collins v. Yellen*, 141 S. Ct. 1761 (2021); *Seila Law LLC v. Consumer Financial Protection Bureau*, 140 S. Ct. 2183 (2020), the Supreme Court has instructed time and again that "'it is [the Supreme] Court's prerogative alone to overrule one of its precedents.'" *Bosse v. Oklahoma*, 580 U.S. 1, 3 (2016) (quoting *United States v. Hatter*, 532 U.S. 557, 567 (2001)). The Supreme Court's "decisions remain *binding precedent* until [it] see[s] fit to reconsider them, regardless of whether subsequent cases have raised doubts about their continuing validity." *Hohn v. United States*, 524 U.S. 236, 252–53 (1998).

I note that although the Commonwealth of Virginia joined the amicus brief in *Illumina, Inc. & Grail, Inc. v. FTC*, No. 23-60167 (5th Cir.), I was recused from participating in the Attorney General's decision in that case.

Question 2. Setting aside your participation in the amicus brief, do you believe the FTC's authority to choose to bring an action before its own administrative law judge or an Article III court is an unconstitutional delegation of authority? If yes, why?

If confirmed as an FTC Commissioner, I will abide by binding Supreme Court precedent. The Supreme Court is currently considering whether a similar grant of authority to the SEC violates the nondelegation doctrine. See *Securities Exchange Commission v. Jarkesy*, No. 22-859 (U.S.). The Court's decision in that case could affect the scope of the FTC's Part 3 authority. In any event, the Supreme Court has "stated that 'adjudication of the constitutionality of congressional enactments has generally been thought beyond the jurisdiction of administrative agencies.'" *Elgin v. Department of Treasury*, 567 U.S. 1, 16 (2012) (quoting *Thunder Basin Coal Co. v. Reich*, 510 U.S. 200, 215 (1994)); see also *Axon Enterprise, Inc. v. Federal Trade Commission*, 598 U.S. 175, 190 n.2 (2023) (holding federal courts have jurisdiction to consider constitutional challenges to the structure of the FTC even prior to the conclusion of agency proceedings).

Question 3. Please list each and every action taken by the FTC within the past 5 years that you believe was unconstitutional, in whole or in part.



Office of the Chairman

UNITED STATES OF AMERICA
Federal Trade Commission
WASHINGTON, D.C. 20580

Statement of Chairman Andrew N. Ferguson

March 18, 2025

President Donald J. Trump is the head of the executive branch and is vested with all of the executive power in our government. I have no doubts about his constitutional authority to remove Commissioners, which is necessary to ensure democratic accountability for our government. The Federal Trade Commission will continue its tireless work to protect consumers, lower prices, and police anticompetitive behavior.

I wish Commissioners Slaughter and Bedoya well, and I thank them for their service.

A handwritten signature in black ink, appearing to read "Andrew N. Ferguson".

Andrew N. Ferguson
Chairman, Federal Trade Commission

Mr. JOYCE. Without objection.

Mr. POCAN. Thank you very much.

Okay. So hopefully we can get two more subjects—two—I am going to do it fast as I can. I apologize.

Last year the FTC uncovered in the proposed merger between ExxonMobil and Pioneer Natural Resources Pioneer's CEO Scott Sheffield conspired with a foreign entity, OPEC, to raise gas prices for Americans. This price fixing likely cost consumers 2 to \$4,000, it has been estimated, in 2021. After learning of this illegal scheme the FTC allowed the Exxon Pioneer merger but prohibited Sheffield from serving on the board or advising the new company in any way, rightfully so.

In March after donating massive amounts to President Trump's election campaign Mr. Sheffield asked the FTC under your leadership to reopen and alter, modify, or set aside the orders against him. Unfortunately it seems that that has been reopened at this point obliging to his request. I know that the commission just wrapped up a public comment period on this which I had submitted a letter of opposition to that.

Could you please let us know how allowing an alleged price fixer who actively colluded with a foreign entity, OPEC, should be put on the board of Exxon and how that aligns with the FTC's mission of protecting consumers and promoting competition?

Mr. FERGUSON. I dissented from both of those orders dating back to May 2024. We did not—first of all, we did not proceed on the basis of evidence of price fixing. We accused him of making comments, and that was it, number one.

And number two, I don't care if Mr. Sheffield ever serves on that board. I do care that the FTC rigidly follows the law, including Section 7. We had never articulated a Section 7 theory of that kind before. We had never issued an order of that kind before. And my concern remains that it was done in response to dozens of letters from Democratic legislators filed with the commission while we were considering that merger and that it was politically motivated. I want the FTC to follow the law.

And to be clear, I didn't reopen the proceeding. The APA requires that I reopen the proceeding if I am asked to do that.

Mr. POCAN. And again, I think it would run counter to what both you said and what Donald Trump has said about lowering costs. So hopefully we won't allow this guy who has colluded with hundreds of messages to a foreign entity to get on a board and rip off consumers ever again.

Lastly, in 30 seconds, really quick, in an area I don't know if you have ever covered, but checking in. Medicare Advantage Plans. Four companies represent something like 75, 80-percent of the market out there. One of the complaints I think we all get from constituents are people have to get permission to have medical care. And you don't have to do that with Medicare. They get turned down. When those are appealed, only 1 to 3 percent appeal, the appeal rate gets overturned as 85 percent. That is clearly—like they are turning down so many cases that need coverage.

Is that something that potentially you guys could look at? Because again, a few companies seem to be—there is consolidation of

the market. And when that rate is so high, 85 percent, I would love to know what your thoughts are on that.

Mr. FERGUSON. I am not familiar with the issue, but I would be more than happy—

Mr. POCAN. Okay.

Mr. FERGUSON [continuing]. To work with you on it. Your staff should reach out to my staff. And we are happy to talk with you about this.

Mr. POCAN. Appreciate that. Thank you very much.

Mr. FERGUSON. Absolutely. Thank you.

Mr. JOYCE. Thank you. The chair now recognizes the gentleman from North Carolina, Mr. Edwards, for questions he may have.

Mr. EDWARDS. Thank you, Mr. Chair.

Chairman Ferguson, in 2019 the HCA Healthcare, the country's largest investor-owned for-profit hospital chain acquired western North Carolina's Mission Health for \$1.5 billion. My constituents in western North Carolina were promised that this acquisition would result in lower patient costs, but after the merger prices rose higher than the average list prices of the 11 neighboring hospitals and annual markup prices nearly doubled to an average of 33 percentage points a year.

Patients have also experienced a lower quality of health care with a Centers for Medicare and Medicaid Services report finding that at least three patients died and more were endangered at the merged hospital in 2022 and 2023 due to significant wait times, delays, negligence, and lapse of care. Despite this significant decline in quality of care, Mission's patient care profits were almost 100 million in 2022, 3 times higher than its profits the year before the acquisition.

Chairman Ferguson, in our previous meeting you expressed similar concerns regarding the increasing prices of health care in rural areas as a result of private entity roll-ups and mergers. During your tenure as FTC chairman what actions can and will you take to protect competition within the health care industry?

Mr. FERGUSON. I enjoyed our discussion, Congressman Edwards.

As we discussed, and as I discussed going back to my confirmation hearing, rural health care, in particular, is super important to me. I grew up rural and saw a company come in and buy up a lot of physician practices. And so, I have seen the effects of it.

The Commission has a pretty remarkable track record of policing hospital mergers. We don't get them all right, but it is one of the things the Commission is better at than almost anybody, anything else that it does.

I know you have asked for a briefing on the HCA merger. I think we have set it up with you.

In terms of what we can do, the Commission's first antitrust enforcement action since I became chair was in the health care industry. It was to block a merger of two medical device manufacturers that we allege would have increased prices.

We have ongoing litigation involving PBMs. We have the PBM report. And I think continuing to make sure—we have also advocated against Certificates of Public Advantage in states that allow hospital—

Mr. EDWARDS. So, in the interest of time, respectfully—

Mr. FERGUSON. Sure.

Mr. EDWARDS [continuing]. He is only going to give me five minutes. But what can you do going forward to ensure that rural health care in America is protected?

Mr. FERGUSON. We will continue to police hospital mergers as effectively as we have done for the last two decades.

Mr. EDWARDS. All right. How can you use your role as a federal regulator now to review the HCA and Mission health care merger and to take the necessary actions to reverse it, if you determine that it has inhibited competition within the health care industry in western North Carolina?

Mr. FERGUSON. The Commission doesn't approve mergers. If the Commission declines an enforcement action, it isn't approval. So, the Commission always continues to monitor competitive effects in markets, even after there are mergers that are not blocked.

But I'm happy to work with you and your staff, and my staff are as well, to understand the effects that the mergers had on rural North Carolina.

Mr. EDWARDS. Again, thank you. I appreciate that.

And in the interest of time, I'm going to accept that offer and let's work together.

Now, I would like to ask—I'm informed that you may intend to file an amicus brief in a Texas attorney general's case that would, if successful, cause asset managers to divest from the coal industry. Can you speak to that real quick? Is that true?

Mr. FERGUSON. So, the State of Texas, along with a coalition of Republican attorneys general, brought a lawsuit against asset managers and accused them of having driven up the price of energy by driving down output in coal and oil, which, if true, is sort of a shocking, horrible thing that has been inflicted on all of us by driving up our energy prices.

We have monitored—us and the Department of Justice have monitored this case closely. I think this was an important and groundbreaking case brought by Attorney General Paxton, and if true, could potentially remedy increasing energy prices by making sure that asset managers can't collude to drive down output and increase prices.

Mr. EDWARDS. And so, real quick—because I'm running out of time—how does that support President Trump's energy policy?

Mr. FERGUSON. President Trump has made it one of his chief priorities to unleash American energy, so that prices for energy go down, which promotes growth, makes it easier for all of us to put gas in our cars.

The accusation in that case is that asset managers were colluding in secret to drive up our energy prices. That is exactly the sort of thing the antitrust laws are designed to protect all Americans from. And we have monitored this case very closely.

Mr. EDWARDS. Thank you.

Mr. Chair, I must yield. I'm out of time.

Mr. JOYCE. Thank you, Mr. Edwards.

The chair now recognizes the ranking member for any questions he may have in five minutes.

Mr. HOYER. Thank you very much, Chair. Mr. Pocan and I are playing tag team here.

Chair Ferguson, I'm concerned in this committee's ability to fund the departments and agencies in our bill, including the FTC. But I want to ask you about the staffing levels.

The FTC is already down, as I understand it, 1,221 FTEs. Is that accurate?

Mr. FERGUSON. I do believe that is our current number, yes, sir.

Mr. HOYER. Okay. And there's a goal to go even lower. Is that accurate?

Mr. FERGUSON. We are trying—

Mr. HOYER. In other words, you are still trying to reduce—

Mr. FERGUSON. We are trying to get our employee levels down to a level we can actually afford, given our current appropriation, yes.

Mr. HOYER. And what level is that?

Mr. FERGUSON. Because this is largely being driven by attrition, rather than layoffs, it is difficult to predict exactly where it is going, but we are trying to get down around the 1100 range.

Mr. HOYER. When you say, "attrition," are you calling the Fork in the Road and voluntary retirements "attrition"?

Mr. FERGUSON. Yes. When I inherited the agency, it was very clear that we had more employees than we could possibly afford. We were using carryover funds to pay our employees. That is not sustainable. That is not responsible.

But I wanted to get the agency to healthy employee levels without having to do layoffs. And so, we have offered the deferred resignation program again. We have offered VERA and VSIP across the entire agency to try to get us to a healthy full-time employee level without having to do layoffs.

Mr. HOYER. Now, has there been a study done on what the appropriate level—when you say, "healthy level," presumably—and as I said at the beginning—I don't know that I have read a more detailed opening statement, and as I said, fully noted at the bottom of almost every page.

So, you have done a lot of studies. But is there a study that you could provide for the committee which says what the appropriate level of funding is to meet the very numerous objectives that you have outlined in your statement that you want to achieve?

Mr. FERGUSON. I can't identify a study, but what I can say is that the levels that this committee chooses to fund us, we will maximize the American taxpayers' return on investment. We consistently send back to the Treasury and to consumers billions of dollars, either in the form of lower prices or recovered unjust enrichment from fraud. And no matter what this committee funds us at, we will keep doing that, which is just a testament to the fact that the FTC has, in my view, the best civilian staff in the federal government.

The appropriate healthy funding or level of employees is driven by funding decisions this committee makes, but whatever funding decisions this committee makes, we will maximize your return on investment.

Mr. HOYER. Well, we made a decision. We made a decision for fiscal year 2024. We reaffirmed that in fiscal year 2025 in the CR. And now, you are—every one of them was offered early out and to be paid through September 30th, every one of your employees,

which you have just said are outstanding. And you said that in your statement, which I appreciate.

I represent, by the way, 77,000 federal employees. So, I appreciate that statement, which I think is accurate. Why did we send every one of those people—because, clearly, some of them must be necessary to accomplishment the objectives you set forth in your statement—a notice you can leave and get paid through September 30th?

Mr. FERGUSON. Because we could not afford to pay all of our employees at the levels Congress had appropriated us. The previous administration hired radically more people than we could afford to pay, and we were eating into carryover funds just to cover payroll, which is a deeply irresponsible way to run an agency. My goal was—and it remains—to get the agency to healthy employee levels, in light of the money that Congress appropriated the agency.

Mr. HOYER. Let me repeat my question: what is the healthy level?

Mr. FERGUSON. The healthy level is what we are aiming for, which is in the——

Mr. HOYER. No, no, no, no, no. I know that is what you are aiming for. So, that is your objective. What is a healthy level? Given the very important work that you outlined in your statement, what is the level that you recommend you should have?

Mr. FERGUSON. The——

Mr. HOYER. Comport with your dollars available to you and the work that you have.

Mr. FERGUSON. So, in light of the dollars available to me, the number we have been discussing, around 1,100, is the healthy level, because that is the affordable level.

In terms of accomplishing our mission, we can accomplish the mission with 1,100 employees; I have no doubt about it, because our people are really, really good. We have shifted our priorities, especially, away from rulemaking, which is time- and resource-intensive, back toward law enforcement, and are moving resources in that way. And that is the priority of this administration. It is my priority and we have the employees to do that.

Mr. HOYER. Okay. And your request is an FTE level of 1,100, to be funded to 1,100? Is that your request?

Mr. FERGUSON. So, given the current status——

Mr. HOYER. I know we have a “skinny budget” at this point in time.

Mr. FERGUSON. Yes.

Mr. HOYER. So, you may or may not be able to——

Mr. FERGUSON. So, I am not in a position to discuss the specifics, but what I am saying is 1,100 is healthy, given the current CR funding level, and we will get the job done, period.

Mr. HOYER. Okay. Well, I’m a little over time. I’m not sure what you mean “given the current funding level.” What I really want to know—and maybe you can do it for the record—is, what level do you think you need to accomplish the objectives you set forth in your statement?

Thank you, Mr. Chairman.

Mr. JOYCE. You will have another round, too.

Mr. HOYER. Oh, good.

Mr. JOYCE. The chair now recognizes the gentleman from Georgia, Mr. Bishop, for five minutes of his questions.

Mr. BISHOP. Thank you very much, Mr. Chairman.

Welcome, Chairman Ferguson.

I have been hearing from my constituents numerous complaints about the practices of the Pharmacy Benefit Managers, which they say are driving up the prices of drugs, making it harder for small, independent farmers to just stay open, particularly in rural areas where pharmacies are fewer and farther between.

Over the past couple of decades, the FTC has allowed vertical integrations within health care, leaving only a few companies that not only own PBMs, but also own pharmacies and other health care facilities. These big companies have become powerful and they often threaten small independents with contract termination if they don't conform to reinvestment models and rules. So, I'm very pleased that the FTC has taken action to enforce the law on it and to address the PBM excesses.

Does the FTC, in your judgment, have sufficient resources and will this budget give you sufficient resources to address what appears to be a large issue for the affordability of prescription drugs?

Mr. FERGUSON. I agree with you, especially on the concern about PBMs in rural communities. Just a couple of months ago, I went and visited a decades-old independent pharmacy in rural central Virginia very near where I grew up, and sat with the owner for about an hour and just listened to him explain the situation in which he finds himself.

And independent pharmacies are super important to small towns. If you drive down the main street of a small town, post office, church, a restaurant or two, and the pharmacy. And independent pharmacies, in particular, for rural communities, that is often the gateway to health care. The pharmacist often participates in an individual citizen's health care decisions. So, protecting independent pharmacies is critically important.

Mr. BISHOP. Yes.

Mr. FERGUSON. As I discussed earlier, we have the ongoing 6(b) study, to which I'm devoting substantial resources, as well as law enforcement. We have the resources to complete the 6(b) study. We have the resources to carry on law enforcement. Part of that has to do with shifting resources away from rulemaking, which I don't think the FTC should generally be focusing—

Mr. BISHOP. But you also engaged in litigation.

Mr. FERGUSON. That's right.

Mr. BISHOP. And, of course, I know you can't discuss the specifics of the litigation, but are you actively pursuing that litigation to make sure that—

Mr. FERGUSON. Absolutely, Congressman.

Mr. BISHOP. Okay. Thank you very much on that.

Let me try to reclaim my time and talk about our grocers and our pharmacies. Under the helm of Chairman Khan, the FTC filed the first Robinson-Patman Act enforcement action in decades. And I have heard from independent grocers in my district that have had a hard time competing in rural environments because of the spending power of their bigger competition. In far too many cases, the grocery stores have had to close because of a lack of profitability,

leaving behind broad swaths of food deserts in rural America. And 50 percent of my district is rural.

Can you give me an update on the FTC's enforcement of the Robinson-Patman Act and what future plans you have for enforcement of this federal law, and whether or not within the sphere of what you are asking for resources you will have those?

Mr. FERGUSON. So, we have two ongoing litigations, and I can't, obviously, discuss the specifics of the litigation. I have written pretty extensively on the Robinson-Patman Act as a minority commissioner. I think that the decision that the government made in the 1970s to quit enforcing it was bad. It is a law. It is a law passed by Congress. The executive branch's job is to enforce the laws passed by Congress, even if there isn't full agreement on the policy underlying those laws.

I do think, however, it is very important that, when the FTC brings Robinson-Patman Act enforcement actions, that it doesn't do it in a way that could elevate the cost that consumers have to pay for goods, which is a risk when you bring Robinson-Patman enforcement cases.

And so, my view is that the Commission should not bring Robinson-Patman Act cases unless we know that the beneficiaries of the discrimination have market power that they can use to hurt consumers. I think that is the time that the Commission should bring Robinson-Patman Act cases.

So, because my job is to enforce laws that this body has passed, I am open to bringing Robinson-Patman Act cases. But, like I said in a previous dissent, we have to do it only in circumstances where we are very confident we will not be raising prices for consumers.

Mr. BISHOP. So, you are that confident that that is the case now?

Mr. FERGUSON. Well, I think it depends on particular markets and particular market participants. I'm open to bringing these cases. I'm open to using resources. But I am not going to bring cases unless I am very confident that that case will not increase the prices that consumers have to pay in the marketplace.

Mr. BISHOP. Now, there are some pending cases.

Mr. FERGUSON. Yes. We have got two going right now.

Mr. BISHOP. Okay.

Mr. JOYCE. Thank you, Mr. Bishop.

The chair will now recognize himself for the second round of that.

Congress recently passed the bipartisan TAKE IT DOWN Act, which I was proud to support, requiring online platforms to remove non-consensual intimate images within 48 hours of a victim's request. The legislation tasks the FTC with ensuring that platforms comply with the law.

What additional resources will be required by the Commission to enforce the TAKE IT DOWN Act?

Mr. FERGUSON. We are really excited by the TAKE IT DOWN Act. This is one of President Trump's priorities. We think it is going to do a lot of good for vulnerable Americans.

This is a new fount of enforcement authority for the FTC. It involves dealing with some oftentimes really horrible material in order to conduct the investigation. So, I think we, basically, need three things.

The first is I'm going to need a segregated technology system to house this material when we are conducting investigations. We are not going to want that intermingled with the other bread-and-butter data that the Commission brings on to conduct investigations.

And second, I'm going to need to hire some specialist investigators that deal with this stuff. Dealing with this stuff takes a real psychological toll on investigators, but there are investigators and lawyers that have training dealing with this stuff, as prosecutors or as civil investigators in other contexts. And we would want to bring some of those folks on to maximize our enforcement efforts.

So, those are the two buckets—three—specialist investigators and specialist lawyers to help enforce these things. Those are the three buckets: segregated IT, specialist investigators, specialist lawyers.

And I would love to work with you on making sure that we will have the resources to carry out this super important priority.

Mr. JOYCE. As a recovering prosecutor, I understand how important it is to also maintain that as evidence——

Mr. FERGUSON. Yes, exactly.

Mr. JOYCE [continuing]. In these cases.

Mr. FERGUSON. That's right.

Mr. JOYCE. And certainly, one of the most shocking things you saw was in, say, the middle school, junior high school setting, or high school, where images get shot around and kids send them to each other. The next thing you know, you have 800 counts on 800 separate people for that type of juvenile photography.

So, I think it is very important that they have the ability, you have the ability to make sure that stops immediately.

Mr. FERGUSON. I totally agree. And because some of this material will potentially be CSAM, it is really important that it is segregated from everything else that we do and that we have specialists that know how to deal with it.

Mr. JOYCE. Advances in artificial intelligence have increased the ability of scammers, unfortunately, to deceive and defraud customers. How have you seen the fraudulent schemes become more sophisticated and what are you doing to protect consumers from it?

Mr. FERGUSON. Yes. So, I think AI can be used, particularly, for certain types of schemes to sort of supercharge the fraud. AI makes it easier to impersonate someone else. It is actually, frankly, quite terrifying. I don't know if anyone on this committee has ever gotten a call, like an impersonated loved one, but I have friends that have gotten calls from impersonated family members. It is a truly terrifying experience.

So, we have the Impersonation Rule that we are bringing enforcement actions on to recover civil penalties for violations of this.

We had a competition that we ran last year to encourage people to develop voice-cloning technology that will allow law enforcers to detect when AI is being used to perform impersonations.

This is going to require a whole-of-government approach, because we have to both stop it before it gets to the consumer through their phone, but we also have to work because a lot of this is criminal activity. You need prosecutors to assist. A lot of this comes from outside of the United States. These are people who are not going to be super responsive to the civil law enforcement component of

the FTC, since they are already taking tremendous criminal risks outside of the United States to do this.

But this is one of our top priorities, particularly given that this is often aimed at some of our most vulnerable populations.

Mr. JOYCE. Like there are not enough schemes targeted at these elderly individuals.

Mr. FERGUSON. That is exactly right.

Mr. JOYCE. One of the things that I'm interested in as well is I know it was used in the form of manipulating President Biden's voice to tell voters in a state not to come in the next day for the primary. In my time in Homeland, I attended a lot of cybersecurity ones, and they said that that was the start. In 2028, you could produce the whole candidate and somebody would never have to leave their house. Yet, there would be images of them all around.

So, what I also have a concern with, competition and consolidation in this industry, so you don't end up with just one sole source of this stuff. Do you have any thoughts on how you would prevent that from happening?

Mr. FERGUSON. Yes. I agree. I mean, the United States is the AI leader right now. And part of that is because we have a competitive, dynamic economy, and competition breeds innovation, and innovation is what gives us AI. And it is what gives us our advantage over China, for example, because we are competitive, and competition breeds innovation.

It is very important that the FTC be particularly vigilant to make sure competition problems don't seep into AI. At the same time, the other advantage that the United States has is that we don't reflexively regulate new technologies. We let them develop. We encourage innovation. We encourage experimentation. We see how things go, and then, we address problems as they arise.

I think that is equally important. Protecting competition in this space is important. Equally important is making sure that government regulators don't intervene too early, particularly with a technology that is transforming constantly, faster than even its engineers can predict.

We don't want regulators coming in heavy-handed. By the time they even figure out what is going on, it will have changed. I think it is very important that that American entrepreneurial spirit be protected, both from anticompetitive consolidation and from government overregulation.

Mr. JOYCE. Thank you.

The chair will now recognize the ranking member for additional questions.

Mr. HOYER. Thank you very much.

Mr. Chairman, you were appointed a year ago?

Mr. FERGUSON. A little over, yes.

Mr. HOYER. A little over a year ago.

Do you believe that the commissioners are at-will commissioners?

Mr. FERGUSON. I believe that Article II of the Constitution gives the President the authority to remove commissioners at will, yes—at the FTC in 2025.

Mr. HOYER. So, you believe all the commissioners are at-will?

Mr. FERGUSON. I believe that the commissioners at the 2025 FTC are removable by the President, yes.

Mr. HOYER. Okay. Well, we disagree on your conclusion, which is usual for lawyers. If in one of your dissents Mr. Biden had sent you a note saying, "We find your continued service on the FTC to be inconsistent with my administration priorities," wouldn't that compromise the independence? Wouldn't that compromise your decision-making? Wouldn't you be thinking, is the President going to like my decision here, if I'm in the minority and I can just be fired? Doesn't that compromise the independence and independent judgment of each and every one of the commissioners?

Mr. FERGUSON. When I took the oath of office as a minority commissioner in 2024, that oath obliged me to enforce the law without fear or favor. If the President of the United States concludes that my law enforcement decision is incorrect and orders me removed, that is what democratic accountability looks like.

No one voted for me. No one elected me. And they did elect the President and they put the President in charge of the entire executive branch. And I think in a democracy it is critically important that everyone who wields substantial power over the lives of members of that democracy is accountable back to the people. And the only way we are accountable to the people is through their elected President. So, I think that that chain of accountability is critical for making democracy work.

Mr. HOYER. I think that is very critical in undermining the independence and independent judgment of agencies created by the Congress to be independent. In fact, you are quoted as saying you thought the best thing to do was to reach consensus, and that is why the Congress created bipartisan bodies, as opposed to three Republicans or three Democrats.

Your opinion, of course, mirrors Mr. Vought's opinion and the President's opinion, who believe that almost every employee in the federal government ought to be at-will employees, which would compromise the civil service system very substantially and create a political service, not a civil service.

I want to ask you about the cases that are pending. Let me say something on your comment on China. China is now outcompeting us in a number of ways and that is of great concern to all of us, I think, where China has become No. 1 in a number of different economic categories.

I share the President's view and I share the view that we pursued by investing in competitive ability in the 117th Congress with a number of pieces of legislation that I mentioned in my opening statement.

So, I would hope that, again, on that 1,100 that you talked about, that that is a number consistent not with Mr. Musk, "I'm going to cut \$2 trillion," which was, of course, an absurd statement within the context of getting to an objective and keeping competitive with the rest of the world, and keeping our country safe and keeping our people safe.

Let me close by calling to your attention a statement that was made totally inconsistent with the statement you made, with which I agree. This statement is, "We want the bureaucrats to be traumatically affected. When they wake up in the morning, we want them not to go to work because they are increasingly viewed as villains. We want to put them in trauma."

Do you know who said that statement?

Mr. FERGUSON. I don't.

Mr. HOYER. Russell Vought, the Director of OMB.

Do you share that view?

Mr. FERGUSON. My view is that the FTC has an important mission to do; that it has to conduct that mission consistently with the President's priorities and with the budget that this Congress has given it. And that is what I wake up every day trying to do. I know it is what my staff wakes up every day trying to do. I know it is what my colleagues, Mr. Meador, or Commissioner Meador and Commissioner Holyoak wake up every day trying to do. And that is what I am focused on.

Mr. HOYER. Can I correctly interpret that as a no?

Mr. FERGUSON. I'm focused on protecting the American consumer from monopoly and fraud. You can interpret it that way.

Mr. HOYER. So, yes, I can interpret it as a no?

Mr. FERGUSON. You can interpret—I am focused on protecting Americans from monopolies and fraud.

Mr. HOYER. You don't want to say that you disagree with Vought. I understand.

Mr. FERGUSON. I have not heard this statement before, so have no position on it. All I know is what I am focused on.

Mr. HOYER. Okay. Well, forgetting that, who it is for, you disagree with that statement?

Mr. FERGUSON. I have no position on the statement. I am focused on the FTC's mission of protecting Americans from monopolies and fraud.

Mr. JOYCE. The chair now recognizes—

Mr. HOYER. I might as well yield.

Mr. JOYCE. The chair now recognizes the gentlelady from Iowa, Mrs. Hinson, for further questions.

Mrs. HINSON. Thank you, Mr. Chairman.

And, Chairman Ferguson, again, I want to reiterate I appreciate the agency's focus on accountability.

Again coming back into the focus here, you mentioned in your opening statement, you know, the two-year hiring spree that was, quote, "taking the FTC to levels that they couldn't sustain." We have to right that ship. Many agencies saw increases over the last several years of more than 30 percent. That is unsustainable. So, I appreciate the work you are doing to right-size the agency while still executing on the priorities at FTC.

You talk about the contract spending reductions, \$6 million. I'm sure that is just kind of scratching the surface, right? In all of these hearings, I think there is one common theme. It is that we are peeling back the layers of this onion and finally getting a look at all of the waste, the duplicative nature of some of these agencies and their budgets. And we, as appropriators, need to do our job. So, I appreciate you coming before us today to answer some of these questions.

And under the previous FTC chair, obviously, we saw this hiring spree happen. We saw Chair Khan aggressively work to regulate American businesses while claiming that she was protecting competition and consumers.

So again, you talk about your refocus away from rulemaking and back on protection. Can you share with the committee some of the lessons you really learned from the previous administration and the impacts of those regulatory burdens on small businesses, farmers, working families like those you visited in rural Virginia recently.

Mr. FERGUSON. Yes. My experience over the course of my whole career is that even well-intentioned regulation tends to have unanticipated effects, and those effects are normally visited on the least powerful participants in an industry, which is normally small and medium-sized businesses.

Big businesses can afford to lobby regulators and lawmakers to get the outcomes that they want in a way that small and medium-sized businesses cannot. And there is always a risk with regulation that regulation will be used to insulate monopolies or to create monopolies, but it is hard to predict, when a well-intentioned regulation is going to do that.

I think that the benefit of the way that the antitrust laws work is that the principal motivation is don't harm consumers and workers in the marketplace. Free markets are good. They work. Don't, within the free market structure, harm consumers to gain an advantage.

And our job is to make sure that isn't happening. We are not central planners. We don't do industrial policy. Our job is to let the markets work by making sure that people within them aren't cheating by harming consumers to get a leg up.

And I think that that sort of flexible, general approach, backed by rigorous investigation and law enforcement, rather than trying to pick winners and losers through regulation, is the way that we keep America competitive. It is the way we keep our dynamic and it is the way that we achieve growth that benefits everyone, especially workers.

Mrs. HINSON. You mentioned earlier in this hearing that you had a mechanism for people to kind of self-report. And one of the frequent things that I try to talk to our small businesses about is, "Give me a list." Right? "Give me a list of the regulations." Everybody says, "I need regulatory relief." "Give me a list of what's holding you back."

What is that mechanism? And obviously, it is designed to make sure that we can deregulate as much as possible. And then, can you, again, give me kind of a scope of what the next steps that you are taking in terms of presenting that information to the administration?

Mr. FERGUSON. Yes. There is a place on our website that you can go. You just fill out a form; identify what you think the regulation that is anticompetitive is. Give a brief explanation why. And then, it shows up in our team's inbox and they are ready to go on it.

I encourage Congress to do this, too. Again, you all interact with your constituents in a close, personal way. You hear from your individual small businesses about what is holding them back.

I have had similar conversations where I have had people come in and say, "You really need to go after anticompetitive regulations." And I will say, "I agree. Can you give me the list?" And they will go, "Oh, well, no, the list is"——

Mrs. HINSON. Yes, be specific, right?

Mr. FERGUSON. Yes, exactly.

Mrs. HINSON. Yes, yes. Yes.

Mr. FERGUSON. Yes. So, I encourage Congress, if you all hear from your constituents, let us know what they are, too. We have asked the agency heads, consistent with the President's Executive Order, to do the same thing.

Once the Request for Information, which is the one the public can use on our website, and the agency responses are in, we will be going through them proposed-reg-by-proposed-reg and determining if they are anticompetitive, and if they are, either proposing shrinking them down to size, so that they are protecting whatever they are supposed to protect without damaging competition, or recommending that they be deleted entirely because there is no way to save them while still promoting competition.

Mrs. HINSON. Is there a certain timeframe that you are looking at? And I'm almost out of time. A certain timeframe you are looking at getting some of these feedback in, so that you can, No. 1, work through the process, because I know it will take some time to figure out what is actually anticompetitive versus what people just don't want to comply with. Right?

Mr. FERGUSON. Yes.

Mrs. HINSON. I mean, I think there is probably a balance—

Mr. FERGUSON. That's right.

Mrs. HINSON. There is definitely a balance to be had there. But is there any kind of timeline that you are looking at?

Mr. FERGUSON. The RFI closes in a couple of months, and agency response are due to us on a rolling basis. So, once we have those in—we are building the team with the Department of Justice, who has a lot of resources, that will work alongside us on this, just like the President ordered.

You know, I don't know exactly when the outcome or when our product will be made available, because at this point I don't know how many regulations we are going to be asked to review. But we will have an army of economists and lawyers ready to go, to dig into these things; to find the ones that are anticompetitive, and go back to OMB and the President and say, "Here's the list we recommend getting rid of."

Mrs. HINSON. I'm sure Iowa business owners have some glaring examples they will be happy to submit. So, thank you so much.

Mr. FERGUSON. I look forward to hearing about them. Thank you.

Mrs. HINSON. Thank you so much, Chairman. I yield back.

Mr. JOYCE. The chair now recognizes the gentleman from Maryland for any further questions he may have for five minutes.

Mr. IVEY. Thank you, Mr. Chairman. I did want to follow up on the ranking member's questions about the at-will issue.

So, I mentioned in my initial round your statement, the March 18th statement, and that it didn't contain the language with respect to "inefficiency, neglect of duty, or malfeasance in office," which comes from 15 U.S.C. Section 41 of—I guess that is the Federal Trade Commission Act.

But I think, if I am hearing what your answer was, the reason you didn't include it is because you think the language is super-

seded. In other words, that Article II makes it unnecessary. So that the President can fire without regard to that statute?

Mr. FERGUSON. That's right, Congressman Ivey. After the Supreme Court's decision in *Seila Law* in 2020, that said that Humphrey's Executor does not apply to agencies that wield substantial executive authority, whatever was true of the FTC in 1935 is just not true of the 2025 FTC. We are one of the most powerful agencies in the federal government. We have rulemaking authority, law enforcement authority, investigative power. After *Seila Law* in 2020, Article II requires that the President be authorized to remove them at will.

Mr. IVEY. Okay. And that is going to be, I guess, a central issue in the litigation that you are a defendant in?

Mr. FERGUSON. That's right, Congressman.

Mr. IVEY. All right. And would it be also your view, beyond this particular with respect to the FTC, that that is true for all independent commissions at the federal level?

Mr. FERGUSON. The only one I have a position on, because it is the only one that I have studied myself, as a defendant in the litigation and as the agency head, is the FTC. Different agencies are different. They have different historical patterns.

Mr. IVEY. And there is nothing Congress could do about it, I guess, based on the statement you are making. Because any statute we pass along the lines of 15 U.S.C. 41 would only be a statute, and you are saying there is a constitutional ability for the President to fire any one of these commissioners at will, at any time, regardless of what Congress says?

Mr. FERGUSON. So, not quite. And I don't mean to quibble, but what the Supreme Court said in 2020 in *Seila Law* is Congress cannot insulate from removal agency heads at agencies that, quote, "wield substantial executive power"——

Mr. IVEY. I got you. I got you. But given your conclusion that this agency wields that kind of authority, short of us stripping the FTC of certain levels of authority, there's nothing Congress could do to protect commissioners from at-will or even arbitrary termination?

Mr. FERGUSON. At the FTC, yes. And I do want to be clear. My former colleagues in their brief have said that, if they agree with the President's and my position on *Seila Law*, they have asked the Court to hold unconstitutional statutes that this body passed after 1935——

Mr. IVEY. Okay. Fair enough.

Mr. FERGUSON [continuing]. Which is a shocking thing to say.

Mr. IVEY. Fair enough.

I want to go quickly to the chairman's question with respect to the TAKE IT DOWN Act and, well, your comments about that, and AI fraud and impersonation issues, which are of deep concern to me.

But I wanted to see if I could get you to talk about that in the context of another statement you made, which was that you want to shift from rulemaking to enforcement. And I want to make sure I understand what you mean by that, because sort of two points.

One is, with new statutes or new areas, in my view, rulemaking could be very important in trying to get ahead of the curve on these things, especially since technology evolves so quickly. You know, to

the extent we are trying to legislate to address every sort of technological change, that is going to be impossible.

And then, the other part with respect to the rulemaking piece, I have heard from business owners that they actually are—they get concerned about the enforcement component. Because in order for them to find out what is permissible and what is not, they have to get rapped on the nose through a litigation process; whereas, if there is a rulemaking process that gives them guidance, even if they don't necessarily like the outcome of what the rulemaking process is, at least they don't have to litigate it. And as we know, the litigation piece can take years, potentially, in some of these circumstances.

So, real quick—I only have 36 seconds left—if you could walk through some of that for me, with the rulemaking piece, in particular? Are you moving away entirely from rulemaking or just trying to hedge it back to some extent?

Mr. FERGUSON. When Congress directly instructs the Commission to adopt a rule, like it did, for example, in the Children's Online Privacy Protection Act, the Commission will adopt rules where we are expressly ordered to.

A lot of the rulemaking over the last four years were rules on Section 5, just general—our general antifraud, anti-unfairness statute. My position is that we protect consumers most when we take bad actors to court and win judgments—more than spending several years writing a rule, preparing it for release, and then, defending that rule in court.

For example, the Non-Compete Rule has literally never gone into effect because it was enjoined after its adoption. We could have been using those resources to bring non-compete cases rather than the rule. My view is, rather than the—

Mr. IVEY. I'm over time. But, real quick, so with respect to the TAKE IT DOWN Act and the AI fraud impersonation legislation, you are onboard for aggressive rulemaking with respect to those two, so that they can be enforced and protect the public?

Mr. FERGUSON. So, the TAKE IT DOWN Act would not require a rule. The second it becomes effective, we can start enforcing the requirement to abide by takedown notices. That would require a rule and we will—assuming that we have the resources available, that will be one of my top priorities.

And that is what I mean by enforcement. When Congress passes a law that says to people in the marketplace, "Don't do X," if someone does X, I would rather spend resources taking those people to court than writing a rule about it.

Mr. IVEY. Thank you.

Mr. JOYCE. Thank you.

The chair now recognizes the gentleman from Missouri, Mr. Alford, for any questions he may have.

Mr. ALFORD. Thank you, Chairman Joyce, and thank you to my friend, Ranking Member Hoyer, for holding this important hearing today.

Good to see you again. You were in our office, I think, last week, Chairman Ferguson. I am excited that you are leading the FTC.

In your opening remarks, you mentioned how the Trump-Vance FTC has gone back to the agency roots; namely, enforcement of the law, which is a good thing.

While I commend you for your realization that the power to write laws is and should remain right here in Congress, there are still actions that the previous chairman or chairwoman took to go beyond the agency's authority.

I have serious concerns about the so-called independent agencies usurping lawmaking authority from Congress. Chair Ferguson, can you comment on the CARS Rule, please?

Mr. FERGUSON. The CARS Rule was adopted. It was vacated, and the period to seek cert has long since run. So, it is not effective, and at least as of the day that we are sitting here, I currently have no plans to take up the rulemaking again.

Mr. ALFORD. Very good. I was a proud supporter of the TAKE IT DOWN Act, which passed Congress last month. In a follow-up to my friend Mr. Ivey's question with you regarding that, this Act would require the FTC to enforce notice and removal requirements for non-consensual intimate visual depictions.

So, you talked about resources. Going forward, you are going to enforce this. You don't need a rule to do this. What resources do you have to make sure that this happens?

Mr. FERGUSON. So, what we need are—we need segregated IT systems. A lot of this material is truly disgusting stuff. Some of it will be CSAM. We don't want that intermingled with the rest of our data infrastructure.

And then, we will need specialist investigators and lawyers who can deal with this often truly horrifying material.

Mr. ALFORD. Is that going to be an investment from the taxpayers?

Mr. FERGUSON. So, given the current status of the budget and the skinny budget, I'm not in a position to discuss specific numbers, although I am happy to have my staff discuss that with you directly offline.

Mr. ALFORD. When you get those numbers, we would like—this is very important, I think, for—

Mr. FERGUSON. I agree.

Mr. ALFORD [continuing]. The future of our country. And if it is going to be done the right way, not through rulemaking, but through enforcement from you and the Federal Trade Commission, we have got to make sure you have the resources you need to do the job to take care of this issue.

Mr. FERGUSON. I look forward to working with you on getting those.

Mr. ALFORD. President Trump recently issued an Executive Order to reduce anticompetitive regulatory barriers. How is the FTC implementing the Executive Order and has the Commission already identified specific regulations that are inhibiting market competition?

Mr. FERGUSON. So, consistent with the President's Executive Order, which I think is one of the most important things that the President has done in a series of amazing Executive Orders, we issued a Request for Information to the public, asking especially

small business owners, "If you are aware of regulations that are making it harder for you to compete, tell us what they are."

We wrote letters to all of the agency heads in the federal government last week and said, "Send us a list of regulations that you think are anticompetitive that you enforce, and if you think that they should not be deleted, an explanation about why they should not be deleted." Because, presumptively, we think anticompetitive regulations should be deleted.

That RFI, that request for public assistance, is still open. It closes in the next couple of months. The agency heads are supposed to produce the stuff to us and to the Department of Justice on a rolling basis.

We are waiting for stuff to come in before we start identifying specific ones, but we will have an army of lawyers and economists ready to go on this with the Department of Justice. And once we have identified them, we are sending them to the President and OMB with recommendations for deletion.

Mr. ALFORD. You said they are coming in on a rolling basis. You have already received some—

Mr. FERGUSON. Not yet. They are supposed to respond on a rolling basis.

Mr. ALFORD. Okay. Got you.

Hey, listen, I just appreciate you and your passion for our country and for the Federal Trade Commission, and really setting us on a new course. This Golden Age of America is going to include regulation and not rulemaking, and that is why we are here. And we are here to fund you to make sure you can do that job.

And, Mr. Chair, I yield back. Thank you.

Mr. FERGUSON. Thank you, Congressman.

Mr. JOYCE. Thank you very much, sir.

The chair now recognizes the gentleman from Georgia, Mr. Bishop, for any questions he may have.

Mr. BISHOP. Thank you, Mr. Chairman.

Chairman Ferguson, it has been reported in news that FTC is working with DOGE to make cuts to the agency. Can you tell us what the role of DOGE is at FTC and what data have they accessed and what data have they copied? And can you assure the public that DOGE and its affiliates are not accessing confidential business data or sharing the data with potential competitors of the businesses, not limited to, but including the Musk network of businesses?

Congress first established the FTC as an independent agency. Tell us how this is still the case when the White House and private individuals of temporary federal positions have such unprecedented access and control of the agency's operations.

Mr. FERGUSON. I can definitely tell you that no FTC employee, including those that are detailed over from United States DOGE Service, are given access to anything they don't have a need for. The two employees that originated from USDS that have been onboarded as full-time employees of the Commission received the same ethics vetting, background check, and data security training that every other employee, including me, has received. Their access is governed by the exact same rules that govern the access of every other employee, including me, which is that no one gets access to

any particular part of our IT infrastructure without having a need, demonstrated need, to access it. We have rigidly enforced those rules for every employee at the FTC.

Mr. BISHOP. Okay. So, you actually—your agency enforces those rules?

Mr. FERGUSON. Absolutely. There is a statute forbidding the disclosure of confidential Commission information. It makes it a misdemeanor to do so. We take that extremely seriously, both because Congress has said it is a misdemeanor to do so, but also because our ability to work with companies in investigations depends on them knowing we will not leak out information.

We had a real leak problem in the previous administration that caused tremendous embarrassment to the Commission. The Commission, under President Trump, has taken this issue incredibly seriously for all employees, including the ones from USDS.

Mr. BISHOP. So, your FTC people are not worried at all about intimidation from the administration or from DOGE if they fail to comply or if they question a need that is suggested that they may not believe is necessarily so?

Mr. FERGUSON. No. We have had—USDS employees that have been onboard at the FTC have been incredibly helpful. They helped us find contracts that we could descope or eliminate, while still fulfilling our mission to the American people. We have had a great working relationship with the USDS folks and I unequivocally support the President's agenda on efficiency.

Mr. BISHOP. Are there any instances where they have asked for information and been denied it?

Mr. FERGUSON. Not to my knowledge, no.

Mr. BISHOP. Okay. I didn't think so.

Mr. JOYCE. All right. The gentleman yielded back.

With that, our time is concluded.

I know this has been a lot of fun for you, sir. But I would like to thank you for being here today, Chairman Ferguson.

There may be some members who were not here who would like to submit questions for the record. Please submit any question for the record to the subcommittee staff within seven days.

And, with that, this subcommittee stands adjourned.

[Whereupon, at 11:41 a.m., the subcommittee was adjourned.]

FTC Chairman Andrew N. Ferguson Responses to Questions for the Record

Questions from Chairman David Joyce

Question 1: The FTC, alongside the U.S. Department of Justice Antitrust Division, recently filed a Statement of Interest in an antitrust case involving several large asset managers. The outcome of the case could make it more difficult for asset managers to invest in American coal companies. How would a significant divestment in domestic energy production lower prices for American consumers?

Answer: The FTC and DOJ seek to protect coal markets from anticompetitive behavior that raises Americans' energy bills while avoiding unnecessary interference with ordinary investment activity. Asset managers play an important role in American capital markets—a role that the agencies are committed to protecting. But the importance of index investing does not protect asset managers that actively use their shares to stifle competition among their commonly held companies. The antitrust laws do not allow anyone, including asset managers, to use their holdings in competing companies to successfully push for market-wide reductions in output, resulting in higher energy prices for American consumers.

Recognition that the antitrust laws apply to asset managers' anticompetitive behavior does not threaten asset managers' ability to invest in American coal companies. The Statement of Interest emphasizes that antitrust safe harbors for passive investment protect typical shareholder behavior, including beneficial corporate governance advocacy and most index fund investing. The Statement explains how the States' complaint alleges an anticompetitive campaign by Defendants, and how the law should properly be applied to the States' claims. And the Statement affirms that the antitrust laws provide ample room for institutional investors to serve their crucial role in America's world-leading capital markets.

Question 2: On May 14, 2025, staff at the FTC issued a warning letter to StubHub, stating that the company may have been in violation of the Rule on Unfair or Deceptive Fees. Can you provide an update on whether StubHub was in violation of the new rule?

Answer: The Commission's Rule on Unfair or Deceptive Fees (the "Rule"), which was published in January 2025 and took effect on May 12, 2025, prohibits bait-and-switch pricing and other tactics used to hide total prices and mislead people about fees for live-event ticketing and short-term lodging. These unfair and deceptive practices can harm consumers and undercut businesses trying to compete fairly on price. The Rule also furthers President Trump's Executive Order on Combating Unfair Practices in the Live Entertainment Market by ensuring price transparency at all stages of the live-event ticket-purchase process, including the secondary ticketing market.

The Commission expects full compliance with the Rule by all businesses offering, displaying, or advertising live-event tickets or short-term lodging. To assist businesses in complying with the Rule, FTC staff published Frequently Asked Questions (FAQs) ahead of the Rule's effective

date.¹ In order to ensure compliance with the Rule, Commission staff will monitor offers, displays, and advertisements for live-event tickets and short-term lodging. Any businesses found to be non-compliant may be subject to an FTC enforcement action, civil penalties of up to \$53,088 per violation pursuant to Section 5(m)(1)(A) of the FTC Act, 15 U.S.C. § 45(m)(1)(A), and other monetary relief pursuant to Section 19(b), 15 U.S.C. § 57b(b).

As you note, on May 14, 2025, the FTC sent a warning letter to StubHub Holdings, Inc., which states that FTC staff “have identified instances in which StubHub’s displayed ticket prices do not include all mandatory fees and charges.”² It further states, “the mandatory fees and charges StubHub has omitted from its price displays, such as fulfillment fees and service fees, do not appear to be covered by any permissible [Rule] exemption.”³ Although I cannot disclose any further information about the existence or details of any possible ongoing investigation, I can assure you that the Commission takes compliance with the Rule very seriously and, as explained above, Commission staff will continue to monitor the marketplace for violations of the Rule and take enforcement action as necessary and in the public interest.

Questions from Representative Ashley Hinson

Question 1: The FTC recently voted to delay implementation again by sixty days of the FTC’s Negative Option Rule because of the complexities. This rule is another example of Chairwoman Kahn overreaching and implementing bureaucratic red tape on American businesses. I would like to work with you to ensure the FTC can protect consumers from predatory and/or unregulated companies but to avoid driving up compliance costs in industries where the companies are already highly regulated and allowing consumers a click to cancel option.

Will you agree to considering re-opening the negative option rule to address the procedural and substantive issues raised by Commissioner Holyoak dissent?

Specifically, I urge you to address how the Rule has been applied to the entire American economy instead of narrowly focusing on specific industries that have prevalent acts or practices that are unfair or deceptive to American consumers when billing for negative option products.

Answer: Thank you for your willingness to work with the Commission to protect consumers from harmful negative option practices, including byzantine cancellation practices, without unnecessarily driving up costs for legitimate businesses. As you note, the Commission previously deferred the compliance deadline for the amended Negative Option Rule until July 14, 2025, in recognition of the compliance complexities faced by covered entities. On July 8, 2025, the United States Court of Appeals for the Eighth Circuit vacated the amended Rule. The Commission remains committed to ensuring that its rules are calibrated to protect consumers without unduly burdening law-abiding businesses.

¹ The Rule on Unfair or Deceptive Fees: Frequently Asked Questions, available online at <https://www.ftc.gov/business-guidance/resources/rule-unfair-or-deceptive-fees-frequently-asked-questions>.

² Warning Letter at 1 (May 14, 2025), available online at https://www.ftc.gov/system/files/ftc_gov/pdf/stubhub-w1.pdf.

³ *Id.*

Question 2: Last year, the USDA released a report highlighting how retail consolidation and complex rebate and fee structures are squeezing out smaller ranchers and independent meatpackers from accessing retail markets. Independent grocers in my district report facing similar challenges—saying they can’t compete on price because large retailers demand special terms that smaller businesses simply can’t access. This dynamic is especially harmful in rural areas, where access to affordable food is already fragile.

What, if anything, can be done to address these barriers? And to what extent is the FTC coordinating with USDA and DOJ to confront these bottlenecks in the food supply chain?

Answer: Thank you for expressing your concerns about business pricing practices and related issues in the food and grocery sectors. The FTC continues to scrutinize and investigate mergers and business practices that may result in significant price increases or otherwise harm competition, including those that might be due to marketplace barriers. Vigorous competition in the marketplace promotes lower prices and better options, such as improvements in quality and innovation. Americans tend to lose out when markets become more consolidated and less competitive. Under my leadership, the FTC will prioritize protecting consumers, workers, and honest businesses while encouraging innovation and promoting a fair economy and widespread prosperity, including in the food and grocery store sectors.

For instance, the FTC successfully challenged Kroger’s proposed acquisition of Albertsons, proving that the deal would lead to higher prices for groceries by eliminating competition between the two companies. This historic win protected millions of Americans across the country from higher prices for essential groceries—from milk, to bread, to canned goods—saving consumers \$1.9 billion annually and allowing them to keep more money in their pockets.⁴

The FTC is also charged with enforcing the Robinson-Patman Act, which prohibits price discrimination in certain instances.⁵ The Act was motivated by concerns that price discrimination boosted major retailers and harmed smaller rivals.⁶ For decades, the FTC and the Department of Justice simply declined to enforce the Act because they disagreed with its underlying policy. But the Robinson-Patman Act is a law passed by Congress to protect small and independent businesses from price discrimination, and the Commission will not hesitate to bring cases that meet its statutory requirements and are backed by strong evidence.

⁴ See *In re Kroger Co. / Albertsons Cos.*, <https://www.ftc.gov/legal-library/browse/cases-proceedings/kroger-companyalbertsons-companies-inc-matter>; see also Press Release, FTC, Statement on FTC Victory Securing Halt to Kroger, Albertsons Grocery Merger (Dec. 10, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/12/statement-ftc-victory-securing-halt-kroger-albertsons-grocery-merger>.

⁵ 15 U.S.C. § 13.

⁶ See Dissenting Statement of Commissioner Andrew N. Ferguson *In the Matter of Southern Glazer’s Wine and Spirits, LLC* 23–24 (Dec. 12, 2024) (Matter No. 211-0155), https://www.ftc.gov/system/files/ftc_gov/pdf/ferguson-southernglazers-statement.pdf.

I welcome any input from you or your constituents about price discrimination they encounter in the retail sector, and I share their concerns about the lack of competition generally in many rural areas of the country.

Finally, let me assure you that the Trump-Vance FTC is committed to leveraging the knowledge and experience of our federal and state law enforcement partners to target anticompetitive mergers and conduct that deprive Americans of the benefits of free markets. FTC staff regularly consult with colleagues at the Department of Justice and the USDA to better understand the challenges of moving agricultural products through the food chain, including what can be done to open up access to retail markets for farmers, ranchers, growers and other producers. In particular, the FTC shares enforcement authority with USDA under the Packers and Stockyards Act for unfair or deceptive conduct related to the retail sale of certain agricultural products.⁷ The FTC also published a study on the impact of supply chain shocks brought about by the COVID-19 pandemic.⁸ With available resources, the FTC will work together with these agencies to identify areas for enforcement and research to ensure that America's food supply chain remains strong.

Questions from Representative Mark Pocan

Earlier this week, the Daily Wire obtained an internal memo allegedly written by Jon Schweppe, a Senior Policy Advisor to the Chairman at the Federal Trade Commission. That memo details a planned day-long workshop in July centered on gender-affirming care, entitled "The Big Lie: The Dangers of Gender-Affirming Care for Minors".

It is extremely troubling that rather than focusing on following through on the FTC's core mission, the Commission is interested in taking on culture-war issues.

Question 1: What plans exist for a workshop hosted by the Commission on gender-affirming care? In particular, please furnish the internal memo leaked to the Daily Wire, authored by Jon Schweppe, along with details about planned session topics and invited speakers.

Answer: On June 9, 2025, the Federal Trade Commission announced it would be hosting a workshop to explore unfair or deceptive trade practices in "gender-affirming care" for minors.⁹ The workshop, called "The Dangers of 'Gender-Affirming Care' for Minors," took place on July 9, 2025 at the Constitution Center in Washington, D.C. A livestream link was posted to the FTC website on the morning of the event to facilitate public access to the event.

The agenda for the workshop, which was released prior to the event, included doctors, medical ethicists, whistleblowers, detransitioners, desisters, and parents of detransitioners and desisters. These participants shared perspectives grounded in research, expertise, and personal experience.

⁷ 7 U.S.C. § 227.

⁸ FTC, Feeding America in a Time of Crisis: The United States Grocery Supply Chain and The Covid-19 Pandemic (Mar. 21, 2024), https://www.ftc.gov/system/files/ftc_gov/pdf/p162318supplychainreport2024.pdf.

⁹ FTC Announces Workshop on Exploring Unfair or Deceptive Trade Practices in "Gender-Affirming Care" for Minors (Jun. 9, 2025), <https://www.ftc.gov/news-events/news/press-releases/2025/06/ftc-announces-workshop-exploring-unfair-or-deceptive-trade-practices-gender-affirming-care-minors>.

The workshop was convened following President Trump’s executive order entitled Protecting Children from Chemical and Surgical Mutilation, which ended the federal government’s previous support for “gender affirming care” for minors.¹⁰ The order asserted that “medical professionals are maiming and sterilizing a growing number of impressionable children under the radical and false claim that adults can change a child’s sex through a series of irreversible medical interventions.”¹¹ The workshop was part of the FTC’s efforts to understand whether consumers are being or have been exposed to false or unsupported claims about “gender-affirming care” and to gauge the harms consumers may be experiencing. Those efforts continue, including through the forthcoming request for information that I announced at the workshop.

The Supreme Court recently concluded that “fierce scientific and policy debates about the safety, efficacy, and propriety of medical treatments” in the “evolving field” of transgender medicine “raise sincere concerns; and the implications for all are profound.”¹² I agree.

The internal memo referenced in your question is covered by deliberative process privilege.

Question 2: To what extent have you personally participated in the planning or ideation of this workshop, which would be one of the first new actions taken by the Commission under your leadership? Did you personally authorize this workshop proposal?

Answer: Yes, I authorized this workshop proposal. Protecting consumers, especially families, is a top priority of mine, and I found the workshop to be very informative.

Question 3: Chairman Ferguson, who at the Commission authorized leaking the Schweppe memo to the Daily Wire? If this was an unauthorized leak of internal Commission documents, have you requested an Inspector General investigation into this leak?

Answer: We are always concerned about leaks of any kind, and we will continue to work with our Office of Inspector General on unauthorized disclosures.

Question 4: What role has career staff at the Commission had in advising, planning, or supporting this proposed workshop? If they have not participated or advised, are appointees like Mr. Schweppe leading the bulk of the effort?

Answer: The planning for this workshop was led by my office, under my direction, with advice and support from career staff.

Question 5: Have you sought any advice from career staff at the Commission about any possible law enforcement case that can be brought related to the topic of this workshop?

¹⁰ Exec. Order 14187, 90 Fed. Reg. 8771, 8772 (Jan. 28, 2025).

¹¹ *Id.* at 8771.

¹² *United States v. Skrimmetti*, 605 U.S. ---, 145 S. Ct. 1816, 1837 (2025).

Answer: Staff recommendations and other intra-agency discussions generally are protected under various privileges, including the deliberative-process privilege, attorney-client privilege, and attorney work product privilege.

Question 6: Has the Commission worked with any outside organizations to help plan this workshop? If so, please specify those organizations and the role they have had in planning or supporting the workshop.

Answer: We worked closely with a number of individuals who are experts in their fields as we built out an agenda for this very informative event. Many of the individuals who we consulted spoke at the workshop on July 9th.

Question 7: What is the expected cost to taxpayers of this event that is far outside of the FTC's mission?

Answer: I disagree with the premise of this question. Congress enacted Section 5 of the Federal Trade Commission Act which gives the FTC broad authority to protect consumers from unfair or deceptive acts or practices. Evidence that medical professionals or others omitted warnings about the risks, or made false or unsupported claims about the benefits and effectiveness, of gender-affirming care for minors could implicate this statutory authority. Throughout its history, the FTC has protected consumers from all sorts of health care scams,¹³ and we will continue to do so.

¹³ See, e.g., *FTC v. Quincy Bioscience Holding Co.*, No. 17-cv-124 (S.D.N.Y. Nov. 18, 2024); Compl. at 1–2, *United States v. Akoury*, No. 2:23-cv-26 (E.D. Tenn. Mar. 16, 2023) (claiming effectiveness of opioid-addiction-, cancer-, and other chronic-condition-treatment services); Compl. at 1–2, *United States v. B4B Earth Tea LLC*, No. 1:22-cv-1159 (E.D.N.Y. Mar. 3, 2022) (claiming teas prevented and treated COVID-19); *FTC v. Roca Labs*, 345 F. Supp. 3d 1375, 1381–82 (M.D. Fla. 2018) (claiming weight loss efficacy); *FTC v. NPB Advertising*, 218 F. Supp. 3d 1352, 1358 (M.D. Fla. 2016) (promising “tremendous weight-loss results”); *FTC v. COORGA Nutraceuticals Corp.*, 201 F. Supp. 3d 1300, 1306 (D. Wyo. 2016) (claiming dietary supplement can reverse and prevent formation of gray hairs); Compl. at 7, *FTC v. Sunrise Nutraceuticals, Inc.*, No. 9:15-cv-81567 (S.D. Fla. Nov. 16, 2015) (claiming effectiveness in curing opioid addiction); Compl. at 5–24, *FTC v. NourishLife, LLC*, No. 1:15-cv-00093 (N.D. Ill. Jan. 7, 2015) (claiming products could cure childhood speech disorders); Compl. at 5–13, *FTC v. Sensa Prods., LLC*, No. 1:14-cv-00072 (N.D. Ill. Jan. 7, 2014) (claiming product caused weight loss); *In re POM Wonderful*, 155 F.T.C. 1, 2 (2013) (claiming products could treat, prevent, or reduce the risk of heart disease, prostate cancer, and erectile dysfunction); *In re NBTY, Inc.*, 151 F.T.C. 201, 203–06 (2011) (claiming dietary supplements promote children’s eye and brain development); *In re Nestle Healthcare Nutrition*, 151 F.T.C. 1, 2 (2011) (claiming product would boost children’s immune systems); *Daniel Chapter One*, 148 F.T.C. 832, 904–35 (2009) (claiming product prevented, treated, or cured cancer and tumors); *FTC v. Nat’l Urological Grp.*, 645 F. Supp. 2d 1167, 1190 (N.D. Ga. 2008) (claiming products caused weight loss and sexual enhancement); *FTC v. Direct Mktg. Concepts, Inc.*, 569 F. Supp. 2d 285, 293–94 (D. Mass. 2008) (claiming products could cure cancer, heart disease, arthritis, etc.), *aff’d*, 624 F.3d 1 (1st Cir. 2010); *Trudeau v. FTC*, 456 F.3d 178, 180 (D.C. Cir. 2006) (selling books that claimed to teach consumers how to lose weight and treatments for cancer, multiple sclerosis, and other ailments); *FTC v. QT, Inc.*, 448 F. Supp. 2d 908, 912 (N.D. Ill. 2006) (claiming pain reduction from “ionized” bracelet), *aff’d*, 512 F.3d 858 (7th Cir. 2008); *In re Telebrands Corp.*, 140 F.T.C. 278, 284 (2005) (claiming products were an effective alternative to exercising); *In re Snore Formula, Inc.*, 136 F.T.C. 214, 217–18 (2003) (claiming product could prevent sleep apnea and reduce heart-attack risk); *In re Formor, Inc.*, 132 F.T.C. 72, 74 (2001) (claiming product could treat HIV); *Novartis Corp. v. FTC*, 223 F.3d 783 (D.C. Cir. 2000) (claiming product was especially effective at treating back pain); *In re Kraft, Inc.*, 114 F.T.C. 40, 41 (1991) (claiming nutritional value of food products); *Bristol-Myers Co. v. FTC*, 738 F.2d 554, 557–58 (2d Cir. 1984) (claiming special efficacy of analgesics); see also, e.g., *Golden Sunrise Nutraceutical, Inc.*, FTC (last updated Jan. 6, 2025), <https://www.ftc.gov/legal-library/browse/cases-proceedings/202-3146-x200051-golden-sunrise-nutraceutical-inc> (summarizing pending proceedings); *doTERRA – Bacot*, FTC (last updated Mar. 3, 2023), <https://www.ftc.gov/legal-library/browse/cases-proceedings/doterra-bacot>; *United States v. Dalal A. Akoury d/b/a AWAREmed*, FTC (last updated Mar. 16, 2023),

As far as this event's cost, we have a small amount allocated in our budget for hosting workshops and other events. These exercises are vital to our larger enforcement mission at the FTC.

On May 22nd, public news reports indicated that the Commission has sent a Civil Investigative Demand to a non-profit organization, Media Matters for America (MMfA), demanding information about possible collusion with advertisers. The New York Times reported that the letter required MMfA to share copies of its budgets, documents showing the effects of "harmful" online content on advertisers, and communications with other watchdog groups.

Question 8: Between November 5, 2024 and January 20th, 2025, have you met with Elon Musk? If so, what was the nature of that meeting?

Answer: No.

Question 9: Have you had any discussions with any individuals involved in the Trump Transition team about the Media Matters for America organization?

Answer: I did not have any discussions with the Trump Transition team about the Media Matters for America organization.

Question 10: Have you had any discussions with anyone at the White House or DOGE, including Elon Musk, about the Media Matters for America organization?

Answer: No.

Question 11: Can you identify any other instances in which a nonprofit organization's First Amendment protected speech activities were investigated by the FTC?

Answer: First Amendment protected speech activities are not being investigated by the FTC. On June 23, 2025, Media Matters for America (MMfA) filed a lawsuit challenging the FTC's issuance of a CID to MMfA. The Commission speaks to the issues in that litigation only through the Commission's court filings.

In recent months, President Donald Trump has signed multiple executive orders targeting law firms that have employed or represented individuals that disagree with him. As part of his effort to coerce and threaten law firms, these companies have offered nearly a billion dollars worth of pro bono services to avoid unfounded persecution from the President.

Question 12: Have you or any other FTC official discussed the possibility of receiving pro bono assistance from any of these firms?

<https://www.ftc.gov/legal-library/browse/cases-proceedings/2123039-dalal-akoury-dba-awaremed-et-al-us-v>; Press Release, FTC, Stem Cell Institute Co-Founders and Companies Banned from Marketing Stem Cell Treatments and Ordered to Pay More Than \$5.1 Million for Refunds and Civil Penalties (Jan. 8, 2025), <https://www.ftc.gov/news-events/news/press-releases/2025/01/stem-cell-institute-co-founders-companies-banned-marketing-stem-cell-treatments-ordered-pay-more-51>.

Answer: I am not aware of any such discussions. To the extent such intra-agency discussions occurred, they generally would be protected under various privileges, including the deliberative-process privilege, attorney-client privilege, and attorney work product privilege.

Question 13: Has the Commission received any pro bono services from any outside law since January 19th, 2025? If so, please detail which firms have provided services and for what purposes have those services been used for

Answer: I am not aware of anyone at the Commission receiving pro bono services from any outside law firm during that time.

Question 14: Will you commit to notifying Congress, including the Chairman and Ranking Member of this Subcommittee, if the Commission agrees to receive pro bono help from any outside law firm?

Answer: The Commission will follow all applicable laws and reporting requirements.

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