



Congressman José E. Serrano

Chairman, House Appropriations Subcommittee on Financial Services and General Government

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Statement of Chairman José E. Serrano FY2010 Financial Services and General Government Appropriations Bill: Rebuilding Regulatory Structures, Protecting Consumers, Ensuring Good Government

Washington, DC — Congressman José E. Serrano, Chairman of the House Appropriations Subcommittee on Financial Services and General Government, delivered the following statement at the Subcommittee markup of the Fiscal Year 2010 bill today:

“This bill encompasses a wide and diverse span of agencies and programs, and a great many decisions went into its preparation. In putting it together, though, we were guided by several basic priorities.

The first of these priorities is rebuilding the regulatory agencies that are supposed to protect investors, consumers, and taxpayers. Unfortunately, we have recently seen the results of the past drive for deregulation of our financial system and economy—results which include a meltdown of the banking system, a deep recession, and huge bills for the taxpayer. It’s now time to rebuild some regulatory protections.

One of the key agencies we fund is the Securities and Exchange Commission (SEC), which is supposed to prevent manipulation of financial markets and combat fraudulent and deceptive practices. It’s under new management that is dedicated to carrying out those responsibilities. Our bill provides \$1.036 billion for the SEC—\$10 million more than the budget request and \$76 million more than in FY 2009. This should be enough to hire around another 140 lawyers, analysts and investigators, on top of the 140 hired this year, to work on detecting and prosecuting financial misconduct.

The bill also adds \$4.5 million above the budget request for the Federal Trade Commission (FTC), which would receive a total of \$292 million under this bill—\$33 million more than in FY 2009. The FTC’s basic responsibility is to protect consumers—especially ordinary folks who may not have as much sophistication in financial matters. The Commission does everything from running the “do not call” registry to regulating unfair and deceptive advertising to investigating and prosecuting anti-competitive behavior. Especially during hard times like the present, one of the FTC’s vital missions is to go after those who prey on distress: such as payday lenders, subprime mortgage companies, and people selling phony “foreclosure rescue” schemes or promises to fix your credit rating or negotiate down your credit card bills for a large fee.

We also strengthen some of the inspector general offices that are making sure that regulatory and financial agencies are doing what they are supposed to. For example, the bill increases the budget of the Treasury Department Inspector General by \$3.6 million and the FDIC Inspector

General by \$10 million. For the first time, it also gives the SEC Inspector General a separate budget, independent of the SEC management.

In terms of oversight, we ask for several reports from the Treasury Department, to help us get a better picture of what they are doing to administer the huge financial stabilization program, protect the taxpayers' investment, and ensure compliance with the rules that have been established on subjects like executive compensation. Among other things, we're asking the Treasury to report quarterly on their progress in implementing the recommendations of the Special Inspector General for the TARP, the Congressional Oversight Panel, and the GAO.

Another important regulatory agency in our bill is the Consumer Product Safety Commission (CPSC). Last year, Congress reacted to massive product recalls, including dangerous toys from China, by passing on a bipartisan basis major legislation strengthening the powers of the CPSC. The Commission is now working diligently to implement that legislation. The bill appropriates \$113 million for the Commission, \$8 million more than in FY 2009, to help implement the new law, increase their presence at ports to prevent dangerous goods from entering the country, and deal with new problems like the defective drywall that has been showing up in Florida and other Gulf States and damaging homes and health.

A second major priority for the bill is helping make sure capital and other assistance gets to small businesses and low-income communities—not just to the large and the wealthy. It includes \$848 million for the Small Business Administration—\$236 million more than last year. These appropriations should be sufficient to support \$28 billion in lending to small businesses—critically important for firms that may have seen other sources of financing dry up. We also continue Small Business Development Centers at this year's level, rejecting the proposed \$13 million cut, and provide a boost for the PRIME program which is targeted to low-income and very-low-income small business owners.

In addition, the bill supports the President's request of \$244 million for the Community Development Financial Institutions Fund, which helps supply credit to disadvantaged communities. The funding in this bill will allow community development banks, credit unions, and others to help fill the void that has resulted from the overall decline in bank lending activity. On average, each dollar invested in the CDFI Fund has leveraged at least fifteen dollars in additional private investment in underserved communities. Within this total, \$80 million is provided to jump-start the Capital Magnet Fund, a new competitive grant program for CDFIs and nonprofit organizations to work on affordable housing.

A third top priority is supporting equitable and efficient administration of justice in the Federal courts. In addition to keeping up with pay and benefit costs, rent, and other basic operating expenses, the bill supports additional staff to help deal with growing workloads. This includes around another 140 clerks and other personnel for the bankruptcy courts—to help deal with the 28 percent increase in filings over the past 12 months. We also adopt a recommendation from the Federal Judiciary to provide a significant increase in hourly rates for the private panel attorneys who are appointed to represent people charged with crimes who cannot afford to hire a lawyer.

A fourth priority is providing for fair and effective collection of taxes. The bill fully funds the President's request for the IRS, including a substantial increase for tax enforcement to help reduce the gap between taxes owed and taxes paid. Among other uses, these funds are intended to go after wealthy individuals and businesses who avoid U.S. tax obligations by parking money in overseas tax shelters. In enforcing our tax laws, we need to be sure we're going after the big fish as well as the little ones.

At the same time, the bill also includes funds for the IRS to assist taxpayers—in person, over the phone, or on the IRS web site. It continues funding for Tax Counseling for the Elderly sites and provides increases above the request for the IRS Taxpayer Advocate Service, grants to low-income taxpayer clinics, and Community Volunteer Income Tax Assistance.

Another priority addressed in this bill is meeting our responsibilities to the nation's capital city and its residents. We have provided \$768 million to meet these obligations. Among other things, the measure continues assistance to improve education in both public and charter schools in the District. It adopts the President's proposal for a limited continuation of the school voucher program—for those already in the program only. The Committee provides new payments to address certain high priority needs: aiding the homeless, helping youth who are not connected to school or work, and slowing the spread of HIV/AIDS.

The bill also takes further steps towards reducing undue congressional interference in local affairs and eliminating restrictions on the District that do not apply to other parts of the nation. The bill eliminates the special prohibition on use on locally raised funds for abortion—thereby placing the District in the same position as each of the 50 states in that regard. The measure also discontinues the ban on use of funds for domestic partnership registration and benefits and the ban on use of funds for needle exchange programs, and allows the District to conduct and implement a referendum on use of marijuana for medical purposes as has been done in various states.

The bill also addresses many other issues. For example, it shifts the priorities of the Office of National Drug Control Policy by substantially reducing funding for the youth media campaign, which appears to be ineffective in decreasing drug use among teenagers. Some of the savings were redirected into two more effective anti-drug programs: grants for High Intensity Drug Trafficking Areas, which receive an increase of \$14 million above last year, and Drug-Free Communities coalition grants, which receive an increase of \$8 million.

We also include a clarification of language from last year's bill regarding trade with Cuba and the requirement for payment of "cash in advance", in order to remove unnecessary obstacles to exports of agricultural goods to that nation.

In short, this is a good bill. It tackles some of urgent needs such as rebuilding our regulatory agencies to protect consumers and the economy. It takes a number of other "good government" steps to help make sure that taxpayers get the effective government they deserve. I urge your support.

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Congressman José E. Serrano has represented the Bronx in Congress since 1990.