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FINANCIAL SERVICES AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 2026

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

ONE HUNDRED NINETEENTH CONGRESS

SECOND SESSION

ON

H.R. 5166/S. 3290

AN ACT MAKING APPROPRIATIONS FOR FINANCIAL SERVICES AND GENERAL GOVERNMENT FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2026, AND FOR OTHER PURPOSES

Small Business Administration
U.S. Department of the Treasury
U.S. Securities and Exchange Commission

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FINANCIAL SERVICES AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 2026

WEDNESDAY, MAY 21, 2025

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:30 p.m., in room SD–138, Dirksen Senate Office Building, Hon. Bill Hagerty (Chairman), presiding.

Present: Senators Boozman, Mullin, Fischer, Reed, Murray, Coons, and Van Hollen.

SMALL BUSINESS ADMINISTRATION

OPENING STATEMENT OF SENATOR BILL HAGERTY

Senator HAGERTY. Today, we welcome the Administrator of the Small Business Administration, my friend and former colleague, Kelly Loeffler. Thank you very much for being here. I'd like to also extend a warm welcome to Senator Reed as the new Ranking Member of the subcommittee. I look forward to working with you, Senator Reed, in a productive and bipartisan manner to address the important issues that face our Nation.

Small businesses employ 61.7 million people, nearly 46.4 percent of the U.S. workforce, and generate a comparable share of U.S. economic activity. To thrive, these businesses must constantly innovate, remain agile, and manage the resources carefully. Failure to do so can mean failure to survive. In contrast, some Federal agencies seem to expand regardless of physical constraints, often without making difficult trade-offs that small businesses have to confront every day.

Administrator Loeffler brings with her a distinguished career in business. She understands what it takes to succeed and the challenges that entrepreneurs face. I trust she'll apply her vast experience to ensure the SBA operates efficiently and uses taxpayer dollars wisely.

The Small Business Administration's initial budget request proposes total funding of $600 million in 2026 to manage its operations, its grants, and its loan programs. This direct appropriation supports a massive lending portfolio as well.

In the current fiscal year, the SBA will guarantee approximately $72 billion in business loans. This includes $35 billion under the 7(a) loan program, which is SBA's flagship tool. It's estimated to back over 50,000 loans through private lenders with SBA guaran-

tees. The 504 loan program focused on real estate and equipment will provide another $16 billion. The Small Business Investment Company program will support $6 billion in private investment capital for small businesses. Finally, the Secondary Markets Guarantee program will provide a $15 billion backstop to help lenders securitize SBA-backed loans and maintain liquidity.

Since most manufacturers in the United States are small businesses, the SBA is uniquely positioned to assist them in rebuilding their domestic supply chains. In addition to business lending, the SBA also plays a critical role in disaster recovery, and I want to thank the SBA for their critical work in helping Tennesseans recover from Hurricane Helene in East Tennessee.

Disaster loans help individuals and businesses rebuild physical assets and recover lost income. Applicants must be located in federally-declared disaster areas and meet credit criteria, and repayment standards. These programs collectively represent an important source of credit helping both entrepreneurs and disaster survivors.

Thank you, again, Administrator Loeffler for testifying today. I look forward to hearing how you plan to manage your portfolio efficiently and responsibly. And now, I'd like to turn to Senator Reed for his opening statement.

OPENING STATEMENT OF SENATOR JACK REED

Senator REED. Well, thank you very much, Mr. Chairman, and thank you for holding this hearing. It is our first hearing, as you noted, and I look forward to working together as we advance the 2026 bill on a productive and very bipartisan basis. Thank you, Mr. Chairman.

Thank you, and welcome, Administrator Loeffler, and colleague Loeffler. Thank you for your service. You are here on behalf of Small Business Administration, and we look forward to your testimony.

As we all know, small business makes up nearly 44 percent of America's GDP. In total, there are 34.8 million small businesses in the United States, which employ nearly half of American workers. In my home State of Rhode Island, there are over 100,000 small businesses employing the majority of Rhode Island workers.

But the uncertainty created by President Trump's tariff regime is putting many of these businesses at risk. Indeed, where margins are tight, disruptive tariffs can sink a small business. And despite the recent 90-day timeout on some of these tariffs, Yale University researchers say that our Nation's tariffs are currently at their highest level since the Great Depression. These blanket taxes and tariffs are also raising costs directly or indirectly on every good that small business needs.

Indeed, I recently heard from Mills Coffee Roasting Company, a coffee roaster located in Providence, that was founded in the 1890s, the President's blanket 10 percent tariff will increase Mills Coffee's cost by around $400,000 this year. That's a big number for small business.

And coffee can only be grown in certain climates, meaning there is almost no domestic alternatives to the coffee beans they import. In other words, despite the President's claims, his tariffs on Mills

Coffee simply punish American companies that provided jobs for over 150 years without bringing the production of their imports, coffee beans, back to the United States.

As the President's on and of tariffs roil supply chains and small business finances, the question is, what is the Small Business doing to meet the moment? What we're seeing is cutting staff that respond during disasters, closing offices that help coordinate local businesses access to SBA programs in times of economic uncertainty, freezing and canceling millions of dollars in grants that help small businesses stock grow and thrive.

And further, in President Trump's fiscal year 2026, skinny budget, the administration proposes cutting SBA by over 30 percent, including the elimination of nearly all of SBA's training, counseling, mentorship programs that support small businesses across the country. And one asks the question, "How does slashing these resources for small business help local companies grow or outcompete their foreign rivals?"

And it is obvious that this skinny budget eliminates 15 of the 16 entrepreneurial development programs retaining only Small Business Development Centers. And one of those 15 programs slated for elimination is the SBA Veterans Outreach Program, which provides targeted veteran small business programming.

And frankly, this is unacceptable. Veterans have served, they've earned the respect and more than the respect of the American people, and they're uniquely positioned to be small business owners given their leadership skills and what they've learned from the military service. And in fact, we have to do much more, not less for these veterans.

And Administrator Loeffler, I look forward to working with you, but we all understand, as you did, particularly as a Senator from Georgia, that the power of the purse and responsibility to conduct oversight of the executive branch rest with Congress. So, we would ask that you, and your colleagues, and fellow workers be responsive to us in terms of any requests we make for information. And, in fact, Section 713 of the Financial Services General Account Government Act explicitly bars any agency from preventing its employees to converse with Members of Congress.

And we were a bit troubled when SBA didn't bother to brief the subcommittee staff following its March 21st announcement that it would be slashing the agency's workforce by 43 percent. And the responsiveness has to be approved, frankly, Madam Director, and you appreciate that as a former Senator. I'm sure many times you were frustrated and please remember those days. There's a lot of work to do and we want to do it together, and we want to make progress for the country.

And thank you, Madam Administrator, for being here, and thank you, Mr. Chairman.

Senator HAGERTY. Thank you. All right, I'm going to turn to the Administrator now for her opening statement.

STATEMENT OF HONORABLE KELLY LOEFFLER, ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION

Senator LOEFFLER. Thank you, Chairman, and Ranking Member Reed. And Chairman Hagerty, certainly my thoughts are with Ten-

nesseans as they endure the fallout from this crisis. The SBA will be on the ground with them.

I want to say thank you to all the Members of the Committee. Thank you for the opportunity to appear before all of you today to discuss the President's fiscal year 2026 discretionary budget request for the U.S. Small Business Administration. This budget reflects our agency's return to its mission with a clear strategy; streamlined services, eliminate waste, and ensure every taxpayer dollar delivered measurable results for America's small businesses and taxpayers.

It consolidates duplicative operations, shifts resources to our field offices on the front lines, and refocus the agency on proven solutions, including our Capital Access Program and nationwide network of Small Business Development Centers.

It reflects the President's belief that small businesses are not just part of the economy, they are the engine of it. And that to build a stronger, more secure, and more prosperous America, we must put Main Street and our job creators first.

I'm pleased to report that under President Trump's leadership, and through the reforms we've implemented at the SBA, that's exactly what's happening. Main Street is making a historic comeback. Since January, President Trump has cut core inflation to its lowest level since 2021. He's secured over $10 trillion in private sector investment, and he is delivered half a million new jobs while deregulating after the last 4 years of massive bureaucratic expansion of the regulatory State.

He's brought dozens of countries, including China, back to the negotiating table for fair trade deals. Job creators and workers once again know that they have a seat at the table, and they know this administration has their back. Our economy is spring-loaded for growth, especially on Main Street, and I'm pleased to report that the SBA has never been more prepared to help small businesses lead the America First economic comeback.

Since January 20th, we've undertaken a sweeping overhaul of the agency to refocus it on its statutory mission of supporting small business and fueling economic growth. Through free enterprise, we're committed to cutting red tape, restoring accountability, and delivering capital to the job creators who power economic opportunity growth and innovation.

When we arrived at the SBA, it was bloated and dysfunctional, weighed down by a work-from-home bureaucracy that promoted a partisan political agenda. The Biden administration presided over unprecedented levels of fraud and 4 straight years of failed audits.

Our flagship 7(a) loan program was mismanaged to the tune of $400 million in negative cash flow in just 1 year, oversight and accountability had broken down along with any sense of fiscal responsibility to taxpayers. Common sense had left the building along with our workforce. That era is over and it is a new day at the SBA.

I come to this role with three decades of private sector experience. Following an extensive review of the financials and operating metrics, I launched a full-scale reorganization to rightsize this agency. Returning to pre pandemic staffing levels, our team is unleashing resources that had been consolidated in Washington

back into the field among our 68 district offices and local communities.

We canceled wasteful contracts for total cost savings of more than $3 billion. I'm proud that we're working alongside the DOGE team, who are not partisans, but Patriots and business leaders who care deeply about the financial future of this great Nation.

We also took urgent action to restore the financial integrity of our core loan programs by reinstating the lender fees and restoring underwriting standards, eliminating the "do what you do" criteria that put taxpayers on the hook for billions of dollars. We implemented new identity and citizenship verification protocols to ensure that loans only go to eligible businesses, not illegal aliens, or fraudsters.

We made it a priority to depoliticize the agency and in the era of picking winners and losers based on race or ideological belief, replacing that with our Nation's strong tradition of free enterprise. We eliminated DEI mandates, terminated the Green Lender Initiative, and withdrew SBA from voter registration schemes. We began relocating SBA offices out of sanctuary cities that refuse to enforce Federal immigration law.

At the same time, we're helping rebuild American industry through the SBA's Made in American manufacturing initiative. We're backing new legislation, bipartisan legislation, to give small manufacturers additional capital. And just yesterday, we introduced a first-of-its-kind onshoring portal to help small businesses find American made supply chains and partners.

The results are immediate and they're measurable. In our first 100 days, SBA loan approvals have skyrocketed by 80 percent compared to the same time under the last administration loans to the smallest businesses. Those with five or fewer employees have nearly doubled, and the share of Federal contracts going to small businesses is now 23 percent up from just 18 percent when we came into office. With new opportunity and a strong economic agenda, demand for capital is up. Businesses are growing and confidence is rising across the country.

I'm proud to say this is not the SBA of the past. This is a leaner, stronger, and unapologetically pro-small business agency. It's one that supports American industry and its workers, that respects taxpayer dollars, and will deliver results.

I have seen the impact of these reforms firsthand from Bay City to Boise. Small business owners are expanding, hiring, and reinvesting in their communities. They know that for the first time since the first Trump administration, this administration is on their side.

The SBA is once again serving the people who built this great Nation, not the globalist bureaucrats or partisan political interests, but the small defense manufacturer, the local construction company, and the tech company founders who put everything on the line to live the American Dream.

Chairman Hagerty, and Members of the Committee, as a former small business owner and employee myself, I believe firmly in the dignity of work, the American dream, and the power of free enterprise to uplift every job creator across this country. That's what

guides our work at the SBA. And I'm proud to say it's also the vision that we're returning to at the SBA.

Thank you so much, and I look forward to your questions.

[The statement follows:]

PREPARED STATEMENT OF KELLY LOEFFLER, ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION

Chairman Hagerty, Ranking Member Reed, and Members of the Committee: thank you for the opportunity to appear before you today to discuss the President's FY 2026 discretionary budget request for the U.S. Small Business Administration.

This budget reflects our agency's return to its mission with a clear strategy: streamline services, eliminate waste, and ensure every taxpayer dollar delivers measurable results for America's small businesses. It consolidates duplicative operations, shifts resources to our field offices on the frontlines, and refocuses the agency on proven solutions, including our capital access program and nationwide network of Small Business Development Centers.

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When we arrived, the SBA was bloated and dysfunctional, weighed down by a work-from-home bureaucracy that promoted a partisan political agenda. The Biden Administration presided over unprecedented levels of fraud and four straight years of failed audits. Our flagship 7(a) loan program was mismanaged to the tune of $400 million in negative cash flow. Oversight and accountability had broken down along with any sense of our fiscal responsibility to taxpayers. Common sense had left the building, along with our workforce.

That era is over—and it is a new day at the SBA.

I come to this role with three decades of private sector experience. Following an extensive review of the financials and operating metrics, I launched a full-scale reorganization to right-size the agency, returning to pre-pandemic staffing levels. Our team is unleashing resources that had been consolidated in Washington back out into the field, among our 68 District Offices in local communities. We cancelled wasteful contracts for total cost savings of more than $3 billion. I'm proud that we are working alongside the DOGE team, who are not partisans, but patriots and business leaders who care about the financial future of this nation

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Chairman Hagerty and Members of the Committee: as a former small business owner and employee myself, I believe firmly in the dignity of work, the American Dream, and the power of free enterprise to uplift every job creator across this country. That's what guides our work at the SBA—and I am proud to say, it is also the vision we are returning to at the SBA.

Thank you. I look forward to your questions.

Senator HAGERTY. Thank you, Administrator. And I want to particularly applaud the SBA's efforts in the Made in America manufacturing initiative. And I especially want to thank you for spending National Small Business Week in my home State of Tennessee in Nashville, meeting with small businesses across the State. They really appreciated your presence there helping Tennessee small business owners, and I think everybody knows this, but these small businesses are the backbone of America. And I appreciate your commitment to helping our small businesses thrive.

To advance the subject with the President has proposed moving new lending of up to $10 million per small U.S. manufacturer from the SBA. Are you intending to provide this funding from an existing program or from a new program?

Senator LOEFFLER. Chairman, thank you for the question. And it was a great honor to celebrate National Small Business Week in Nashville, and talk to everyone from contractors to restaurants and see the businesses thriving. And that's what the Made in America Manufacturing Finance Act is about. Is to help our businesses thrive even more.

The last time that a loan size increase happened was about 15 years ago. So, we're raising our manufacturing loan limits under the proposed bipartisan legislation from $5 million to $10 million. That would be provided still at zero subsidy to taxpayers like our entire 7(a) and 504 loan program operates, meaning no cost to taxpayers because those loan programs are supported by annual lender fees and guarantee fees.

Senator HAGERTY. So, no new appropriation required?

Senator LOEFFLER. No additional appropriation. Unfortunately, the Biden administration had waived some of those fees and reduced them. So, that loan program under the 4-year cohort of the Biden administration is negative cash flow to the tune of $2.2 billion. We will never let that happen, and we will alert this com-

mittee should we have any further issues beyond that. But our program will operate at zero subsidy for taxpayers.

Senator HAGERTY. Got it, got it. As Congress examines tax policy, can you explain how immediate expensing and tax cuts on domestic production will be able to strengthen domestic manufacturing?

Senator LOEFFLER. Well, absolutely. That's what I hear as I travel across the country meeting with manufacturers. They are telling me that their business is spring-loaded for investment. These tax cuts are absolutely critical to not just manufacturers, but to all small businesses who want to invest that next dollar, but have the uncertainty that the tax bill still has not been passed.

So, small businesses are telling me they need that tax bill more than anything. And we know that it's not just spring-loaded, but between the access to capital, we're providing the tax cuts, the deflation, the counter-inflationary economic environment where investment is encouraged that this economy is spring-loaded once the tax cuts come through.

Senator HAGERTY. I couldn't agree with you more. And I frankly think that as the investment occurs, more jobs will be created, more economic activity therefore occurs. This positive feedback loop is going to be extraordinary for the American economy. And we'll be back on the same track we have been in the past, and I look forward to seeing your leadership in that.

Administrator, the Biden administration's rulemakings, incurred nearly $1.4 trillion in incremental compliance cost. That's a drag on economic growth. The Trump administration and Congress have a clear mandate to streamline government operations and roll back excessive regulations. And I don't think this is deregulation for its own sake; it's about making the government serve our citizens more effectively.

But some have raised concerns that streamlining at SBA, including some reductions in force that you mentioned earlier, could undermine the agency's ability to function. I want to know how you respond to this question and how ongoing streamlining efforts actually contribute to SBA's efficiency

Senator LOEFFLER. Chairman, this is an important question. Taxpayers want to know that government is serving them and serving them efficiently, and that's what we're doing at the SBA. The agency had doubled under the last administration in terms of size and workforce, but yet, as we come into President Trump's administration, we've increased loan volume by 80 percent in our 7(a) loan program.

We're doing more with less, just like small businesses across Main Street have to do. We're more accountable to taxpayers. We're reigning in waste, fraud, and abuse. And so, what small businesses can expect to see is more of the SBA on Main Street. We're consolidating it out of Washington back into the field so small businesses will actually have more resources where they're located. We're working for Main Street, not the bureaucracy.

Senator HAGERTY. Much appreciated. I'll turn it over to Ranking Member Reed.

Senator REED. Thank you very much, Mr. Chairman, and thank you, Administrator. Earlier this month, you indicated that President Trump's tariffs will bring a period of change for small busi-

ness, and I think that is right. Many, as I indicated in my opening statement, are very, very concerned about the cost of these tariffs.

More than that, the National Federation of Independent Businesses in their monthly business index have saw that small business confidence levels have dropped every month since President Trump took office, which indicates that small business people are not exactly feeling yet, or even expecting many of the things you described.

What are you doing right now to help businesses get through this period of change?

Senator LOEFFLER. Ranking Member Reed, thank you for your question. Look, President Trump believes in the American worker and American industry. We have to have that back in this country, and the SBA is going to support him in those efforts completely because what we have seen across this country is a hollowing out of our productive capacity that didn't just cost us 7,000 factories, it cost us 5 million jobs in small towns where I grew up, where our union training center in a town of 600 closed, it was one of the last major employers. And manufacturing jobs have left.

We can never let that happen again, and we can never let it happen again. That small businesses rely on the Chinese Communist Party for their productive supply. We can do better. That's why the SBA is looking to increase onshoring through our lending programs. But also, yesterday announced our Make Onshoring Great Again portal that connects small businesses with 1 million suppliers across this country.

As I've traveled from East Coast to West Coast, I have seen the incredible productive capacity and capabilities of our hardworking men and women in our factories across this country. And while the media narrative likes to say we can't make things in this country, I'm seeing it done in real time, and I'm seeing in investment in these factories. I'm seeing a skilled workforce being created. I'm seeing jobs and economic opportunities.

Just on the factory floor last week, I met a young man. He's 21 years old. He had been in this at the CNC, a machine operator for 2 years. He just got married and bought a house. He has no student loan debt. He has a great future ahead of him as a skilled technician. And this is the new color boom that President Trump is going to bring to this country where we can make things in this country again, where we can export again.

Well, we will have open export markets for small businesses who have 400 pages stacked against them in the U.S. trade report against our small businesses that no one has fought back on. And so, I'm excited to see what's happening across this country. It's a manufacturing renaissance, and I'm grateful to President Trump.

Senator REED. Well, thank you. It's going to take many years to reshore a significant number of businesses, and frankly, many small businesses will not be able to last that long unless SBA actively engages with them, helps them. And I hope you're appreciative of that point.

And one of the major reasons we've had a diminution of a manufacturing was the NAFTA Agreement, the CAFTA Agreement, and the USMCA. And I opposed all those agreements, but it was both

Republican and Democrats that passed them. We have to make up for that right now, and SBA has to be in the lead.

You indicated that DOGE is working with you, and you also indicated it's non-partisan. Elon Musk is non-partisan, ss that your conclusion?

Senator LOEFFLER. I'm really proud of the work we've done with our DOGE team.

Senator REED. No, I'm going to ask a specific question, Director. I know you've learned the filibuster in the United States Senate and you've demonstrated it quite well, but is Elon Musk non-partisan?

Senator LOEFFLER. Look, our DOGE team is a group of young men who are supporting our efforts, and I call the shots at the SBA. I'm the one calling the shots at the SBA, and I appreciate the support I've gotten in terms of some of the quantitative work that I wanted done in analyzing the financial and operational metrics. And I have made all those decisions, and they're not—they're based on the business skills I learned over three decades.

Senator REED. Does DOGE have access to data of American small businesses?

Senator LOEFFLER. I can only speak to my—my team are members of the Small Business Administration, and they comply with all the laws that apply to all Small Business employees.

Senator REED. So, they're not DOGE people. They've been——

Senator LOEFFLER. They're members of the Small Business Administration.

Senator REED. They're hired members of the——

Senator LOEFFLER. Correct. They're employees of the SBA.

Senator REED. SBA. Temporary employees, or?

Senator LOEFFLER. They're active and current employees.

Senator REED. Okay. Have DOGE reimbursed the SBA for any support they received from you?

Senator LOEFFLER. Ranking Member, could you please clarify your question?

Senator REED. Yes. DOGE goes in, they do quite a bit of work and encounter cost. Do they turn to you and ask to be reimbursed, or what is the salaries typically of these young men?

Senator LOEFFLER. They are employees of the SBA. I can come back to you——

Senator REED. Please.

Senator LOEFFLER [continuing]. With regard to any compensation details as an employee, but.

Senator REED. I would appreciate that.

Senator LOEFFLER. Happy to.

Senator REED. Thank you, Administrator, and I look forward to the second round.

Senator HAGERTY. Thank you, Ranking Member Reed. I'll open the floor up to questions right now, and I will turn to Senator Mullin.

Senator MULLIN. Thank you, Chairman. And Administrator, thank you so much for being here. You know, my Democrat colleagues continue to rail on President Trump's tariffs, and it seems like a lot of my colleagues forgot that of the literally hundreds of thousands of manufacturing jobs that have left the United States

and the trillions of dollars of not just income throughout our communities, but also the billions of dollars of investments that we've lost over the last 30 years.

And yet, they're completely silent on the fact that over the last previous administration, they averaged 4.95 percent inflation at a high point of 9.71 percent, which was a greater cross than these tariffs will ever be on our economy. And so, I appreciate you standing strong and fighting and this administration for fighting the way that they have.

But with that being said, while you were on your manufacturing tour across America, which I love, I'm actually a little jealous of, I think that'd be absolutely awesome to walk into all these manufacturing plants and see these proud workers making a living and developing tomorrow's future. What did you hear about the tariffs?

Senator LOEFFLER. Senator, first of all, it is such an honor to work for the SBA in terms of supporting the manufacturing initiatives, because you're exactly right. As we walk onto factory floors and we see the pride in American made, we see the American flag hanging in that factory. We're talking to apprentices coming in to manufacturing. It's absolutely encouraging. And they're encouraged by the Trump administration's belief in the American worker and restoring this industry because we did lose millions and millions of jobs.

And that's why the SBA got to work as soon as President Trump unleashed what is a brilliant, fair trade agenda. We have to have this in this country. It's the first President that has had the backbone to stand up for the American worker. So, that is why we immediately responded with providing more capital. We've already set records for manufacturing loans in President Trump's first 100 days, issuing 1,120 manufacturing loans, an increase of 74 percent of the 7(a) loans compared to Biden's first 100 days. So, we continue to do that.

We're working with manufacturers around skilled workforce. I was at a great technical and trade school last week where we saw students learning everything from welding, to CNC machine operating, to composites materials.

And then finally, ensuring that we are advocating for those important tax cuts that will affect everyone, and that will allow us to enable this boom in manufacturing made in America through the not just the 199A deduction, but the 179A accelerated depreciation and immediate expensing, so.

Senator MULLIN. In your opening statement, you had talked about partisan funding that had been riddled through the SBA. Can you expand on that?

Senator LOEFFLER. Senator, what we found was an agency that was almost aimed at social engineering through its loan programs. We saw DEI programs that crowded out our veterans' programs for small business statutory goals in contracting. We saw the use of trying to expand loan limits for Green New Deal companies which are obviously a scam. And we ended that. We saw lending companies giving licenses so that they could do DEI-based lending.

We recently reformed that announcing that Community Advantage SBLCs licenses would be rescinded if they didn't meet capital requirements. These are mission-based non-profit undercapitalized

groups such as the Black Investment Fund, the Progress Fund, the People's Fund. And we saw some of their delinquencies as high as 30 percent when our portfolio runs at roughly 3 percent, including those terrible data points.

So, we're really reigning that in for the benefit of small businesses who qualify all across this country, and to make sure they don't disadvantage or advantage anyone unevenly.

Senator MULLIN. You're starting to actually have loans based on merit not based on——

Senator LOEFFLER. Yes.

Senator MULLIN [continuing]. Political ideas? That's great, that you're finally getting politics out of the SBA. That's where it should be.

Senator LOEFFLER. And that's why the loans are growing. That's why the lenders are coming back to the program. They trust that these are fair and qualified loans.

Senator MULLIN. Thank you so much for being here, and thank you for the job for doing.

Senator LOEFFLER. Thank you, Senator.

Senator HAGERTY. Senator Coons.

Senator COONS. Thank you. Chairman Hagerty, Ranking Member Reed. Thank you, Administrator Loeffler, good to be with you again. It is unfortunate we don't have in front of us a full budget. That's the case of all the appropriation subcommittees on which I serve. What's the timeline on which you'll be providing us with an actual budget for us to review and work with you on?

Senator LOEFFLER. Senator, we hope to have it to you in the coming weeks. I don't have a hard deadline for you, but as soon as we have it, we will be providing that to you.

Senator COONS. As you can imagine, it's sort of difficult for us to do our work if the budget hasn't arrived and we can't have it in front of us. I think my small home State is typical. Small businesses are 98 percent of all the businesses and employ two-thirds of our workforce, and the SBA is crucial for those who want to start a new business. It provides a great resource for new and existing businesses.

And I want to briefly at the outset recognize the service of Michelle Harris, the SBA State director who is retiring after 35 years of Federal service and know dedicated her career to lots of small businesses. I am concerned by actions you've taken to cut over 40 percent of the workforce at SBA and close regional offices. And from what we have in the skinny budget, you're proposing fairly significant cuts to an agency that I think does very important work.

I wanted to focus for a moment, if I could, on a small but mighty part of SBA, which is the SCORE program. SCORE, as you know, was founded in my hometown of Wilmington by DuPont volunteers. And it is the definition of an efficient government program. There are 10,000 SCORE volunteers all over the country in every SBA office and district that help new small businesses launch.

In fact, last year, these 10,000 volunteers helped launch 63,000 small businesses, and Congress appropriated $17 million to it with a full year continuing resolution. This program should receive another $17 million.

In your confirmation hearing, you agreed you'd want to work on a bipartisan reauthorization of this program, and the most recent study said that for every dollar we appropriate to SCORE, it generates $45, just in new Federal tax revenue. So, I think this is a wonderful program well worth saving.

I understand you're here defending a budget that is not complete or finished, and that choice is not your own, just that's always true. Could you provide us with an update on the funding that's been appropriated and whether it's being dispersed, and tell me anything about how you see SCORE fitting into the mission of the agency to deliver highly efficient and effective support for small business?

Senator LOEFFLER. Senator, thank you for your question, and congratulations, Michelle. And Senator, I also want to thank you for your support of the Made in America Manufacturing Bill.

Look, as I've traveled across the country and done dozens of round tables with our resource partners or that provide technical assistance, be it SCORE Women's Business Centers, our Small Business Development Centers, and others, I've seen a fair amount of confusion by small businesses about who they should be working with.

And within the budget constraints, it's important that we unify and streamline this agency so that small businesses have the benefit of going direct to the agency, which we have 1,000 Small Business Development Centers that operate across the country, that provide direct access to our resource partners, as well as direct access to our lenders and the SBA.

And so those SBDCs are critical in delivering those services to our small businesses. And we think that unifying and streamlining will create a better user experience for our small businesses, and have more accountability for taxpayers of eliminating overlapping services that often result in confusion for our borrowers.

Senator COONS. But if I might, I think SCORE fits a unique niche in that it is seasoned, experienced, often retired business executives. People who've got personal experience financing, running, whether it's a manufacturing business, a service business and at very little cost of the Federal Government. They provide a service.

I hear you on the—potentially, we could debate it, confusing array of different centers and missions. But I think SCORE fits a unique window.

If I might, with your forbearance, one more question, Mr. Chairman. We also discussed during your confirmation hearing the SBIR program. I recently introduced with Senator Curtis the RAMP for Innovators Act, which expedites the application process, improves technical and business assistance, and focuses more on commercialization. Some have rightfully criticized SBIR grants as leading to circular, not moving towards the workplace. This is a bill that Senator Rubio and I previously worked on.

SBA plays a critical role in the success of SBIR. Can you assure us when we get your full budget, that your agency will have the staffing to successfully implement this valuable program that takes research and innovation to the marketplace?

Senator LOEFFLER. Senator, we've been reviewing the SBIR program, and we feel that it's languished in the last 4 years and needs attention to achieve the important aims of the program so that crit-

ical technologies can be brought to market. And in this reauthorization year for SBIR, I look forward to working with you and your office to understand how those programs can be strengthened across all agencies that utilize its important effort.

Senator COONS. Thank you. Great. Thank you. Thank you, Mr. Chairman.

Senator HAGERTY. Thank you, Senator. I'll turn to Senator Fischer now.

Senator FISCHER. Thank you, Mr. Chairman. Welcome, Administrator Loeffler, it is such a pleasure to see you again. And I want to congratulate you on your nomination confirmation, and also thank you for all the good work you are already doing in this position. Your enthusiasm is evident, your passion is evident, and I know you will continue to provide the services that this administration has focused on, and that our need to happen for the small businesses across this country. So, thank you for that.

As you know, in the 2017 tax bill, it included my bill to create a tax credit for employers who offer paid family and medical leave to their employees. The credit is the only national paid family medical leave policy that has ever been enacted into Federal law. The credit expires at the end of this year, and I've introduced legislation to make a couple of tweaks to make the credit permanent.

I was pleased to see that the House included my bill in their tax package, and I look forward to working with my Senate colleagues to see that it is included in the final product. I believe that the SBA can play a critical role in increasing awareness of the credit.

One of the tweaks we made in the bill was to require SBA to do targeted education, outreach, and technical assistance on the credit, and how employers can use this. And when we designed the bill, our hope was that small businesses would be able to take advantage of it to offer their hourly employees a paid family medical leave that many of them do not have the opportunity to have as employees from larger businesses and corporations have that. We know that over 75 percent of small business owners support a Federal financial incentives for small employers to provide paid leave benefits.

Another survey tells us that for small business owners who don't offer paid leave, over 58 percent reported that while they wanted to, they couldn't afford to. So, I think awareness, education, assistance, are keys here, and I think the SBA will play a large role in helping to get the word out. Again, this is a tax credit, pro-business, pro-family not a mandate, not a new entitlement.

Like, in fiscal year 2025, I also intend to secure funding for the SBA to conduct that outreach. Can you commit to me that SBA will carry out this work diligently and quickly once we're able to get the authority and the funding to do the work?

Senator LOEFFLER. Well, Senator, thank you for your leadership in this important area, and you brought it to my attention during my confirmation process. So, I'm pleased to hear that it's progressed and it's timely because we at the SBA have refocused on our field organization and our 68 regional offices. And as you just heard, our 1,000 Small Business Development Centers, that would be an excellent conduit to support awareness, and implementation, and support. It's one more reason that this tax bill is so critical to

small businesses across this country. So, I look forward to learning more about that with you and your team, and welcome the conversation.

Senator FISCHER. Thank you. Earlier this year, I joined with my Alaska colleague, Senator Sullivan, and Murkowski, in sending you a letter requesting the SBA issue guidance on SBA's contract program, 8(a) contract program, clarifying that the recent executive order that eliminates the DEI programs does not impact contracting with native-owned companies.

And I appreciate your response that we have gotten guaranteeing that tribes will not be impacted by that executive order. It is important that we provide support to and for our native-owned companies through the 8(a) contract program, including conducting outreach through the Office of Native American Affairs.

As we look at this program, , will you, first of all, commit to continuing to work with me on ensuring that SBA Tribal efforts are protected, but also to be able to stress the importance of this program in our outreach and support for our native tribes?

Senator LOEFFLER. Absolutely, Senator. We look forward to talking with you further about this and actually visiting your State to learn more about the key issues there for small businesses and our Native Americans. Thank you.

Senator FISCHER. Thank you. We look forward to welcoming you to Nebraska, and once again, good to see you.

Senator LOEFFLER. Thank you.

Senator HAGERTY. Vice Chair Murray.

Senator MURRAY. Thank you very much, Mr. Chairman, for your accommodation. I'm running between several appropriation committees this afternoon, so I appreciate the opportunity to ask Administrator Loeffler a few questions.

Now, first of all, I've been hearing from small businesses in my State about the SBA grants that have been canceled and frozen. One example is you canceled $2.5 million regional innovation cluster contract in Washington State that would've supported small businesses that were working on carbon capture, and utilization, and storage. It's not an isolated case, but that is a program that Congress historically funded with strong bipartisan support.

I wanted to ask you today, why have you canceled funding for a program that has bipartisan support and really drives small business growth in our emerging sectors?

Senator LOEFFLER. Vice Chair, thank you for the question. Our regional innovation clusters are certainly mechanisms to deliver support, technical assistance to small businesses in various regions based on expertise in that region and the needs of that region. I have brought authority in this administration to reshape the regional innovation clusters, and we are undertaking a review of those programs to rightsize them and form them to where the needs are most urgent.

Right now, we've just announced that we have a regional innovation cluster centered around manufacturing because of the skills, and efforts, and the focus needed on that right now. But we intend to continue to pursue these programs based on the regional needs, and we'll be working——

Senator MURRAY. Well, I would just say this is a regional need, and I would just ask you to go back and look at that one. Happy to provide you information, but it really is a critical one for our region.

Senator LOEFFLER. I'd be happy to work with your office.

Senator MURRAY. Okay. And I wanted to say I met with some small business owners in Seattle a few weeks ago. One of them runs a coffee shop and imports green tea. And like a lot of small business owners that I'm talking to, and you know, they operate on very thin margins, so the current tariffs are hitting them really hard. We don't grow green tea in the United States. I doubt we ever will. And given that the increased costs imposed by those tariffs could really—he told me shutter his business. What should they do in this situation?

Senator LOEFFLER. So, this period of negotiation you know, is not one where we don't acknowledge their near-term effects. But for the long-term, we want to have a situation——

Senator MURRAY. This is a small business. They can't last much longer.

Senator LOEFFLER. Well, what we're focused on, is ensuring that we never get in the position of—again, of having unfair trade. And that's what President Trump's fighting for. That's what we're fighting for. We just yesterday put out our Make Onshoring Great Again directory to ensure that small businesses have access to a million suppliers across this country that can offer alternatives to them.

Senator MURRAY. But this country doesn't produce green tea, and this small business is not going to last more than a few months. I hear your bigger scheme is that someday this will all pay off. This small business won't be there. What I'm just asking you——

Senator LOEFFLER. Yes.

Senator MURRAY [continuing]. What are they supposed to do? Are you going to having—do you have anything drafted or are you looking at anything that can help these small businesses who are on the verge of closing right now and they can't wait 2, 3, 5, 6 months from now?

Senator LOEFFLER. Well, what the SBA is offering is certainly the capital, the counseling that they need, as well as import and export loan financing to deal with these times of uncertainty. But the uncertainty is going to be short-lived. President Trump already has 75 countries at the negotiating table. We've already cut deals with China and the UK, and there's more to come, and small businesses are benefiting because inflation is down, because we're having $10 trillion of investment that we've never had in this country. We have economic opportunity on the horizon at that is really unprecedented.

Senator MURRAY. I appreciate that you have an optimistic view. I'm just telling you, having sat down and met with these small businesses, whether it's shutting the regional SBA office or canceling these grants to support our entrepreneurs or these tariffs that are having impact on, there are small businesses that will not make it based on your optimism.

Senator LOEFFLER. And there are small businesses that are going to be struggling if we don't pass this tax bill, too. So, small busi-

nesses unfortunately bear a lot of headwinds of uncertainty right now, specifically with regard to the tax bill that will affect 100 percent of all small businesses.

Senator MURRAY. I'm not here to talk about the tax bill. I'm talking, I'm talking about our little shop owners that aren't going to make it well——

Senator LOEFFLER. But small businesses obviously face a number——

Senator MURRAY [continuing]. But I appreciate your response. Thank you.

Senator LOEFFLER. Thank you.

Senator HAGERTY. Thank you, Vice Chair Murray. I'll turn to Senator Boozman now.

Senator BOOZMAN. Thank you. It's great to have you here, Administrator Senator Loeffler. We miss you, but we're very, very proud of the great work that you're doing, and I know that your heart is certainly in this, and you are doing a very, very good job.

I guess the first question I'd have is just as a committee, what tools can we give you in your toolbox? You've been out and about and touring and trying to figure out. The world is very different now than it was a year or so ago. What additional authorities do we need to give here? How can we help you?

Senator LOEFFLER. Well, Senator, thank you for the question. You know, it is humbling to serve our Nation's 34 million small businesses, and then to be able to walk their restaurant floors, their showroom floors, their factory floors with them, and listen to what their needs are. And their needs are really along the lines of reduced regulation.

They've suffered from 4 years of trillions of dollars of burdensome regulation. They almost faced a $4 trillion tax increase if we don't get this tax bill passed. The uncertainty from that they're focused on skilled workforce. They really need support on attracting that workforce into these, what we call new collar jobs for the fusion of technology and manufacturing, which is very exciting and is going to provide an on-ramp into the economy for towns that have been hollowed out by the prior three decades of shipping our jobs overseas.

And so, obviously, our focus is on deregulating, supporting the tax cuts, providing capital, which we're doing at record levels for small businesses who are investing in themselves and ensuring that they have the access to the counseling through our Small Business Development Centers. I'm also really pleased of with our work to support our veterans who had been virtually left behind during the Biden administration. And so, what we are seeing is an opportunity to get the social engineering out of the SBA get back to Main Street, leave behind the bureaucracy that had been built up over the last 4 years.

And then finally, small businesses want us to pursue the fraud that has happened in this agency that was swept under the rug the last 4 years and get back to focusing the resources on them. They're already seeing the impact in the field. They said that they feel that the Small Business Administration is now there for them again. And so, you know, continuing to support our funding, and

certainly, the bipartisan Made in American Manufacturing Finance Act would be tremendous to continue to put America first.

Senator BOOZMAN. One of the things I'm always amazed at as you learn about the small business program is just how broad it is and the tremendous things that can be offered to small businesses. A lot of small businesses simply don't know. And I guess my question would be, you know, how can we help you? How can you help yourselves? What are we doing to make it such that small business is aware that there's this great vehicle out there, that this committee, you know, has worked hard to support through the years so that they can actually benefit from the opportunities?

Senator LOEFFLER. Well, we certainly take that responsibility very seriously to get the word out. That's why we've put 30 percent of our staff into the field. We'd love to partner with your offices in the field to make sure that they know the resources available. We'll be working with the Veterans Administration to reach our veterans in the field collaboratively, the USDA as well. So, we would look forward to visiting Arkansas.

We've certainly—our hearts go out to those impacted by recent disasters, and we've been on the ground serving disasters. In fact, we've put out more disaster loans in the first 100 days of President Trump's administration than all of the last year of President Biden's administration. So, we are back on the ground in local communities, and would welcome the opportunity to work with your office to support Arkansas small businesses.

Senator BOOZMAN. Tell me about the small business loan volumes. What is SBA being able to accomplish in the first 100 days regarding small business loans?

Senator LOEFFLER. Yes. So, you're asking specifically about the loan program?

Senator BOOZMAN. Yes.

Senator LOEFFLER. Yes. So, we operate two core loan programs. The 7(a) loan program, we've seen tremendous increase in interest in that program. That's largely because we've put the guardrails back on the lending standards. Our lenders were very confused by the rolling back of the guardrails around underwriting during the Biden administration that unfortunately for that 4-year cohort drove a $2.2 billion negative cash flow for a program that should operate at no cost to taxpayers. So, we've cleaned up the underwriting standards and tightened that so that all small businesses that qualify have access to that, but that we aren't funding businesses that don't qualify.

Our 504 loan program is also one that will benefit from the increased from $5 to $10 million in manufacturing. That's a fixed capital asset program, really are aimed at restaurants and manufacturers. Asset-based businesses. We're probably going to have the second highest year in that loan program in terms of volume. So, we see an interest in Main Street businesses, rural communities investing and growing thanks to President Trump's economic agenda.

Senator BOOZMAN. Good. Thank you. Thank you, Mr. Chairman.

Senator HAGERTY. Thank you, Senator. I'll call on Senator Van Hollen now.

Senator VAN HOLLEN. Thank you, Mr. Chairman. And it was good to work with you when you were Ranking Member. And I

can't say that I'm happy we switched places, but congratulations. Senator Reed, thank you for taking on the Ranking Member position.

Administrator Loeffler, welcome. I want to pick up actually on the SBA's role when it comes to disaster relief. I was out in Western Maryland on Friday. It's a beautiful part of our State, but it just got hit really hard by massive floods. The waters rose at an incredible rate, three feet per hour. In some places the waters rose as high as 23 feet. You may have seen some of the images of students at Western Port Elementary School being evacuated by boat. So, lots of damage done.

I was out there surveying sort of the aftermath. The great news is communities are pulling together, and the emergency responders were doing a great job. But lots of damage to small businesses, to homes, to personal property. I have been concerned to hear Secretary Noem talking about the possible elimination of FEMA. That's a debate for another a day and another hearing. And I've been concerned about their talking about not allowing smaller disasters qualify for some of the FEMA declarations and relief because, as you well know, it may be small on the larger scheme things nationally, but they can be very intense locally, and the losses can be huge relative to the local jurisdictions, town's ability to handle them.

So, I just did want to get your reassurance with respect to the SBA disaster loan program. When we had the collapse of the Key Bridge in Baltimore, because that wasn't a natural disaster, that didn't qualify for a FEMA declaration, but the Small Business Administration was there. And I do want to thank all the men and women of the Small Business Administration that played an important role there.

And so, my question to you today is very straightforward. Given what just happened in Western Maryland, can I get your commitment that you will work with us? I think the governor's likely not final to make a damage assessment and declaration based on the surveys that they've been doing, and I would just like your assurance that you would work with us to make sure that if it qualifies, if the damage qualifies for the current criteria for SBA damage relief, that we could try to expedite that.

Senator LOEFFLER. Absolutely, Senator. And my prayers are with all who are impacted. Our team is already actively evaluating that. And as you know, an SBA declaration can be made even if there's not a FEMA declaration. So, we will be on that very quickly as we have been and ensure that we provide whatever relief we possibly can.

Senator VAN HOLLEN. I appreciate that. You know, like the local library, the mud was three feet deep, the book collection pretty much wiped out. Same with the local fire department was in better shape, but lots of damage.

If I could turn to student loans, because you mentioned some of the SBA traditional loan programs like the 7(a) program. We've been hearing, although I haven't heard this, confirmed, there's a possibility that people are trying to move the student loan programs from the Department of Education to the Small Business Administration. You know, my understanding is I think it's pretty

clear that would require Congressional action. Number one, do you share that view, and are you expecting to make that request as part of the upcoming budget or through other legislation?

Senator LOEFFLER. Senator, at this time, you know, the repayments on the student loans have just started under the Department of Education. And we will be working closely with the Department of Education, Treasury, the White House, and all of you in Congress to determine the best path forward. And I do strongly support President Trump's decision to return educational funds to the States where they belong with students and local education officials. But at this moment, there has been no final decision, and we will all be working closely together on that.

Senator VAN HOLLEN. Okay. I appreciate it. I don't want to get into debate about this, but you do agree that in order to make those changes, that would require a change in the statute. Right?

Senator LOEFFLER. Senator, I'll defer to the White House as to the path that they're going to take to make those changes. At this time, I don't have anything to announce.

Senator VAN HOLLEN. Okay. And just to make sure I understood your answer correctly, you're not planning to make those proposed changes as part of the SBA budget request, full budget request?

Senator LOEFFLER. Until I have further conversations with the White House, I don't have any budget request to announce at this time.

Senator VAN HOLLEN. Okay. Anyway, thank you.

Senator REED. Administrator, just let me follow-up on Senator Van Hollen. Last March, the President said, in the Oval Office, "I've decided that the SBA, the Small Business Administration, headed by Kelly Loeffler, a terrific person, will handle all of the student loan portfolio. We have a portfolio that's very large." That's a quote from the President. He is reconsidering this decision now?

Senator LOEFFLER. Senator, what we're focused on is supporting the White House's decisions and ensuring that we were able to take on whatever the President would ask us to do, and we would be working with the Department of Education and with Treasury should such a transition be made.

And, you know, our agency operates a $444 billion loan portfolio that performs very well. It's a public-private partnership through lenders much like the Department of Education's program is with outsourced servicing and so forth. But we will be working with the White House on next steps.

Senator REED. Well, this portfolio is $1.6 trillion, and it has 43 million borrowers. And one, it'd be very difficult, I think, for any agency to assume that, particularly as we progress into the year and we don't have any direction and also if you're cutting your workforce by 43 percent, where will you get the people to run this very complicated loan program?

And I must reemphasize what Senator Van Hollen said, you need Congressional authorization to make this transfer. And so, if you don't propose it, then it can't be done. And I hope you can communicate that back to the White House.

One final point here on veterans. You're cutting veterans' programs, and it seems to me inappropriate. You're cutting the veterans outreach programs, which include Veterans Business Out-

reach Centers, the Boots to Business Program, and the Service-Disabled Veteran Entrepreneurship Training Program. I think we should be doing more for veterans, not less. So, why are you cutting aid to Veterans?

Senator LOEFFLER. Ranking Member, I'm glad you asked. There is no stronger champion of veterans than President Trump, and that's why he plused up the Veterans Administration budget by $5 billion. And as the daughter and granddaughter of veterans, my father actually started a business based on what he learned in the military for trucking, and I'm proud of the work we're doing at SBA to actually grow our veterans' outreach.

What we had seen was our veterans work had been crowded out by the DEI initiatives. We've rectified that. We're getting the small business contracting targets for veterans met again by reducing arbitrary DEI limits that the Biden administration had put in.

This week alone, we're conducting 15 veterans outreach efforts for Boots to Business Reboot to serve our veterans in their local communities. And I'm excited to partner with Secretary Collins at the VA for an MOU. We have to streamline the VetCert and VetBiz on-ramp into the small business ecosystem, and then also working with the Department of Defense Transition Assistance Program as veterans come into that transition phase and looking at starting a small business.

So, veterans are going to find that we are not cutting the VBOC. We are simply ensuring that they're working with our Small Business Development Centers, of which there are a thousand across the country, along with our PCRs, which are our procurement center representatives, putting them on base at military installations to better support that small business ecosystem. So, I'm really optimistic that we are going to make small business more accessible to more veterans than has ever been true before.

Senator REED. Well, I don't think the numbers are quite as supportive. You are planning to integrate these veterans' programs into the SBDCs and providing a $10 million increase this year. Last year, or fiscal year 2024, the level of congressional funding was $18.5 million. So, what you're proposing is a 46 percent decrease in funding direct to the veterans. And the numbers, I don't think lie.

Senator LOEFFLER. Ranking Member, if you will, that's a floor. That's a $10 million floor minimally that we are putting into VBOC. But also, note that we talked about our district outreach at 68 district offices in addition to 1,000 SBDCs. So, we have quite a network and those are already delivering those Boots to Business Reboot efforts and the outreach on base.

So, we are going to supercharge the resources that we have and make them front and center for veterans as opposed to what happened in the last administration where everything was brought back to Washington, and the Veterans outreach was basically nonexistent. There's no stronger champion of veterans than President Trump and myself, and we are going to make sure that we make a difference working alongside Secretary Collins and the Department of Defense.

Senator REED. Well, thank you, Madam Administrator. Appreciate your testimony. Thank you, Senator.

Senator HAGERTY. Thank you, Madam Administrator, for appearing before our subcommittee today. Our members will have one week to submit questions for the record, due May 28th. I would appreciate it if your office could respond to those questions as soon as possible.

ADDITIONAL COMMITTEE QUESTIONS

[The following questions were not asked at the hearing, but were submitted to the agencies for response subsequent to the hearing:]

No questions were submitted for the record.

SUBCOMMITTEE RECESS

Senator HAGERTY. With that, the subcommittee is adjourned. Thank you.

[Whereupon, at 3:33 p.m., Wednesday, May 21, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

FINANCIAL SERVICES AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 2026

TUESDAY, JUNE 3, 2025

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:33 p.m., in room SD–124, Dirksen Senate Office Building, Hon. Bill Hagerty (Chairman), presiding.

Present: Senators Reed, Coons, and Van Hollen.

SECURITIES AND EXCHANGE COMMISSION

OPENING STATEMENT OF SENATOR BILL HAGERTY

Senator HAGERTY. Good afternoon, everybody. The subcommittee will come to order. This is the second of our fiscal year 2026 budget hearings for agencies under the jurisdiction of the Subcommittee on Financial Services and General Government.

Today, we welcome the Chairman of the Securities and Exchange Commission, my good friend, Paul Atkins. Paul, thank you for being here. I'd also like to extend a warm welcome to the other Senators that have joined us here today.

I don't know how well attended your hearing will be today, Paul, but we're going to have a little bit of motion in and out, but please know that's no lack of interest, it's just the voting schedule that we've got here. But I look forward to working with all of my colleagues here, in a bipartisan manner to advance the ball.

You know, access to deep liquid markets is a pillar of American economic strength. It supports innovation, job creation, and prosperity. And regulators like the SEC play a vital role in preserving market integrity, but they must do so without stifling innovation or in duly burdening investors with excessive compliance costs.

Chairman Atkins, today, the SEC is requesting approximately $2.2 billion in appropriated funding for 2026. This funding supports the SEC single appropriations account salaries and expenses, which has remained relatively flat since 2023.

While enforcement is a necessary tool, it must be used responsibly. Too often, past chairmen have aggressively pursued unrelated social or political goals, such as climate change or diversity that have really little bearing on the fiduciary duty of corporate officers. I'm confident that under your leadership, the SEC will refocus on its core mission, that is protecting investors, maintain-

ing fair and orderly markets, and importantly, facilitating capital formation here in America.

This hearing also provides an opportunity to clarify the SEC's funding structure. While the agency is funded through appropriations, these amounts are paid for by transaction fees that the SEC collects pursuant to section 31 of the Exchange Act. Over the last decade, the SEC has collected approximately $20 billion in such fees. These costs are ultimately borne by investors and market participants, and as such are simply another form of taxation.

As Congress considers future funding levels, we must weigh the benefits of prudent regulations against the economic burden that's imposed on the American public. Every dollar Congress takes from investors to operate the SEC is a dollar not invested in a new product, or not returned to retirees in the form of pension income.

Critically, I want to explore the SEC's evolving role in digital assets. Under the previous Administration, the commission imposed a regime of regulation by enforcement, and frankly, that chilled U.S. innovation and drove it overseas.

Chairman Atkins, I commend your leadership in providing regulatory clarity for digital assets, and I look forward to working together with you as matters proceed. Congress today and in days to come, I hope we will be advancing my stablecoin legislation. We're undertaking careful consideration, and much needed action on digital asset market structure soon to come.

As a steward of taxpayer dollars, and as the vanguard of maintaining marketing integrity, it's incumbent upon the SEC to ensure that the regulatory environment supports growth, investment, and financial resilience.

I want to thank you again, Chairman Atkins for testifying today. I look forward to discussing your approaches to these objectives and my questions. I now want to turn to my colleague, the Ranking Member, Senator Reed for his opening statement.

OPENING STATEMENT OF SENATOR JACK REED

Senator REED. Thank you very much, Mr. Chairman. And welcome, Chairman Atkins. It was a pleasure sitting down with you yesterday and discussing. Thank you so much, and I look forward to hearing about the SEC's fiscal year 2026 budget request, which we received Friday afternoon.

Since the Great Depression, the SEC has worked to make the financial markets more transparent, fair, and efficient for investors. It has also worked to promote capital formation so that businesses can grow and contribute to our Nation's economic success.

The SEC meets its mandate by making sure that public companies are truthful and honest in their disclosures, by making sure that investors are not defrauded by their stock broker or their financial advisor. And by making sure that when fraud does happen, investors get their money back. Unfortunately, the Trump administration has placed, in my view, at risk the SEC's ability to do all of these things.

In some ways, this hearkens back to the 2000's when an underfunded SEC eager to please industry utterly failed to detect and address the Enron debacle Bernie Madoff's fraud, and ultimately, the Wall Street collapse in the Great Recession.

Today, our financial markets are even more complex than ever, and the Trump Administration's chaotic economic policies that roiled the markets for investors. The resulting volatility opened up fresh avenues for insider trading and for market manipulation and it creates a perception among American people that the market is rigged.

Throughout the government, there appears to be special rules for those with close political and financial ties to the President. As an independent agency, the SEC should be acting independently. However, it has dismissed pending cases against individuals and companies that do business with the president and have been major political donors. And I'd like to hear the rationale for these missiles. It's important, I think, to establish again, to reaffirm the independents and the integrity of the SEC.

While holding vast amounts of market moving information, the ex-SEC, as we discussed yesterday, has invited DOGE inside the building. It has done so at the same time; there has been an open case involving DOGE's—chief Elon Musk. In view of the potential conflict of interest, I'd like to hear what vetting the DOGE representatives received, what information they can access, what restrictions they placed in their activities, what conflicts they may have, and what influence they have over commission and staff actions.

Finally, the SEC appears willing to approve new financial products that could have significant risks for investors in the broader economy. For example, the SEC has just approved new products that package opaque, illiquid, and complex loans into securities that are supposed to be highly liquid and safe enough for retail investors.

I'd like to hear how investors will be able to get their money out when the loans backing these products perhaps go south. In this environment, the SEC should be building its strength and expertise, but over 4 months, it appears to be disarming itself. The agency has cut its headcount by at least 15 percent, including some of its most experienced employees. I'd like to get your impressions of what this rapid brain drain rather is impacting the SEC.

And again, the bottom line here is, does the budget request provide the sufficient resources the SEC needs to carry out its critical responsibilities? Again, thank you and I look forward to the testimony.

Senator HAGERTY. Chairman Atkins.

STATEMENT OF THE HONORABLE PAUL S. ATKINS, CHAIRMAN, SECURITIES AND EXCHANGE COMMISSION

Chairman ATKINS. Thank you, Chairman Hagerty, and Ranking Member Reed, and Members of the Subcommittee, thank you for inviting me to testify today. This testimony reflects my individual views as chairman of the commission and does not necessarily reflect the views of the commission or my fellow commissioners. I'm grateful for the opportunity to discuss the SEC, including our important mission on behalf of our fellow citizens, investors, and taxpayers, and to speak to some of my priorities as chairman.

First and foremost, it is a new day at the SEC. I am determined that we return to our core mission that Congress set out for us

more than 90 years ago. The SEC's three-part mission was enunciated by Congress in the Exchange Act, and that's first, investor protection, which is vital to our mission. Holding accountable those who lie, cheat, and steal. Second, capital formation is at the root of what we do. Fostering a direct economical route for investors' capital to find its way to entrepreneurs and industry to create products and services that the market needs.

And the third core part of our mission is maintaining fair, orderly, and efficient markets. Congress calls on the commission to ensure that our regulations balance costs and benefits, that they do not become too burdensome by adding needless friction to the marketplace, undermining the capital formation that yields so much benefit.

On the 30th of May, I submitted to Congress the agency's fiscal year 2026 budget request. I'm pleased to support President Trump's request of $2.149 billion for the SEC operations. This request reflects the focus on returning to the core mission that Congress set for the agency, as well as resource needs for the crypto task force. This budget level is flat as compared to both fiscal year 2025 and 2024 enacted funding levels.

My time in public service and the private sector has allowed me to see firsthand how regulations affect markets and investors. They can stoke innovation, facilitate investment goals, and create opportunities or burdens on business's ability to compete and serve their customers. How we implement regulations at the SEC is crucial. It's one thing to write a regulation quite another for it to achieve its intended goal. Regulations should be smart, effective, and appropriately tailored within the confines of our statutory authority.

A key priority of my chairmanship will be to develop a rational regulatory framework for crypto assets and the crypto markets that establishes clear rules of the road for the issuance, custody, and trading of crypto assets while continuing to discourage bad actors from violating the law. Clear rules of the road are necessary for investor protection against fraud.

Policymaking will be done through notice and comment rulemaking, not through regulation-by-enforcement. The commission will utilize its existing authorities to set fit-for-purpose standards for market participants. The commission's enforcement approach will return to Congress's original intent, which is to police the violations of these established obligations, particularly as they relate to fraud and manipulation.

The SEC is returning rulemaking to regular order. Our comment periods will not be artificially short, and the public will have ample time to provide feedback. The SEC will also be sure to take into consideration how rules overlap and how regulatory burdens build in keeping with our obligation to consider their costs and benefits. There will be targeted common sense reorganizations to come at the SEC.

To start, I'm seeking approval from Congress that this span, what is known as FinHub innovation, should be ingrained into the culture of the SEC wide and not limited to a relatively small office. We've begun a process to review our technology infrastructure and our contractual obligations in that regard.

And so, to close, we will work with our colleagues in the Administration, especially other financial services regulators, and with you all here in Congress to bolster the economy and build on U.S. leadership of global markets. This SEC will make every effort to ensure that the U.S. is the best and most secure place in the world to invest and to do business.

So, thank you all very much.

[The statement follows:]

PREPARED STATEMENT OF PAUL S. ATKINS, CHAIRMAN,
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Chairman Hagerty, Ranking Member Reed, and members of the Subcommittee. Thank you for inviting me to testify today.[1]

I am grateful for the opportunity to discuss the Securities and Exchange Commission, including our important mission on behalf of our fellow citizens, investors, and taxpayers. I also appreciate the opportunity as well to speak to some of my priorities as Chairman.

On April 22, I was sworn in by Secretary of the Treasury Scott Bessent in the Oval Office with President Donald Trump; my family was by my side. I am honored by the trust and confidence that the President and the Senate placed in me to lead the SEC.

I have returned to the SEC where I was a Commissioner from 2002 to 2008. In that time, I advocated for greater transparency at the agency and emphasized robust cost-benefit analysis when considering new regulations. I also previously served on the staff of two SEC chairmen—Richard Breeden, appointed by President George H.W. Bush, and Arthur Levitt, appointed by President Bill Clinton.

With my fellow Commissioners, Congress, and SEC staff, I look forward to working to ensure that the United States is well-positioned to seize on the new excitement for investment and economic opportunity that President Trump's leadership and pro-growth policies have inspired.

SEC MISSION

First and foremost, it is a new day at the SEC. I am determined that we return to our core mission that Congress set for us more than 90 years ago.

The SEC's three-part mission was enunciated by Congress in the Exchange Act: protecting investors; facilitating capital formation; and maintaining fair, orderly, and efficient markets.

Investor protection is vital to our mission—holding accountable those who lie, cheat, and steal. The SEC will remain vigilant in our important role to ensure that investors have confidence to participate in the markets.

Capital formation is also at the root of what we do—fostering a direct, economical route for investors' capital to find its way to entrepreneurs and industry to create products and services. This engine of growth employs people, helping them to work and save to achieve their dreams.

The third core part of our mission is maintaining fair, orderly, and efficient markets. Congress calls on the Commission to ensure that our regulations balance costs and benefits, that they do not become too burdensome by adding needless friction to the marketplace, undermining the capital formation that yields so much benefit.

During my tenure as Chairman, the SEC will not stray from this core three-part mission.

My time in public service and the private sector, both earlier in my career and more recently, has allowed me to see firsthand how regulations affect markets and investors. They can stoke innovation, facilitate investment goals, and create opportunities—or burdens—on businesses' ability to compete and serve their customers.

How we implement regulations at the SEC is crucial; it is one thing to write a regulation, quite another for it to achieve its intended goal. Regulation should be smart, effective, and appropriately tailored within the confines of our statutory authority.

It takes market experience and focused application to ensure that customers and investors of financial services firms benefit from efficient, effective, and well-de-

[1] The views expressed in this testimony are those of the Chairman of the U.S. Securities and Exchange Commission and do not necessarily represent the views of the Commission, or any Commissioner.

signed regulation. Our goal at the SEC must be to facilitate those efforts, analyze their effectiveness, and use our enforcement power to cure and rectify wayward actions.

In short, clear rules of the road benefit all market participants.

The SEC is returning rulemaking to regular order. Our comment periods will not be artificially short, and the public will have ample time to provide feedback. The SEC will also be sure to take into consideration how rules overlap and how regulatory burdens build, in keeping with our obligation to consider their costs and benefits. The SEC also looks forward to working with the Office of Information and Regulatory Affairs on our rulemaking.

I am grateful to Commissioner Mark Uyeda for his stewardship of the agency as acting Chairman of the SEC from January to April, a very productive 3 months.

During this transition, he brought clarity to some urgent policy issues that we faced in the courts and some organizational issues as the new Administration came into office.

He established the Crypto Task Force together with Commissioner Hester Pierce, which has worked with staff to provide necessary guidance to the industry. He normalized the agency's stance regarding materiality of disclosure requirements to comply with Supreme Court rulings and backed agency actions to extend certain compliance dates and remove personally identifiable information (PII) from the Consolidated Audit Trail (CAT).

As we look ahead, I am confident in the direction of our work. My experience over the decades will naturally inform my approach as Chairman.

The Commission will focus on providing meaningful pathways for entrepreneurs to obtain the capital that they need to execute their innovative ideas and grow their companies in both the private and public markets. At the same time, investors that provide such capital must be able to continue to depend on effective enforcement against fraudulent activities.

FISCAL YEAR 2026 BUDGET REQUEST

On May 30, I submitted to Congress the agency's fiscal year (FY) 2026 budget request.[2] I am pleased to support President Trump's request of $2.149 billion for SEC operations. This request reflects the focus on returning to the core mission that Congress set for the agency as well as the resource needs for the Crypto Task Force. This budget level is flat as compared to both the FY 2025 and FY 2024 enacted funding levels.

The budget request contemplates approximately 4,100 full-time equivalents (FTEs), which is a net reduction of 447 FTEs compared to the FY 2025 level due to attrition following early retirement and buy-out offers in calendar 2025. At this lower FTE level, the budget request actually is approximately $100 million more than the amount that would be required to maintain our current state of operations. There is some uncertainty regarding the FY 2026 budget, including the potential transfer of the functions of the Public Company Accounting Oversight Board (PCAOB) into the SEC.[3] If Congress approves this budget request, we anticipate that this funding could support such a transfer of the PCAOB functions into the SEC in FY 2026.

SEC FEES

The SEC's funding is deficit neutral, as by law any amount appropriated to the agency will be offset by fees on securities transactions under Section 31 of the Securities Exchange Act of 1934 (Exchange Act).

On April 8, 2025, the SEC announced that starting on May 14, 2025, the fee rates applicable to most covered sales would be set at $0 per million in securities transactions.[4] The Commission determined this new rate in accordance with the Exchange Act.

The Commission collected its entire FY 2025 appropriation before the new fee rate of $0 per million became effective on May 14. The prior fee rate was $27.80 per million. The Commission is required to set the fee rate to a level that generates fees

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[2] *See* Securities and Exchange Commission, "Fiscal Year 2026 Congressional Budget Justification and Annual Performance Plan, Fiscal Year 2024 Annual Performance Report" (May 30, 2025), *available at* https://www.sec.gov/about/reports-publications/secfy26congbudgjust.

[3] *See* Congress.gov, "One Big Beautiful Bill Act," Section 50002, *available at* https://www.congress.gov/bill/119th-congress/house-bill/1/text.

[4] *See* Securities and Exchange Commission, "Section 31 Transaction Fee Rate Advisory for Fiscal Year 2024" (April 8, 2025), *available at* https://www.sec.gov/rules-regulations/fee-rate-advisories/2025-2.

equal to the Commission's appropriated amount, so no further collections for fiscal year 2025 are required.

The Commission will continue to keep this committee, and the public, informed of developments relating to fees on the SEC website.

SEC STAFF NUMBERS

The SEC's Offices and Divisions have decreased headcount by 15% since the beginning of the current fiscal year. Many of our colleagues at the SEC elected to take advantage of the Administration's Fork in the Road, Voluntary Early Retirement Authority (VERA), or Voluntary Separation Incentive Payments (VSIP). Some left to pursue other opportunities. These departures leave vacancies that in many cases need to be filled. When I left the agency in 2008, we had approximately 3,600 employees. At our height a year ago, we had approximately 5,000 employees plus 2,000 contractors. Today we are at approximately 4,200 employees and 1,700 contractors.

DIGITAL ASSETS

From 2017 until my nomination, I worked to help develop best practices for the digital assets industry and saw firsthand how ambiguous or nonexistent regulations in this space created uncertainty and inhibited innovation. That lack of regulatory framework also invites fraud.

A key priority of my Chairmanship will be to develop a rational regulatory framework for crypto asset markets that establishes clear rules of the road for the issuance, custody, and trading of crypto assets while continuing to discourage bad actors from violating the law. Clear rules of the road are necessary for investor protection against fraud—not the least to help them identify scams that do not comport with the law.

Policymaking will be done through notice and comment rulemaking not through regulation-by-enforcement. The Commission will utilize its existing authorities to set fit-for-purpose standards for market participants. The Commission's enforcement approach will return to Congress' original intent, which is to police violations of these established obligations, particularly as they relate to fraud and manipulation.

This undertaking requires coordination across multiple offices and divisions within the Commission, which is why I am pleased that Commissioner Uyeda and Commissioner Hester Peirce have worked together to establish the Crypto Task Force. For too long, the Commission has been hindered by policymaking silos. The Crypto Task Force exemplifies how our policy divisions can come together to expeditiously provide long-needed clarity and certainty to the American public.

I am confident that Commissioner Peirce, known for her principled and tireless advocacy for common-sense policy, is the right person to lead the Crypto Task Force's effort to come up with a rational regulatory framework for crypto asset markets.

The task force has held four roundtables so far on further defining security status, tailoring regulation for crypto trading, custody considerations, and tokenization. I look forward to the input from industry and additional public feedback during the next roundtable on decentralized finance.

This is important work. Entrepreneurs across the United States and around the world are harnessing blockchain technology to modernize aspects of our financial system. I anticipate benefits from this market innovation for efficiency, cost reduction, transparency, and risk mitigation.

SEC COMMISSIONER ROLES

In addition to Commissioner Peirce's continued leadership of the Crypto Task Force, I have asked Commissioner Uyeda to be our "ambassador" to the International Organization of Securities Commissions (IOSCO). Commissioner Caroline Crenshaw has agreed to take on the SEC's administrative law proceedings framework and the procedures in adjudications used by our administrative law judges in light of Supreme Court rulings that oblige us to rethink and reform this area.

REORGANIZATION

Under Acting Chairman Uyeda, the reporting lines in the Divisions of Enforcement and Examinations were realigned to better reflect each Division's national programs to improve efficiency, management, and oversight of the Divisions. There will be targeted, common-sense reorganizations to come at the SEC. To start, I am seeking approval from Congress to disband what is known as agency's Strategic Hub for Innovation and Financial Technology (FinHub). Innovation should be ingrained into the culture SEC-wide and not limited to a relatively small office. Established in

2018, FinHub was created during a critical period of emerging technologies. The rapid development of distributed ledger technology, including digital assets, artificial intelligence, and machine learning, required a centralized effort to build understanding at the SEC. The principles and priorities under which it was established are being integrated into the very fabric of the SEC.

TECHNOLOGY REVIEW AND OPTIMIZING EFFICIENCY

We have begun a process to review our technology infrastructure and our contractual obligations. This review is long overdue—call it a spring cleaning and reassessment of contracts, especially regarding information technology.

We publicly announced last month that the Commission determined that certain masked data fields on publicly available reports on Form N–PORT submitted between Feb. 3, 2025, and May 8, 2025, were inadvertently made public on the SEC's EDGAR system. This was the result of a software update effective Feb. 3. The masking error has been corrected and did not affect Form N–PORT filings made after May 8, 2025.

This situation is not acceptable. I have directed the initiation of a comprehensive review of the EDGAR system to ensure for data integrity. We need to evaluate what we have, where our vulnerabilities are, and how we can shore up and improve our systems. We will work on optimizing our efficiency and eliminating redundancy.

SEC REGIONAL OFFICES AND LEASING

The SEC has 10 regional offices across the country. In late February, the General Services Administration (GSA) informed the SEC that it would terminate leases utilized by the SEC's Los Angeles Regional Office and the Philadelphia Regional Office. Discussions with the GSA and the landlords are ongoing, and I will keep this Committee apprised of those developments. In the meantime, the leases are in their "soft term" and are not terminated.

I firmly believe in the SEC's regional office concept. We cannot and should not have all of the SEC's staff in Washington and New York. Risk management, human resource development, and practicality for our examination teams—as one example—provide ample reinforcement for the need to maintain these offices.

CONCLUSION

As I said at the outset of this testimony, it is a new and brighter day for the SEC.

We will work with our colleagues in the Administration, especially other financial services regulators, and with Congress to bolster the economy and build on U.S. leadership of the global markets.

This is a pivotal moment for our economy. Entrepreneurs, businesses, and individuals here at home and across the globe are eager to invest in America.

This SEC will work to protect investors from fraud, keep politics out of how our securities laws and regulations are applied, and advance clear rules of the road that encourage investment in our economy to the benefit of all Americans.

This SEC will work to ensure that regulations promote capital formation rather than stifle it. We will work together to ensure American investors get disclosures that actually help them understand the true risks of an investment.

This SEC will make every effort to ensure that the U.S. is the best and most secure place in the world to invest and do business. Americans should always have utmost confidence when investing their hard-earned dollars to save and provide for their future and the future of their families.

Thank you.

Senator HAGERTY. Thank you for your testimony, Mr. Chairman. Before we turn to questions, I'm going to recess this committee for about 10 minutes so we can go to the Senate floor and vote. When we return, we'll resume with questions for our witness. Thank you.

[Recess.]

Senator HAGERTY. Chairman Atkins, under the previous administration, the SEC engaged in a regulation by enforcement approach, that chilled U.S. innovation and digital assets. It took away our leadership position in the digital assets arena and frankly drove digital asset innovation overseas.

Now, thanks to your leadership and that of acting Chairman Uyeda, the SEC has taken important steps toward providing regu-

latory clarity for digital assets. Likewise, Congress is taking action right now by advancing my stablecoin bill, the GENIUS Act, and by undertaking that legislation, we're going to open the door to undertake even further legislation on market structure.

Chairman Atkins, if you could just take a moment, and explain why swiftly providing rules for the road for digital assets is important to America.

Chairman ATKINS. Well, thank you, Chairman. Yes, it's I think vitally important because innovation cannot occur in a vacuum. Innovation and new products depend on certainty. And the more certain the rules of the road are, the better then people can go and get legal opinions in order to do things, and make investments so that they're sure of what they're investing in, and that the rules won't change down the road.

So, unfortunately, because we have for now, almost a decade, lack of certainty in this area, I think that has chilled the investment climate at least in the digital asset space in the United States.

Senator HAGERTY. Yes, I certainly agree and I sadly have seen innovators leaving America, telling me they're going to start their next business in another country, this type of thing, simply because they lack the clarity that you're describing. So, I think it's much needed.

I'd like to turn our conversation now, though to another area, that I think is something that has an issue here at America that's gone on far too long. And that has to do with the dominant proxy advisory firms. That's ISS and Glass Lewis to be specific. And they've been able to operate here in the United States with very little regulatory oversight.

The firms have exploited their duopoly, and they've used it in as a means to basically hijack corporate governance. And what they're doing is they're pushing costly and destructive partisan agendas through as they provide their recommendations.

You think about it, U.S. public companies and their retail investors pay the price, as shareholder returns take the backseat to "woke partisan agendas." These agendas are advocated by the so-called proxy advisors and the recommendations that they put forward for their clients.

The firm's perverse influence on capital markets is only made more concerning by the fact that they're both foreign owned. ISS is 80 percent owned by a German entity that openly claims to "Allocate capital to sustainable initiatives." While Glass Lewis is owned by a Canadian private equity firm, which is stated that ESG remains a "Key factor in investment decisionmaking."

Chairman Clayton attempted to address the problem by amending the proxy rules definition of solicitation, to include proxy voting advice. His rulemaking imposed a baseline level of transparency and accountability on these firms. However, Chairman Gensler arbitrarily and capriciously reversed key parts of Clayton's 2020 rule. This allowed ISS and Glass Lewis to continue their shakedown of American companies.

Chairman Atkins, broadly speaking, do you have concerns about the activities of these proxy advisory firms? And I'm curious what

measures the SEC might have taken thus far to address those concerns?

Chairman ATKINS. Well, thank you, Mr. Chairman. Yes, I do have concerns about gamesmanship, and abuse of the corporate governance process, and the back and forth that's gone on over the last few years. So, I want to be sure that we are able to address that and look into it, and that's going to be part of our program going forward.

Senator HAGERTY. Good. I'm glad to hear it's a priority. ISS previously sued the SEC over Clayton's 2020 rulemaking; under Gensler the commission dropped its defense of that rule. If the SEC were to resume its defense of the rule and do so successfully, the reasonable regulatory requirements imposed under Chairman Clayton would be restored. I urged the commission to consider defending Clayton's rule and to explore every possible avenue, to terrain in the proxy advisors and shield the competitiveness of our U.S. capital markets.

Now, I'd like to turn to CSDDD, another favorite. The European Union has adopted the Corporate Sustainability Due Diligence Directive, also known as CSDDD, to impose extraterritorial regulation on U.S. companies, motivated by ESG and other progressive policy goals, and arguably a desire to use regulators to kneecap more successful jurisdictions like ours. The rule imposes significant compliance burdens that will hamstring U.S. competitiveness.

The U.S economic growth is evaporating, thanks to the massively increased regulatory burdens that it is imposed on itself. Rather than reform its own failed regulatory state, the EU would prefer to undermine our economy by imposing growth killing rules on U.S. businesses. Beyond its massive compliance cost, the CSDDD is an affront to U.S. sovereignty. Major policies impacting our businesses ought to be debated and decided by U.S. lawmakers, not faceless bureaucrats in foreign capitals.

In recent weeks, even President Macron and Chancellor Merz have acknowledged that these extraterritorial regulations should be repealed. Chairman Atkins, I'd just like to know whether you're concerned about the extra territorial regulation that's going on, and if so, if you could describe the harmful effects that will have on U.S companies that are ensnared by the EU's rule.

Chairman ATKINS. Well, thanks, Chairman. Yes, I do. I am very concerned about the extraterritorial effect of these rules, and particularly to small businesses in the supply chain, vendor chain, to multinational companies because by the terms of some of these directives, some of these requirements, especially third-party rights of litigation and action is very threatening to manufacturers and other suppliers here in the United States. So, I will definitely take steps with our counterparts abroad to make them understand how concerned we are and to push back on those effects on the United States Company.

Senator HAGERTY. I appreciate you making that a priority on the Executive Branch side. I think you can make a great deal of progress on the legislative branch side. I've introduced the Protect Act, which is reciprocal, and it would push back on this sort of extra territorial jurisdiction as well. So, thank you for making that a priority. I'll turn now to Ranking Member Reed.

Senator REED. Well, thank you very much, Mr. Chairman, and thank you Chairman Atkins. As we've proceeded there have been a significant number of cases, well, several at least, that have been dismissed by the SEC and the individuals have associations with the President or his family. And it raises the question, the public, you know, is there some connection between their political connections and their legal standing?

The most probably notable of these is Mr. Justin Sun who was sued by the SEC for fraud. Mr. Sun is the biggest investors in Trump's meme coin, funding at least $40 million to the Trump family. He invested $75 million in Trump's other crypto project called World Liberty Financial. He's affiliated with Crypto Exchange, HTX, which was the first to list Trump's stable coin, USD1. He created the Tron blockchain, and according to a crypto research firm, the overwhelming majority of Hamas cryptocurrencies seized by Israeli authorities, has been tethered on the Tron network.

In addition, Mr. Sun was reportedly under investigation by the Department of Justice for financial crimes, and yet his case was dropped. What was the rationale for dropping the case against Mr. Sun?

Chairman ATKINS. Well, thank you, Senator. So, I believe that case was dropped before I got to the SEC, or if not, I didn't participate in it. But I can't speak to the specifics of that case. But as far as—you know, a lot of these cases that were brought by the SEC as we are looking, again, at the rules, and looking to bring some order to the crypto markets and the rules that govern those. We're trying to square our enforcement stance with what's our stances with respect to those assets.

Senator REED. Well, I think you appreciate at least the impression that is generated here. On calculation, over $100 million dollars was given to the President directly and indirectly, and suddenly a case that was brought, I'm sure not frivolously, but with evidence, et cetera, was suddenly dropped. How would you reassure the American people that there will be no political interference in the operations of the SEC?

Chairman ATKINS. Well, Senator, this is now my third time at the SEC, so I've been in and around the agency for 30 some years. And so, working with many chairmen and commissions over the years, I can tell you that the commission addresses issues forthright and without fear of favor and under both parties. And so, I'm proud of the record of the SEC and assure you that we will continue to do that while I'm Chairman.

Senator REED. We had an opportunity yesterday, again, thank you for coming by. It was a not great opportunity to talk about some of these issues. One is the presence of DOGE within the SEC and also the staffing cuts that have been initiated across the government, but also at SEC. So, starting with the staffing cuts, how many staff do you have left the division of corporate Finance? Do you have those numbers?

Chairman ATKINS. What I can tell you is that overall, 15 percent of the staffing of the agency have left voluntarily. So, they took voluntary retirement. So, 11 percent, so Corp fin is a bit below the average of 15 percent.

Senator REED. Right. So, again, this is the division of SEC that looks at filings for companies, IPOs, et cetera. I presume since they left in retirement, these are senior personnel, probably some of the most experienced members. Can we assure the public and the corporate community that they'll still be efficient, effective, and timely review?

Chairman ATKINS. Well, yes, Senator. So, again, I've been in and around the SEC now for 30 years, and I have to say I'm very proud of the staff. I think they're very competent, and I think there's a deep well of competency there. And so, the good thing, I mean, one thing that comes of retirements is that it allows junior people who are competent to move up the ranks. So, I think that circulation is good. I miss the former folks who have left, but they took that voluntarily as far as the retirement goes.

Senator REED. Well, my time expired, so let me yield back to the Chairman. Thank you.

Senator HAGERTY. Thank you, Ranking Member Reed. I'll now turn to Senator Coons.

Senator COONS. Thank you, Chairman Hagerty, and Ranking Member Reed. And to Chair Atkins, thank you for being here, and for your service. I appreciated finally receiving more details on the President's budget request, and I hope more broadly, this is not the new normal for this administration. We need timely cooperation in order to draft our appropriations bills. I appreciate your appearance here today, and the directness and clarity of your presentation.

Taking a look at your proposed budget, it does include some cuts. Particularly of concern to me is the enforcement division. And as you were just discussing with Ranking Member Reed, the number of career officials who've taken buyouts or have been pushed to retire, how many people have left the enforcement division over the last 6 months?

Chairman ATKINS. Well, so there's been a nationally for enforcement, 15 percent decrease, so it's right at the average for the agency overall. And again, we have a deep well of experience and not just in here in Washington, but throughout the regions. And so, we have very competent people.

And as we look at you know, going forward, our request is stable as in your previous years, and so where there are gaps, we'll fill them in. And I have confidence that we'll be able to do the job that we need to do with what we have.

Senator COONS. President Trump signed an executive order that paused all future investigations and enforcement actions under the Foreign Court Practices Act, for at least 9 months, if I'm not mistaken. No, for 180 days, forgive me. I recognize this applies to the DOJ, but the SEC also plays a critical role in helping implement FCPA. You're authorized to share information obtained with the DOJ if they uncover potential criminal activity.

I'm troubled that the President in this action seems to be deciding which laws will be enforced and which laws will have their enforcement suspended. Is the SEC under your leadership still prioritizing enforcement of the FCPA, and has the SEC offered any evidence to the DOJ that's been rejected due to that executive order?

Chairman ATKINS. Well, I can't speak to any particular investigation or activity.

Senator COONS. I understand you can't speak to any particular investigation, but you certainly can report on whether or not that executive order has resulted in the SEC stopping all investigation or enforcement of the FCPA.

Chairman ATKINS. Well, many of these cases involve many different aspects of the securities laws. So just that one you're——

Senator COONS. I am familiar with section.

Chairman ATKINS. Yes. And so, to my knowledge, nothing has been directly affected, but I'm happy to get back to you on that.

Senator COONS. I'd appreciate it. Earlier, you said the core mission of the agency you now lead is to protect investors against those who would lie, cheat, or steal. Which I would agree with you is in some ways the really the core mission.

The FCPA, although some have decried as putting American business at a competitive disadvantage, I think actually puts us at a competitive advantage because foreign governments, foreign companies know that they can count on American business to secure its business advantage around the world, fair and square, not through underhanded ways or not through bribery. So, I certainly would appreciate your following up with me on what you see as the enforcement trajectory for the FCPA.

Last, cryptocurrency is a very pressing issue, an issue you have a lot of experience with. And I come at this topic through the lens of course, of my home State, which has long been an established financial services and banking center.

You've endorsed allowing crypto exchanges to handle both traditional securities and crypto, in one entity. If exchanges like Coinbase, that are crypto exchanges, are permitted to offer their services as well as a more traditional things, stocks, and bonds, how do you ensure they're held to the same rigorous standards as more traditional banks and investment firms?

Chairman ATKINS. Well, so that's part of our task now to try to come up with regulations that make sense for the industry and that allow for innovation. And so, our task force, you know, is holding round tables and we will come out with a report here in the next couple months. And we'll come up with proposed rules of the road to take comment in that regard, and then go ahead and go through with a rulemaking process.

Senator COONS. Well, as you go through that process, I just urge you to hold to that core understanding of the role of the SEC to protect crypto investors from being harmed by fraud and market manipulation. The traditional financial services industry is subject to comprehensive regulation. And I think there's an understandable anxiety on their part about facing a direct competition from a financial sector that is lightly regulated or not at all.

And while I recognize the value of innovation, and of making sure that the United States remains on the cutting edge of innovation and financial services, I think that also has to be balanced with protecting investors and thus retaining the confidence that global investors have, and the credibility of the American capital markets. And you have a unique role; I think your background and experience will be relevant. I very much look forward to staying in

touch on this because I think this crypto task force you've put together is going to be critical.

Last question. Do you believe the SEC needs any new statutory authorities to regulate crypto and carry out the recommendations of the task force?

Chairman ATKINS. Well, thank you for that. It would be great to be undergirded by statute. But in the meantime, I think we have enough authority under the securities laws to be able to come out with regulations in this regard. But it's always best to have that firm foundation.

Senator COONS. Agreed. Thank you, Mr. Chairman. Thank you, Mr. Chairman.

Senator HAGERTY. Thank you, Senator Coons. Chairman Atkins, we're awaiting Senator Van Hollen's arrival. This gives me an opportunity to ask you another question that broadly addresses what I think you and I have discussed before, my viewpoint that our capital markets remain one of the greatest sources of competitive advantage for the United States of America.

And in my view, staying on the cutting edge of innovation in the capital markets is going to be a critical aspect of that competitiveness. I mentioned earlier in our discussion, the fact that I'm introducing stablecoin legislation, the GENIUS Act, to begin to move us down that road to create rules of the road for digital currency that would essentially take the United States into a modern-day payment system. It's got many benefits, particularly among those are extending the position of the dollar, is the world's reserve currency stimulating demand for U.S. treasuries and providing critical protection for U.S. consumers.

I would very much be interested in your thoughts as to how we look at providing the statutory underpinning that you just described. And if you had a chance to look at the stable coin legislation that I've proposed, whether that gets you moving in the right direction.

Chairman ATKINS. Well, thank you. I salute you for advancing that bill and having it considered by the Senate. I think that one of the primary use cases for digital assets is stablecoin and for payments and the rapidity of the transactions that are able to be done through that. And so, I think that to have a bill such as yours that would provide for both protections and to set forth that foundation, I think is really important.

Senator HAGERTY. We have strong bipartisan support. I look forward to working with you and your team to advance this area. And I'll turn to Senator Van Hollen.

Senator VAN HOLLEN. Thank you, Mr. Chairman. Mr. Chairman, good to see you again. At your confirmation hearing you and I discussed the issue of the Public Company Accounting Oversight Board, the PCAOB, which was formed as you know, after some major companies like Enron failed after cooking their books and none of their auditors stepped in to correct the issues. And Enron's failure alone costed shareholders about $67 billion.

So, Congress created the PCAOB in effect to audit the auditors, and make sure they stop fraud at companies they audit before we have catastrophic failures like we witnessed in the Enron case. When you and I talked about this before in the Banking and Hous-

ing Committee, you agreed that the function played by the PCAOB was essential. Is that still the case?

Chairman ATKINS. Yes, sir.

Senator VAN HOLLEN. So, one of the reasons I raised it then was I was concerned about efforts to fold the PCAOB into the SEC, because of concerns that it would lose its punch and its ability to do the job. The house reconciliation bill, as you know, does fold the PCAOB into the SEC. I think that it will fail under the bird rule but I want to talk for a moment about the merits of that proposal.

Because my understanding from the SEC itself, is that at least as of last month, the SEC does not have the personnel with the experience conducting those in-depth examinations or inspections of registered public accounting firms. That's based on information from the Office of the Chief Accountant. Do you have any reason to think otherwise?

Chairman ATKINS. No, because we don't have that function, but if it's folded into the SEC and we get the funding, we could take over that function using the examiners, I would imagine, from the PCAOB and not miss a beat.

Senator VAN HOLLEN. Well, I want to press you a little bit on that, Mr. Chairman. How many of the 600 PCAOB employees does the SEC plan to hire to keep this important function going?

Chairman ATKINS. Well, we haven't done any study on that yet, so——

Senator VAN HOLLEN. But you say very easily that you could absorb them. That obviously requires additional funding, does it not?

Chairman ATKINS. Exactly. But the way I understand it, that funding is contemplated by the——

Senator VAN HOLLEN. So, it's interesting you say that because the PCAOB right now is funded by a firm, a fee on the firms that overseas, right?

Chairman ATKINS. Well, and also on public companies, there's basically a wealth tax on companies.

Senator VAN HOLLEN. But it's a fee, a fee generated revenue fee generated, right.

Chairman ATKINS. That the SEC approves and——

Senator VAN HOLLEN. Yes. But the reconciliation Bill, Mr. Chairman, eliminates that authority. It eliminates the authority of the PCAOB. I mean, it eliminates the PCAOB, it folds it in the SEC, it does not include the authority to have fee-based revenue. Were you aware of that?

Chairman ATKINS. Yes, but what I understand is that there is contemplated funding for that. And built into our budget, we do have since it's an even budget from last year, when you account for people who have left voluntarily from SEC, we have about $100 million or so that could help tide it over the thing.

Senator VAN HOLLEN. Right. Are you aware of what the current PCAOB budget is?

Chairman ATKINS. That's perhaps 400. I don't know——

Senator VAN HOLLEN. You got it right. It's 400 million. You've got $100 million in your budget. That's a $300 million gap. If you want to maintain, in my view, the same functionality which is something that I think all of us should be very interested in, not just with respect to U.S. companies. But as you and I discussed,

Senator Kennedy and I passed legislation to make sure that companies based in China, that are publicly listed on U.S. exchanges are subject to this audit procedure. I assume you think that's a good thing that they're subject to that.

Chairman ATKINS. Well, I think the functions of the PCAOB are vital, as we spoke of before. And should that be folded into us, we'll be back to you all for the proper resources to carry it forward. So, we won't miss a beat on that.

Senator VAN HOLLEN. I'm just saying, Mr. Chairman, it's pretty clear that the resources are not there in this budget if it gets folded in. I mean, as you pointed out, you've got $100 million extras, we're both pointing out. The current budget is $400 million. So, unless you really think you can fire or get rid of a lot of people and still do the job, we have an issue here.

But in my view, when something is not broken, we shouldn't try to come up with a different fix. If there are reforms to the PCAOB that you recommend, maybe that would be a better route to take if we want to make sure that they continue to have the capacity to oversee companies in China and elsewhere.

I would also just point out in closing, Mr. Chairman, that a number of other countries have raised concerns about this contemplated change in the house because their agreements, their audit agreements are with the PCAOB, and they point out that it is not a U.S. government entity, right? It's a separate independent entity. And as soon as that role is taken over by a more of a government entity, all those agreements will need to be renegotiated if they're willing to renegotiate them.

So, thank you, Mr. Chairman. I hope we can continue to pursue this issue because I think that what the house did, is essentially breaking a system that is actually working quite well right now.

Senator HAGERTY. Thank you for raising that, Senator Van Hollen. Chair Atkins, I want to thank you for your testimony today. The record will remain open for one week, and members will be able to submit questions for the record during that time until June the 10th.

ADDITIONAL COMMITTEE QUESTIONS

[The following questions were not asked at the hearing, but were submitted to the agencies for response subsequent to the hearing:]

QUESTIONS SUBMITTED TO THE HONORABLE PAUL ATKINS, CHAIRMAN, SECURITIES AND EXCHANGE COMMISSION

QUESTIONS SUBMITTED BY SENATOR BILL HAGERTY

Question 1. This subcommittee appropriated roughly $2.2 billion to the SEC in the FY25 year- long Continuing Resolution (CR). However, this is not the only source of funding Congress provided to the SEC. In 2010, Section 991 of the Dodd-Frank Act established the Securities and Exchange Commission Reserve Fund. It authorized that registration fees collected by the Commission under section 6(b) of the Securities Act of 1933 or section 24(f) of the Investment Company Act of 1940 be deposited into the Reserve Fund, limited annual deposits to $50 million and established a maximum fund cap of $100 million. The SEC must notify Congress when it obligates these funds.

—(a) From 2012 to 2024, the SEC spent $603 million from the Reserve Fund. What were these funds generally used to purchase?
—(b) Were there years in which Congress rescinded a portion of these funds?
—(c) Can you tell the committee how much is currently unobligated?

Answer. During those 12 years, the SEC obligated amounts from the Reserve Fund to support technology and modernization projects that were intended to enhance the agency's security posture, expand the use of risk and data analytics, and migrate legacy applications to modern enterprise solutions. These programs include:

—Cybersecurity
—Data Analytics (including AI/ML)
—EDGAR Modernization
—Enforcement Investigation and Litigation Support
—Examination Management
—Modernizing the .gov site
—Tips, Complaints, and Referrals (TCR) Modernization
—Business Process Improvements

A portion of the Reserve Fund ($25M) was temporarily rescinded in FY 2012 and in FY 2014—FY 2017. As of June 30, 2025, the FY25 unobligated reserve fund balance is $22.6 million.

Question 2. This subcommittee provides an appropriation to the SEC, limits the amount of fees the SEC can collect, and sets spending limits on its overall operations. The SEC's largest division is Enforcement. The SEC's FY25 operating plan proposes to spend $698 million on Enforcement. For a relatively large agency, this subcommittee does not set many limits on how the SEC spends its appropriation. At other agencies within our jurisdiction, the bill establishes limits on how much of the overall spending can go toward specific activities. For example, our bill sets a limit on how much the IRS can spend on Enforcement. This subcommittee doesn't set similar limits at the SEC, and yet the SEC's Enforcement Division alone is larger than either the FTC or the FCC.

—(a) If the subcommittee were to establish a limit on the Enforcement Division, what factors should we consider?

Answer. The SEC's FY2026 budget seeks approximately $683 million for ENF. We believe this budget is sufficient and will be happy to work with Congress on the appropriate amount of funding to execute our core mission efficiently.

I would note, however, that the number and complexity of securities law violations are highly variable. It can be helpful for the SEC to have flexibility to shift some amount of funds to meet the needs of unexpected investigations or cases, within reprogramming limits set by Congress.

QUESTIONS SUBMITTED BY SENATOR RICHARD J. DURBIN

Question 1. The Securities and Exchange Commission (SEC) dismantled the crypto unit in its Division of Enforcement, reassigning and demoting key personnel. Approximately 20 of the 50 staff in the unit reportedly have been moved out of their prior jobs. Additionally, the SEC moved to strip enforcement attorneys of subpoena authority for documents and testimony, requiring a cumbersome vote of the full Commission for investigations to move forward. In April, the Federal Bureau of Investigations reported that crypto-related crime was up 66 percent year- over-year. The latest available data we have from the SEC showed that crypto represented 20 percent of all investor complaints to the agency, even though it is only two to 3 percent of all capital markets. Why are you cutting enforcement staff when crypto-related misconduct and harm is spiking?

Answer. The SEC is fully committed to enforcement efforts against fraud and schemes in all areas, including crypto. Within the Division of Enforcement, we announced in February 2025 the formation of a new Cyber and Emerging Technologies Unit to keep pace with this rapidly changing field. Measures like this help the Division of Enforcement to remain agile in the face of change and technological developments, and ensures we are able to fulfill our investor protection mission to hold accountable bad actors who use innovation to defraud others. Moreover, cases against misdeeds in the crypto/digital assets area are not solely brought from any particular group in Enforcement.

A key priority of my Chairmanship will be to develop a rational regulatory framework for crypto asset markets that establishes clear rules of the road for the issuance, custody, and trading of crypto assets while continuing to discourage bad actors from violating the law. Clear rules of the road are necessary for investor protection against fraud—not the least to help them identify scams that do not comport with the law.

Policymaking will be done through notice and comment rulemaking not through regulation-by-enforcement. The Commission will utilize its existing authorities to set fit-for-purpose standards for market participants. The Commission's enforcement approach will return to Congress' original intent, which is to police violations of these established obligations, particularly as they relate to fraud and manipulation.

This undertaking requires coordination across multiple offices and divisions within the Commission, which is why I am pleased that Commissioner Uyeda and Commissioner Hester Peirce have worked together to establish the Crypto Task Force. For too long, the Commission has been hindered by policymaking silos. The Crypto Task Force exemplifies how our policy divisions can come together to expeditiously provide long-needed clarity and certainty to the American public.

Question 2. In just a few short months, President Trump and his family have made billions from questionable crypto investments. The President has made a fortune promoting the $TRUMP memecoin, even as most investors in the coin—approximately 764,000—have lost money on their investments. President Trump sold seats to a dinner with him to customers willing to spend millions on his memecoin—which amounts to auctioning off access to the President of the United States via crypto. The Trump family's crypto firm, World Liberty Financial (WLF), secured a $75 million investment from Justin Sun, a crypto platform founder with a shady past, who has since seen his fraud case settled with the SEC. WLF also has issued its own stablecoin and inked a $2 billion deal between an investment arm of the United Arab Emirates and disgraced crypto platform Binance using WLF's stablecoin—even as former Binance CEO Changpeng Zhao publicly acknowledges he has requested a pardon from the President.

(a) How will the SEC address applications from President Trump, his family, and his friends for creating, trading, and handling crypto?
(b) What are your plans to hold President Trump and his business associates accountable for harming investors through fraud and manipulation?
(c) Please provide the rationale for why the SEC dropped its case against Binance and its former CEO Changpeng Zhao? Did the SEC conduct a cost-benefit analysis on the potential benefits to investors and the markets versus the costs of litigation? If so, could you please share that with the Committee? If not, why not?
(d) Did the White House, the Treasury Department, World Liberty Financial, or anyone from or affiliated with the Trump Administration contact you regarding the Binance matter before the case was dropped? If so, please share the timing and contents of the investigation?

Answer. On February 27, 2025, the Division of Corporation Finance issued a staff statement regarding meme coins, stating that transactions in certain meme coins do not involve the offer and sale of securities under the Federal securities laws. The Division of Enforcement continues to monitor these markets for fraud and abuse.

The crypto markets have been languishing in SEC limbo for years. Initially, the SEC first pursued what I call the "head-in-the-sand" approach—perhaps hoping that crypto would go away. Then, it pivoted and pursued a shoot-first-and-ask- questions-later approach of regulation through enforcement. The "just come in to visit" entreaty often meant coming home to a subpoena. It seemed like a catch-22 for market participants. This environment did not create trust. In reality, the message was, "You go figure it out." That is a fine approach if the regulator plays an active role in interacting with the marketplace to encourage solutions and adapt existing rules and practices if the existing approaches are inapposite to new developments in technology. Old ways of doing things should not be immutable, especially if Congress has granted an agency discretion to make changes consistent with Congressional intent and in the public interest. While the SEC must be faithful to its statutes in any effort to be innovative, it should use its available authority and discretion to adapt to and accommodate new developments.

The SEC's claim at the time that it was willing to talk to prospective registrants proved ephemeral at best because the SEC made no adaptations to registration forms or other regulatory requirements to accommodate this new technology. I have been told that market participants would in good faith enter what they thought were policy meetings with Commission staff only to receive enforcement inquiries shortly after their meeting. If that culture were not bad enough, SEC leadership for too long prevented staff from communicating with market participants when complicated legal questions arose. I am pleased to announce that I recently directed Division of Corporation Finance staff to maintain transparent interactions with the public. When staff is allowed to talk openly with industry, market participants can move more nimbly and allocate capital to productive uses.

It is a new day at the SEC.

Question 3. Central to the SEC's mission is to protect investors and ensure that our capital markets are fair, orderly, and efficient. U.S. capital markets are the most liquid, robust, and trusted in the world because of the laws and regulations that have been carefully established over the decades, many after lessons learned from earlier financial crises. Yet, since January 2025, the Trump Administration has purged staff in key divisions of the agency, dropped important enforcement cases, and rolled back rules established after lengthy notice and comment periods that considered input from a wide range of interested parties. For example, the Trump Administration dropped its defense of a rule ensuring that public companies are transparent with investors about the climate-related risks they face, as well as a rule requiring that investment advisers provide information about the fees they charge. These rules would have provided critical information to investors. What analysis did the SEC conduct to determine the amount of funding you are requesting will enable the Commission to protect investors and the public from instability in our capital markets?

Answer. As part of our budgeting process, discussions are held with divisions and offices to understand the resources needed to pursue the agency's mission and the Administration's priorities. As Chairman, I benefit from these discussions when determining how to prioritize our mission and what to include in our budget request.

Question 4. The SEC anticipates having a role in the regulation of stablecoins and other crypto assets. Given the ongoing and repeated scams, hacks, money laundering, and other criminal uses of crypto, including scams facilitated by cryptocurrency ATMs, does the SEC require additional resources to prevent scams and conduct oversight?

Answer. As you may know, Commission staff and the Crypto Task Force have worked to provide clarity as to when certain crypto assets are not within the authority of the Commission. For example, on February 27, 2025, the Division of Corporation Finance issued a staff statement regarding meme coins, stating that transactions in certain meme coins do not involve the offer and sale of securities under the Federal securities laws. On March 20, 2025 the Division also issued a statement that certain proof-of-work mining activities do not involve the offer and sale of securities within the meaning of Section 2(a)(1) of the Securities Act of 1933 and Section 3(a)(10) of the Securities Exchange Act of 1934. In addition, on April 4, 2025, the Division stated that certain stablecoins do not involve the offer and sale of securities within the meaning of Section 2(a)(1) of the Securities Act of 1933 or Section 3(a)(10) of the Securities Exchange Act of 1934. Finally, on May 29, 2025 the Division issued a statement regarding protocol staking activities, stating that they do not involve the offer and sale of securities within the meaning of Section 2(a)(1) of the Securities Act of 1933 or Section 3(a)(10) of the Securities Exchange Act of 1934.

We believe that the FY 26 budget request is sufficient to allow the SEC to regulate crypto assets that are subject to its rules. Should we find that additional funds are needed as we advance much-needed regulatory clarity, I will let you know.

Question 5. The Trump Administration has sought to reduce SEC staffing by almost 20 percent. Further, the House and Senate reconciliation bills would eliminate the Public Company Accounting Oversight Board (PCAOB) and assign the SEC those responsibilities. The SEC already has reduced staffing, and there will be no replacement for the PCAOB's 1,200 employees or $400 million budget.

(a) How is the SEC planning to carry out its mission, responsibilities, and duties with fewer staff? Is the SEC planning to scale back any of its priorities and initiatives? If so, which ones?
(b) How will reduced oversight harm and destabilize our nation's multi-trillion-dollar securities market?
(c) Does undermining trust in our markets, along with President Trump's chaotic and unstable economic policies, damage the dominance of the dollar as a reserve currency?
(d) How will the SEC oversee accountability of the auditors previously at the PCOAB without any additional resources?
(e) By how much would the SEC have to expand if it takes on the PCOAB's functions?

Answer. The Reconciliation legislation signed by the President did not transfer PCAOB responsibilities to the SEC. The SEC will utilize the oversight authority provided in the Sarbanes-Oxley Act to help ensure that the PCAOB deploys its re-

sources and efforts towards activities that promote investor protection and audit quality. This includes finding ways to improve the focus of the Board's inspection and standard setting activities, evaluating its enforcement program, and looking for efficiencies in its budget.

SUBCOMMITTEE RECESS

Senator HAGERTY. Now, this meeting is adjourned. Thank you.

[Whereupon, at 3:28 p.m., Tuesday, June 3, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

FINANCIAL SERVICES AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 2026

WEDNESDAY, JUNE 11, 2025

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 4:04 p.m., in room SD–134, Dirksen Senate Office Building, Hon. Bill Hagerty (Chairman), presiding.

Present: Senators Reed, Coons, and Van Hollen.

U.S. DEPARTMENT OF THE TREASURY

OPENING STATEMENT OF SENATOR BILL HAGERTY

Senator HAGERTY. The Subcommittee meeting will come to order. Secretary Bessent, welcome. I know that you've had an extremely long day, long travel. I appreciate your hard work on behalf of the United States and the toll that it takes on one. Just back from an overseas trip, having testified in the House of Representatives today, Ranking Member Reed and I both decided that we'd like to put our opening comments in for the record to spare you the time and exhaustion.

[The statements follows:]

PREPARED STATEMENT OF SENATOR BILL HAGERTY

Good afternoon, everyone. The hearing will come to order.

After a marathon hearing with the House Ways and Means Committee this morning, the Secretary of the Treasury, Mr. Scott Bessent is spending the afternoon with us to review the Department's fiscal year 2026 budget request.

Welcome Mr. Secretary, I want to congratulate you on your stamina and thank you for being here today.

I would also like to extend a warm welcome to Senators Fischer and Mullen, who joined our Subcommittee this Congress, and a warm welcome to Senator Collins, who is rejoining our Subcommittee.

The Department's request for fiscal year 2026 proposes a 19 percent reduction—or $2.7 billion—less than was provided in 2025. This budget, correctly, acknowledges that resources are limited—and makes deliberate tradeoffs among competing priorities to achieve the President's America First agenda. Some bureaus would receive increases, some decreases, and others remain flat.

There are many constituencies, however, who prefer to avoid making difficult choices. They would rather do more with more, so I applaud your leadership and appreciate the tough decisions that went into this budget request to make our government more efficient.

The oldest executive branch agencies are the Departments of State, War, and Treasury. Congress created them in 1789 as the foundational components of an executive branch.

The Department of the Treasury's authorizing legislation requires the Secretary of the Treasury to, among other things, manage public revenue and credit, report on revenues and expenditures, decide on the forms of keeping and stating accounts, and grant warrants for monies to be issued from the Treasury, in pursuance of appropriations law.

While the instruments for revenue, credit, and expenditures have evolved over centuries, the Department and this Subcommittee are still closely linked.

That relationship is especially important when considering the safeguarding of sensitive taxpayer data. The privacy of more than 400,000 taxpayers was violated when an IRS contractor stole and publicly released the tax returns of then—candidate Donald Trump. This individual also leaked sensitive tax information to two news organizations. Protecting the Department from insider threats must remain an urgent and unwavering priority.

Tax policy is another critical area. The House has passed legislation that extends pro-growth tax policies and includes new provisions advocated by the President to provide relief to tipped workers, seniors, and workers earning overtime pay. These policies are aimed at easing the tax burden on working families.

Prior to 2017, America had the highest corporate tax rate in the world. Thanks to tax reform, the U.S. is now more competitive. If these tax reforms were permitted to expire, then American families and businesses would face higher taxes, particularly manufacturers who would lose the benefit of full expensing. This would severely disadvantage American businesses against foreign competitors, especially China.

At the same time, unequal trade policies handicapped American businesses, leading to persistent trade deficits and the erosion of our industrial base. Decades of asymmetric policies have also undermined our nation's capacity to produce critical goods—like ships and pharmaceuticals—and made us increasingly dependent on China. There is an urgent need for a significant trade rebalancing. Under your leadership, the Administration is working to reduce tariffs and non-tariff barriers including currency manipulation, punitive regulation, and state sponsored subsidies. If we fail to correct course now, the future economic and national security consequences will be severe.

Digital assets and their related technologies present new opportunities for economic growth, value storage, and capital formation, as well as facilitating safe, secure, and instantaneous payments. America needs to be the global leader in this sector if it wants to retain its position as the reserve currency of the world. Our nation has demonstrated that it can and will lead innovation in any industry if it is provided the regulatory clarity required to innovate, grow, and invest in the future. That is why the Senate is currently debating my stablecoin legislation that will move us in the right direction.

President Trump understands the crucial role that this industry will play in our nation's economic development, as well as our nation's international leadership. The President has asked Congress to provide clarity built on technology-neutral regulations and transparent government decisionmaking in order to foster a robust and vibrant digital economy. I am encouraged by the multiple efforts underway at the Treasury Department to carry out that mission and I am grateful for your support of my legislation as we seek to promote United States leadership in digital assets and financial technology while protecting the economic liberty of Americans.

Our Nation also benefits from constructive relationships with our allies, and this Subcommittee is grateful for your daily work negotiating tariffs to that end. The other side of that coin is countering our adversaries through financial intelligence and sanctions. While Treasury's role in the intelligence community is rarely in focus, its unique capabilities help safeguard the integrity of the American financial system and, ultimately, strengthen American military power.

Thank you for appearing before the Subcommittee today, Mr. Secretary. I look forward to your testimony.

I now turn to my colleague, the Ranking Member Senator Reed, for his opening statement.

PREPARED STATEMENT OF SENATOR JACK REED

Thank you, Chairman Hagerty, for convening today's hearing. Secretary Bessent, thank you for joining us. I know you have been traveling extensively over the last several days and this is your second hearing of the day.

I look forward to your testimony, which comes at a pivotal moment for our country and our economy, as we deal with the impacts of the Administration's up-and-

down trade policy, another looming debt crisis, and a reconciliation bill that will do great harm to average Americans.

Mr. Secretary, there is a growing sense among the American people that the Trump Administration . . . an Administration that is run by billionaires . . . is rigging the system for its own benefit and against the interests of average citizens. It's hard to argue with that view.

Your budget request is $2.7 billion below the fiscal year 2025 level and would slash the IRS by 20%.

These proposed cuts come in addition to reports that the IRS has lost nearly a third of its tax auditors this year. While the IRS is often the object of ridicule, it secures 96% of Federal revenue.

This morning, you indicated before the House Ways and Means Committee that there have been no impacts to the tax filing season, implying that IRS is functioning smoothly after cutting 11,000 staff, 31 percent of which were revenue agents. That's simply inaccurate. First, the IRS forced critical filing staff who are taking early retirement or buyouts to stay on the job through the end of the income tax season.

Second, IRS individual income and payroll tax collections through April 2025 are $83 billion below CBO projections. Third, any increase in overall revenue is largely the result of the tariff taxes that the Administration has imposed.

The fact is that cutting IRS staffing and funding, particularly its enforcement budget, is a proven windfall for the rich.

Each year, wealth taxpayers are able to dodge around $375 billion in taxes and accounting for around 65% of our nation's unpaid taxes.

The last time IRS enforcement funding dropped precipitously . . . IRS audits of the wealthiest taxpayers dropped by around 75% and unpaid taxes in our country jumped by $200 billion.

Gutting IRS funding once again will help the wealthy pass the buck to average Americans.

The story is the same for the President's huge billionaires-first tax bill.

The Joint Committee on Taxation, a nonpartisan committee currently led by Republican tax leaders, has found that most of the bill's tax cuts will go to the top 10% richest Americans. Similarly, University of Pennsylvania researchers estimate that 70% of the benefits of the entire bill will also flow to the richest 10%.

And for all the lip service given to the national debt, the bill will actually increase the debt by another $3 trillion, according to the Congressional Budget Office.

The projections are much less rosy for the rest of America.

Indeed, around 11 million people will go uninsured because of this bill: 7.8 million people would be kicked off Medicaid and millions more would lose insurance through the Affordable Care Act's marketplace. In total, the President's bill will make the lowest-income Americans $820 poorer next year. It's no wonder Americans are fed up with the President's economic policies.

Even the President's trade war disproportionately hurts working Americans. Tariffs are tax increases that hit every household, but they take a much larger bite out of middle-class Americans' budget than they do for billionaires. Researchers at Yale estimate that the President's tariffs will cost households $2,500 this year.

Meanwhile, the Administration has given DOGE and Elon Musk extraordinary access to the Treasury Department's most sensitive systems. Musk and DOGE orchestrated the ouster of nonpartisan career staff responsible for making sure that the government makes payments correctly and on time. These career public servants have been replaced by unqualified and untested representatives with clear conflicts of interest.

It's been reported that these individuals have attempted to stop authorized payments because the recipients of those funds are politically disfavored. If this is how the Administration is operating, how can the American people have confidence that *their own payments* . . . their Social Security benefits or tax refunds . . . won't be tampered with by these political appointees?

I am deeply concerned the Administration is attempting to undermine the independence of the Fed and bank regulatory agencies. These agencies are meant to operate independently in order to protect depositors and taxpayers, but the Administration is pushing on monetary policy and urging agencies to take a light touch on capital requirements, supervision and other matters in a way that will corrode confidence in these agencies.

Secretary Bessent, suffice it to say, I believe the path the Administration has embarked on is one that will put our economy and the economic security of average Americans at risk. Nonetheless, I want to thank you for being here. I look forward to your testimony and your candid answers to our questions.

Thank you, Mr. Chairman.

Senator HAGERTY. And if you'd like to do the same, Secretary, we'd welcome that in.

Secretary BESSENT. Have it put in the record, sir.

Senator HAGERTY. Okay. We will do that and proceed.

[The statement follows:]

PREPARED STATEMENT OF SECRETARY SCOTT K. H. BESSENT,
UNITED STATES DEPARTMENT OF THE TREASURY

Chair Hagerty, Ranking Member Reed, and members of the subcommittee—I'm grateful to join you today. Treasury is committed to working with Congress to improve our Nation's finances, create new jobs, and strengthen the economy. The President's Budget request for Treasury demonstrates our commitment to boosting growth, promoting efficiency within our agency, and targeting illicit actors that threaten our national security. We look forward to coordinating with you on the President's Budget and his tax priorities in the coming weeks.

As part of this effort, I wish to highlight today the Treasury Department's efforts to advance President Trump's economic agenda on tax and trade.

First, tax.

I am pleased to report that Treasury has just completed its most successful tax filing season in years—and we did so while improving efficiencies and cutting costs at the IRS.

Critics of the President's efforts to modernize the IRS warned that the effort would result in a 10% shortfall in receipts.[1] Instead, the opposite happened. April receipts this year were up 9.5% over the previous year. And receipts in May were up 14.7% over the previous year. Most remarkably, the President was able to achieve these results while reducing $2 billion in waste and planned IT spending at the IRS.

This success has taken place against the backdrop of one of the most consequential tax proposals ever to come before Congress: the One Big Beautiful Bill Act. The One Big Beautiful Bill will make the 2017 tax cuts permanent. This will provide individuals and businesses with certainty and build economic momentum. The legislation is squarely aimed at boosting the working and middle class and reinvigorating American manufacturing.

According to the Council of Economic Advisers, the One Big Beautiful Bill will raise take-home pay between $7,800 and $13,300 for the average family of four. It will increase wages between $6,100 to $11,600 for the average worker. And it will cement no tax on tips, no tax on overtime, and tax cuts for seniors.[2]

The One Big Beautiful Bill will also incentivize unprecedented investment in U.S. manufacturing. The legislation will provide 100% expensing for new factories, as well as existing factories that expand operations and support Made-in-America. And it will streamline burdensome permitting processes that often stand in the way of new manufacturing projects. It's time for this country to start building things again—and the One Big Beautiful Bill makes this possible.

The administration is grateful for the House's efforts to advance the One Big Beautiful Bill. We now look forward to working closely with this subcommittee and other members of the Senate to get this legislation to the President's desk.

Trade is the second topic I wish to highlight.

The progress we have made on tax issues over the last 4 months complements the significant progress we have made in rebalancing the global economy.

Since I last testified before Congress in May, the President announced the historic U.S.-UK trade deal. This arrangement—which creates a $5 billion export opportunity for American ranchers, farmers, and manufacturers—is a preview of what's to come. Dozens of countries have engaged the administration thus far with offers to improve their trade relations with the United States. This includes China.

China has a singular opportunity to stabilize its economy by shifting away from excess production towards greater consumption. But the country needs to be a reliable partner in trade negotiations. If China will course-correct by upholding its end of the initial trade agreement we outlined in Geneva last month, then a big, beautiful rebalancing of the world's two largest economies is possible.

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[1] Fox, Michelle, CNBC, Tax Revenue Collected by the IRS Set to Plummet, Report Says (Mar. 24, 2025), https://www.cnbc.com/2025/03/24/tax-revenue-collected-by-the-irs-set-to-plummet-report-says.html.

[2] The Council of Economic Advisers, Preserving and Expanding Low Tax Rates to Create American Economic Prosperity (May 2025), https://www.whitehouse.gov/wp-content/uploads/2025/03/Preserving-and-Expanding-Low-Tax-Rates-to-Create-American-Economic-Prosperity.pdf.

By challenging the decades-old status quo on tax and trade, President Trump is breathing new life into the American economy. More than 500,000 private-sector payroll jobs have been added since January. Most importantly, inflation in the U.S. is at its slowest pace since 2021 on decelerating cost increases for shelter, food, and energy. After 4 years of price increases diminishing the U.S. standard of living, inflation is showing substantial improvement due to the administration's policies. Furthermore, the labor market remains strong with low unemployment and plentiful labor demand as job openings remain high. This strength has been exemplified in the recent performance of the stock market and consumer confidence data.

The President's bold leadership on these issues has laid the foundation for a Golden Age economy. With your help, we can build on that foundation to create even greater prosperity and abundance for the American people. We hope you will join us in this endeavor.

Thank you.

Senator HAGERTY. I would like to start with first round of questions, Mr. Secretary, and then I'll turn it over to Ranking Member Reed. Just one second here. I know you're really glad that we didn't go through all of our opening statements.

DIGITAL ASSETS

Mr. Secretary, the Senate is currently considering the GENIUS Act, you're familiar with that legislation, that's designed to promote and regulate innovation and payment stablecoins. The bill aims to bring our payment system into the 21st century. Unlike slow and costly wire transfers, stablecoins enable direct peer-to-peer transactions that settle nearly instantaneously.

The potential benefits are immense. These digital assets can remove friction in global payments. They can unlock working capital for more productive deployment, and improve settlement and settlement and efficiency in financial markets. The adoption of these innovative digital assets is soaring, growing from around $4 billion in early 2020, to more than $200 billion today. If Congress can provide long due regulatory clarity, this remarkable growth trajectory will only accelerate.

So, my first question, Secretary Bessent, my legislation requires that stablecoins be backed by cash or short-dated U.S. treasuries. One investment bank estimates that the GENIUS Act would expand the stablecoin market from its current value of $240 billion to $2 trillion by the end of 2028, with most of the reserves likely to be held in U.S. treasuries. What are the benefits of having a new and expansive source of demand for U.S. treasuries in the years ahead?

Secretary BESSENT. Senator, thank you for your leadership on this important matter. As you know, the administration led by President Trump has made digital assets a priority, in making the U.S. the world leader in digital assets. It's essential for our goals.

Your question is a very important one. In the history of the U.S. dollar as a reserve currency, there have been the numerous passages along the way where many people assume that the U.S. dollar would lose reserve currency status, and there's always been a new mechanism that has cemented that.

This administration is committed to keeping the reserve currency status and enhancing that. And I believe that stablecoin legislation backed by U.S. treasuries, or T-bills, will create a market that will expand U.S. dollar usage via these stablecoins all around the

world. And I think that 2 trillion is a very reasonable number, and I could see it greatly exceeding that.

CAPITAL STANDARDS

Senator HAGERTY. You've previously spoken about the need to reverse some of the overregulation in capital standards, including a reduction in the supplementary leverage ratio. That ratio penalizes banks or the level of today penalizes banks by requiring them to hold excess capital against low-risk assets like treasuries and reserves.

So, my question, Secretary Bessent, is how soon could we see changes to the SLR ratio, and how could yields be affected by a more tailored approach to capital requirements for risk-free assets?

Secretary BESSENT. Well, Senator, risk assets are like cholesterol. There's good cholesterol and bad cholesterol. That some risk assets are riskier than others and the problem with the SLR is it doesn't differentiate. So, we have been working via FSOC and the regulators—OCC, the FDIC, and the Fed— to coordinate a change in the supplementary leverage ratio for the purchase of treasuries.

We don't know the exact magnitude in terms of how it might affect yields, but what we have seen in the past is that when this requirement was removed, it had a substantial effect. So, we don't know the effect, we do know the direction of travel. We don't know the magnitude.

Senator HAGERTY. Got it. I do think that a tapering approach, I'm pleased to hear it, will have a very positive impact on the markets. Thank you for that. And I know this has been in front of mind for you. Certainly, in recent days you've been playing an incredible role in negotiating terms of trade for our Nation with other nations. You're just returned from a big trip in that regard.

TRADE AND TARIFFS

And to the extent you could comment in a public arena on, what sort of update you might be able to give us on trade in tariffs, I think we'd be very interested to hear that.

Secretary BESSENT. Yes. So, as I've said several times before, there are 18 important trading relationships. They constitute between 90 and 95 percent of our trade deficits also. So, our largest trading partners definitionally are also some of the worst offenders in terms of trade deficits. We are finding that these trading partners have come to us, many of them with robust proposals. Some have been a little slower to come, like the European Union, but have now shown better faith.

The Administration put a 90 day hold on the reciprocal tariffs and took everyone down to a global baseline of 10 percent. It is my belief that countries that are negotiating in good faith could be rolled forward. Our negotiations with the Chinese were extensive, deliberative, done with respect between the two countries, but also the understanding on my part that China is the most imbalanced economy in the history of the world, and that at 30 percent of global manufacturing this is not sustainable.

So, we are looking to insert fairness into our relationship with the Chinese, and that can be done via them exporting less to us, or it could be done with what I would paraphrase from Ray Dalio,

a big beautiful rebalancing, where President Trump would like to rebalance the U.S. more in favor of manufacturing. We're down to about 9 percent of the U.S. workforce is involved in manufacturing.

The Chinese economy is imbalanced on the manufacturing side. They need to increase domestic consumption substantially. So, if we could do that together, then the two largest economies in the world could get into better equilibrium that's fair for the American people.

Senator HAGERTY. Thank you very much for that thoughtful response. Now, I'd like to turn to my Ranking Member and partner, Senator Reed.

Senator REED. Well, thank you very much, Mr. Chairman, and welcome home, Mr. Secretary.

Secretary BESSENT. Senator Reed, it's nice to meet you. I don't believe we've ever met.

Senator REED. Well, today's the beginning of a beautiful relationship. Didn't Humphrey Bogart say that?

Secretary BESSENT. We can quote Ray Dalio, big beautiful——

[Laughter.]

ACCESS TO PAYMENT SYSTEMS

Senator REED. Mr. Secretary, Treasury distributes about $5.4 trillion a year in payments, social security benefits, tax refunds, military salaries, and all these payment systems contained some of the most personal information of every American. And you have had in Treasury, a DOGE representative who have reputed to have access to lots of information.

And I've been asking questions, not just of you, but of other cabinet members about the extent of the information they have. Have your staff, or any DOGE representatives in terms of the distribution payments, started to stop or block any payments?

Secretary BESSENT. Not to my knowledge.

Senator REED. Well, it turns out that in emails filed by the Treasury Department, your chief of staff emailed that, "Mr. Krause and his team needed access to the Federal payment system so they could pause USAID payments, and comply with Mr. Trump's January 20th executive order to hold foreign aid." Did that take place?

Secretary BESSENT. I believe that may have been before I arrived on January 28th. And I also believe if that's a Washington Post story or the New York Times story, they were actually quite selective with the email that was leaked to them.

And, Senator, just to be clear, what I discovered on my arrival, was that we process about 1.5 billion payments a year that sums to the total you mentioned. Approximately one-third of that do not have what is known as a TAS, Treasury Account Symbol. We found that. Having a TAS is the only way to tie a payment back to an appropriation. So, we have been working very hard to make sure that all 1.5 billion payments can be tied back to an appropriation.

I think a good mental model for this is to think of what's called the Treasury General Account, the TGA, is the checking account for the U.S. government. And above that, sits between 400 and 450 entities, whether it's the big departments, the agencies, the smaller entities, and they put in requests for payments. Treasury is just

the pay master. So, in general, we do not try to stop payments if they are properly notified or authorized.

Senator REED. Well, You're right. The occurrence of this stoppage was January 24th, 4 days. But in fact, payment was stopped because of a political motivation. USAID was deemed to be an inappropriate agency in the government. And which begs the question, how could you stop someone or could you stop someone that decided to stop payments to an individual organization for reasons that were not meritorious at all?

Secretary BESSENT. I'm not familiar with the litigation around that, but I can tell you since January 28th, none of that has happened, and that everyone—I think there's some conflation and much of it's due to the media, on what is a DOGE employee? What is a Treasury employee? Anyone who works in the Treasury building is a Treasury employee. So, they may have come there at the suggestion of DOGE, but they are properly trained and compliant just as any other Treasury employee would be.

Senator REED. Well, I think you've touched on an issue of conflation of different jobs. On February 3rd, you wrote in response to my letter that one of your colleagues, Tom Krause, started as a DOGE representative but then was brought on as an expert/consultant. But then 2 days later on February 5th, you installed him as the Fiscal Assistant Secretary, which the top official charged with running the Bureau of Fiscal Services. At any time during his employment at Treasury, was he a member or a play of another company?

Secretary BESSENT. He may have been and if he were an SGE, I think he's allowed to have outside employment.

Senator REED. Well, in fact, again, another transcript from a court case, he was the chief executive officer of Cloud Software Group, which presents interesting or potential conflicts of interest.

Secretary BESSENT. But, Senator, I believe, as an SGE, that is permitted, to be seconded for a limited period of time with proper control.

Senator REED. Is he still involved with Cloud Computing?

Secretary BESSENT. I believe he's left Treasury.

ACCESS TO TAX INFORMATION

Senator REED. So let me just switch to another area of data. I'm very much concerned because of the DOGE penetration of the entire government. Again, the IRS has extraordinarily confidential, deeply personal taxpayer information, social security numbers, et cetera. And if compromised, this could threaten Americans financial security, as well as even more sinister aspects.

DOGE's staff members have attempted to access the integrated data retrieval system at the IRS. Secretary, does DOGE staff, have they ever had, or do they have access to the Integrated Data Retrieval System?

Secretary BESSENT. Not to my knowledge, sir. And again, any information they would've had access to would have been via—and I'm new to this, but I'm going to throw a lot of acronyms at you. It would've been through an MOU between IRS and OMB. So, we put the proper controls, prophylactics around any activities that they had in the building.

Senator REED. Are you confident that no information has been exported from the Treasury Department by those personnel?

Secretary BESSENT. Not to my knowledge, Senator.

Senator REED. Have you investigated it to ensure us that that's absolutely, correct?

Secretary BESSENT. Well, we have strict protocols around that, so there's no reason to believe that there was. Now, in the previous administration, a contractor went to jail and paid, I can't remember either a $5,000 or $10,000 fine, is serving a stated five-year term. We don't know the terms of his plea agreement for exporting, I believe, the files of, it was 40, 50, 100 of the highest taxpayers in America, including President Trump.

Senator REED. Well, one of the issues here is, these are temporary. Their employee or employer status is kind of up in the air, particularly if they're not full-time employees. They work for other companies, et cetera. And they certainly have the technical talents to copy and exploit and expropriate any information they want.

Secretary BESSENT. Well, Senator, that's why we took this very seriously in terms of there was a push for them to come in the building. Our staff at Treasury and IRS was very mindful and diligent of everything you've said. So, we were very mindful of having proper balances, protocols in place.

Senator REED. Thank you, Mr. Secretary.

Senator HAGERTY. Thank you for clarifying that for us. Mr. Secretary. I think that was very helpful to have that.

Secretary BESSENT. And Senator, my staff just told me all the details there are in the litigation.

Senator HAGERTY. Yes. Thank you very much again, Mr. Secretary, for illuminating us with that explanation. I'll turn to Senator Van Hollen, please.

Senator VAN HOLLEN. Thank you, Mr. Chairman.

TRADE NEGOTIATIONS

Welcome, Mr. Secretary. And I know you've just returned back from London, I believe, where you're engaged in the trade negotiations. And I've been trying to keep up with reports as to where those stand.

I just have one question regarding that, and that's a headline here that reads that Trump eyeing easing U.S. chip export restrictions to secure Chinese rare earths. I think all of us recognize the vulnerability the United States has with respect to rare earths. It's something that China has decided to limit much more since this trade war got launched in the most recent iteration. But many of us have been very concerned about the diffusion of very high-end chip technology and AI technology to China. So, I'm wondering if you can comment on that.

Secretary BESSENT. Yes, sir. Senator Van Hollen, to the extent that article makes it seem as though there is some quid pro quo, there is none. We have done an extensive analysis within Treasury, Commerce and all the technology, the White House Office of Science and Technology, on any technology transfer. And we have been very judicious in that. So, there is no quid pro quo in terms of chips for rare earths.

Senator VAN HOLLEN. Okay. I'm listening carefully. And I understand you're saying there's no quid pro quo. I take it to mean from that, that you're not saying that we won't increase the access to China of our highest end chip technology, I'm not saying you're saying we are. I'm just asking, you haven't ruled that out? Is that—am I interpreting you right?

Secretary BESSENT. What I'm saying, there's no intent. You're referring to NVIDIA chips, mostly?

Senator VAN HOLLEN. I'm referring to NVIDIA chips, and the other high-end chips, and the manufacturing equipment to produce those chips.

Secretary BESSENT. Yes, but in fact, we have done just the opposite. We put export controls on the NVIDIA H20, which I would regard as a very upper-end chip, but not the highest end chip. So, if anything, we have set—

Senator VAN HOLLEN. No, I appreciate the measures you've have taken, I would argue building in some cases on the Biden Administration, but this is why this caught my eye. I just returned from the Senate floor where I have been raising very deep concerns about the deal that was done with the UAE, where on the day before the President left on his trip, rolled back the safeguards that had been put in place by the previous Administration, which with I should add, strong bipartisan support, including the bipartisan joint committee in the house looking into China.

INTERNAL REVENUE SERVICE

So, this is an area I think many of us are very concerned about, which is why this headline caught my eye. If I could turn to the cuts to the IRS, and I've followed your comments about how you're able to continue to bring in revenues despite the changes that have been made, I would suggest, Mr. Secretary, that it's way too early to tell.

First of all, as you know, a lot of people were fired as probationary employees only to have to be brought back on an emergency basis for tax filing season. So, I think it's important we understand that. And the idea that people can really turn around a ship and implement all these new technology and AI changes, to expedite IRS collections, especially for very wealthy people, is something many of us have been pushing for, for many years. But the notion that this has happened in a very short time, I think defies logic.

So, are you predicting that the changes that you've made this year will not result in the IRS collecting less revenue, especially from higher end individuals than would be predicted this year? Obviously, as the economy continues to grow, revenues grow, but I'm saying I'm sure you've seen the CBO projections. The CBO says, when you make these cuts, you will bring in less revenue from very wealthy people than you otherwise would. Do you agree with that analysis?

Secretary BESSENT. I don't, because I could tell you a couple of things. In discussing with my personal tax advisors, that they say that anyone you could bring in with 2 to 3 years of training is virtually worthless. I would say it is like putting me on a basketball court with Steph Curry. And we have from a whistleblower in Atlanta, and this was before I arrived, under Secretary Yellen, there

was a problem with the rapid pace of hiring to the quality of individuals hired. If there were two criteria, two high criteria, many only satisfied one. And then, there were a few examples of people who were not qualified at all.

Senator VAN HOLLEN. I appreciate that. I would just emphasize, again, it'd be helpful if your team could get back to me and Members of the Committee, as to what specific assumptions, premises, and conclusions in the CBO report you disagree with. Can you provide us with that?

Secretary BESSENT. Yes, sir.

Senator VAN HOLLEN. Because I'd like to—the CBO is like our umpire here. They really don't wear a party hat; they call it as they see it. And in this case, we're seeing very different projections that have very meaningful consequences for our deficit. So, I'd appreciate that.

Secretary BESSENT. Yes. And, what I would point out in our technology innovation, the IRS technology stack update began in 1990. I believe $50 billion has been spent. We were due to spend three and a half billion this year. We have cut that back because so much of it is wasted, or it's just patches on patches on existing systems.

Also, as I've said repeatedly, I have three goals: collections, privacy, and customer service. And you know, I believe we can enhance all of those, as you clearly, they are well versed in AI, and I think that we are at the dawn of being able to greatly increase individual and experienced auditor productivity via AI. So, for the upper end tax auditors that you brought up, that is what would be considered a plumb job. It is something that takes many years of experience. So, our goal is to actually be able to enhance their productivity and collections ability with AI.

Senator VAN HOLLEN. Thank you. I look forward to getting the analysis that looks at what the CBO has done and where you disagree. Thank you, Mr. Secretary.

Senator HAGERTY. Senator Coons.

Senator COONS. Thank you, Chairman Hagerty, Ranking Member Reed. Secretary Bessent, welcome. Thank you for being here today.

Secretary BESSENT. Senator, nice to meet you.

Senator COONS. Chairman Hagerty, I'm impressed that you're streamlining this hearing.

[Laughter.]

DEFICIT AND DEBT

Senator COONS. It was striking. And I'm glad we're able to get right into the meat of the conversation. We are today spending more on the interest on our national debt than we are on our national defense. And I applaud your stated support for reducing the Federal deficit and trying to get a handle on our national debt.

But I struggle to square that with your support for tax policies that will under CBOs analysis, add at least $2.4 trillion to our debt in the next decade. And given that credit rating agencies have just downgraded U.S. debt, I am concerned that by continuing to pile debt onto our national balance sheet, we will undermine growth. We will damage our ability to borrow and we will lay the foundation for the next fiscal crisis. Do you share any of those concerns

and how do you see us making progress in improving our overall fiscal balance sheet?

Secretary BESSENT. Senator, I don't think you and I have met in person. I think we had a long——

Senator COONS. We have met.

Secretary BESSENT. Yes. We did meet and we also had a very long phone conversation, I remember. The reason I'm sitting here today is because I became very concerned about our government's finances, and that in the trailing year we will have had the highest deficit to GDP when we were not at war and not in a recession. And so, this is what we have inherited.

If we look at the CBO scoring, and I'm not making a judgment on the good people who work at CBO, I'm making a judgment on their models. The models assume a static 1.7 or 1.8 percent growth, whether we pass the One Big Beautiful Bill or it fails, no matter what, we always grow at 1.8 percent. I believe through higher growth and the cost cutting that we are doing, that we can bring that under control.

And I would note that if we want to use CBO scoring, which I don't agree with, is at $2.4 trillion over the 10-year window. The CBO also scores the President's tariffs at $2.8 trillion. So that would be a surplus of 400 billion.

Senator COONS. Let me move on to some more focused questions on specific things in your agency. I would welcome a chance about the broader economic picture because I frankly don't believe the tariff income assessment. I do believe that the tax, but we literally could debate this longer than I believe I have.

Senator COONS. Let's move to sanctions.

Secretary BESSENT. If we want to agree on CBO, we have to agree on CBO.

SANCTIONS

Senator COONS. And I'll take that point. Secretary Rubio testified recently the Trump Administration has not lifted any sanctions against Russia. Is that true?

Secretary BESSENT. Not to my knowledge.

Senator COONS. And sanctions, which I've long followed, I've served on this subcommittee for many years. It's not a static game. For every company that's sanctioned, typically, they then move to set up a front company to find another avenue. And with the Russians in particular, they're quite skilled at sanctions of Asian, by setting up new companies in other countries, including in the PRC. And for every sector that sanctions, there's a whole cottage industry devoted to evading them.

Effective sanctions depend on follow up, enforcement and pursuit, which is why you have a whole talented team at Treasury focused on finding evaders and front companies, redesignating them publicly, closing the loopholes. Treasury and state were rolling out new sanctions' designations every few weeks, much of last year. How many new Russian entities have you designated under your sanction's authority since January?

Secretary BESSENT. I will get back to you with that number.

Senator COONS. The answer's zero. How many entities worldwide have you sanctioned for doing business with Russian companies, in ways that undermine our sanctions and export controls?

Secretary BESSENT. I'll get back to you with that number.

Senator COONS. I believe the answer is zero. I hope I'm wrong. I'd love it if you'd get back to me and tell me I'm wrong. But the PRC is helping Russia's defense industry by providing dual use components and advanced technologies. Last week, Chancellor Mertz briefed a bipartisan group of us on Russia's alarming rearmament with help from China, Iran, and North Korea. How many Chinese firms have been designated for doing work directly with Russia's defense industry?

Secretary BESSENT. I will get back to you on that. I will tell you that we have sanctioned numerous Chinese companies for receiving Iranian oil, and we have been working on—the shadow fleets are not independent. And I believe, and what you said, the Russians and the Iranians are very good at evading sanctions with these so-called shadow fleets.

So, we are working on a large—we have been pushing on those. We have sanctioned what are called teapot refineries in China. So, these are nonstate-owned, privately-owned refineries. This is a new innovative measure that we have done. We have chosen not to go after Chinese government owned. We are also working on tracking down the owners of these refineries, whether they have any assets in the U.S., in Western Europe, and moving on those very quickly.

INTERNATIONAL MONETARY FUND

Senator COONS. I look forward to talking to you further about sanctions enforcement. Two last questions, Mr. Chairman, since I'm the only Senator remaining. I will make them brief. I just met with the head of the IMF. The IMF is a sound investment in global financial stability. We receive billions in interest every year from them on credit that they extend. In 2023, members agreed to increase quota capital contributions to the fund. It's my understanding that the Treasury Department and the White House have shown support for a measure to increase quota. Can you just confirm it is in fact the Administrations priority to increase our IMF quota?

Secretary BESSENT. Yes. So, across the multilateral development banks, we believe that it is a very good way of leveraging tax dollars for U.S. power. And the managing director would've told you, or you may have seen that I gave a speech about eight weeks ago, during IMF World Bank Week, that we are going to go back to basics. And we believe that they should be helping developing countries when they have a sudden stop and with development issues. Same for World Bank.

TAX FILING OPTIONS

Senator COONS. I would love to work with you, Mr. Secretary, on making sure that the authorization for that increase actually happens this year so that we can move forward in our partnership. The direct file program allows Americans with very simple tax returns to file their taxes for free. It's been a great success.

According to IRS research, 94 percent of direct file users rate their experience as excellent or above average, for government tool for paying taxes, that's pretty darn good. You've expressed support for streamlining IRS operations and direct file seems to support that mission. Do you continue to support direct file, or should I be concerned about rumors that the Administration plans to end it?

Secretary BESSENT. We are looking at direct file, we wanted to wait until we got beyond the window of tax filing season. So, we are doing an assessment of that now. I will get back to you on that. One of the goals is to have more electronic filing because, I am cuffing the numbers, but in order of magnitude, an electronic filer who doesn't get a refund, may cost us under a dollar. A paper filer who does, get maybe up to $80. So, I will get back to you on that.

Senator COONS. Thank you. Because I do think it's a successful program and reduces costs and makes it easier for taxpayers. Thank you for your forbearance, Mr. Chairman.

Senator HAGERTY. Thank you. And thank you, Secretary Bessent, for appearing before our subcommittee today. We appreciate your time, and your attention, your hard work, and being here with, I'm sure, extensive jet lag, and then testifying all day. So, thank you again for being here.

Senator Reed and I know will be submitting some additional questions for the record.

Senator HAGERTY. Our effort is to get you back when you get a little bit of rest, and we need you at your best, and I'm sure you are. And our members, I'll remind you, you have a week to submit questions for the record. Mr. Secretary, we'd appreciate it if the Department could respond to the questions that you received for the record as soon as possible.

ADDITIONAL COMMITTEE QUESTIONS

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED TO THE HONORABLE SCOTT BESSENT, SECRETARY OF THE TREASURY

QUESTIONS SUBMITTED BY SENATOR SUSAN COLLINS

Question 1. Under current U.S. policy, Canadian products that are USMCA-compliant can be sold into the U.S. with no tariff. However, those same goods being made here in the U.S., meeting the same requirements under the USMCA, are currently subject to a 25% tariff when sold into Canada. This places U.S. companies at a significant disadvantage. What steps is the Administration taking to resolve this issue and to reach a broader trade deal with Canada, Maine's most important trading partner?

Answer. Fair and reciprocal trade is a top priority for President Trump and for Treasury as we engage with our counterparts in Canada on leveling the playing field for American workers, manufacturers, and businesses.

The Administration has engaged in negotiations with Canada to make progress on bilateral trade issues. Effective September 1, 2025, Canada removed its retaliatory tariffs on most U.S. goods in recognition of this progress. There have also been significant breakthroughs on topics such Canada agreeing to remove its digital services tax (DST). The core aim of the Administration's policies is to better shape the international economic system to benefit the United States in the long-term. The realignment of the international economic system to better serve the interests of the American people, along with the implementation of pro-growth regulatory and tax

policies, and the freeing of American energy production, will unleash the American economy.

Question 2. The medical technology sector plays a critical role in advancing healthcare innovation, protecting public health, and driving economic growth—particularly in states like Maine, where the $2.3 billion life sciences industry supports job creation and public health infrastructure. These investments in the U.S. are especially important as China's dominance in global medical supply chains continues to pose a serious threat to U.S. national security and public health. Are U.S. officials considering targeted tariff relief and solutions for certain sectors with national security implications, including the medical technology sector, especially for companies that have moved supply chains out of China and are actively reshoring manufacturing to the United States?

Answer. For several decades, the international economic system was built on faulty assumptions which led to a significant buildup of economic imbalances that have harmed American workers, families, and businesses, and threatened our national security. President Trump is focused on implementing a robust and reinvigorated trade policy that defends our economic and national security, promotes investment and productivity, and benefits American workers, manufacturers, and businesses. Persistent trade deficits have created dependencies on China for critical parts of the supply chain for everything from basic consumer goods to high-tech national defense products. COVID–19 was a real-life demonstration of the risks in our supply chains. The core aim of the Administration's policies is to better shape the international economic system to benefit the United States in the long-term. The realignment of the international economic system to better serve the interests of the American people, along with the implementation of pro-growth regulatory and tax policies, and the freeing of American energy production, will unleash the American economy.

QUESTIONS SUBMITTED BY SENATOR BILL HAGERTY

You have stated that one of your major priorities for the IRS is strengthening taxpayer privacy protections. The privacy of more than 400,000 taxpayers was violated when an IRS contractor stole and publicly released the tax returns of then-candidate Donald Trump. This individual also leaked sensitive tax information to two news organizations.

Question 1. Can you describe how the Department, especially with regard to the IRS, is protecting the privacy of taxpayers against insider threats, and whether the IRS continues to rely on the contractor in question?

Answer. Cybersecurity is a priority for this administration. Treasury is currently conducting a reassessment of cyber protections at IRS to ensure that all threat vectors have been captured. With respect to the contractor you referenced, he has been prosecuted for his actions and was sentenced to a term of 5 years in 2024.

Question 2. Are the two news organizations that published this information still in possession of it, or have they returned it to the IRS? If not, what options does the IRS have to retrieve the stolen taxpayer information?

Answer. My understanding is that the investigation and criminal referral was managed by the Treasury Inspector General for Tax Administration, which would have the most current information on this question.

Question 3. The Committee on Foreign Investment in the United States review process is important for protecting our national interests. However, it is also critical to protect national security interests without imposing unnecessary and burdensome regulations on our allies.

What steps has the Department taken to develop the Known Investor program? What is the timeline for rolling out this program?

Answer. Treasury, working with the rest of CFIUS, is actively focused on ways to increase efficiencies in the CFIUS process to facilitate greater investment from allies and partners while ensuring that any process changes do not diminish CFIUS' ability to identify and address national security risks. On May 8, 2025, Treasury announced our intent to launch a process, called the Known Investor program, where CFIUS can collect information from foreign investors in advance of a filing, and our plan is to conduct a pilot of this process and build from it over time.

Question 4. How will the Department evaluate the program's effectiveness?

Answer. Our experts are working to determine the best way to structure this pilot to increase process efficiencies for Known Investors, while also ensuring that these changes do not diminish our ability to fulfill our statutory mandate to identify and address national security risks that can arise from foreign investment.

QUESTIONS SUBMITTED BY SENATOR RICHARD J. DURBIN

Question 1. Americans lose tens of millions to crypto ATM scams every year, with older Americans particularly susceptible. According to data from the FBI's Internet Crime Complaint Center (IC3), there were $246.7 million in losses due to crypto ATM scams in 2024. IC3 received 10,956 complaints about crypto ATM scams, including nearly 2,700 complaints from individuals aged 60 and older. My Crypto ATM Fraud Prevention Act would help the Treasury Department and the Financial Crimes Enforcement Network (FinCEN) crack down on crypto ATM operators. Specifically, my bill would require operators to register with FinCEN, which would include identifying the physical location of each crypto ATM and providing contact information for a compliance officer of the crypto ATM company. My bill also would require crypto ATM operators to develop and submit a comprehensive anti-fraud policy to FinCEN; provide physical, printed receipts to customers that include sufficient information to allow law enforcement to trace transactions; provide clear warnings to customers about common types of scams; provide live customer support during all operating hours; use blockchain analytics to identify potentially fraudulent transactions; and require daily transaction limits, voice confirmation, and full refunds for new customers (those who made their first transaction within the last 14 days).

a. Please share any data FinCEN has collected from crypto ATM operators or other sources on the number of fraudulent transactions, amounts lost, impact on senior citizens, type of customer support offered, and fraud rates that occur on these machines.

Answer. Please refer to FIN–2025–NTC1, a notice issued by FinCEN on August 4, 2025, regarding the use of CVC kiosks for scam payments and other illicit activity.[1]

b. What steps have the Treasury Department and FinCEN taken to prevent crypto ATM scams?

Answer. CVC kiosks, commonly called crypto ATMs, are money services businesses (MSBs) and therefore subject to various obligations under the Bank Secrecy Act (BSA). Specifically, CVC kiosks are required to maintain an AML program, register with FinCEN, and meet recordkeeping and reporting requirements, including to report suspicious transactions (which may include those involving scams and elder financial abuse). All MSBs undergo routine BSA examinations by FinCEN's delegated examiner, the IRS's Small Business/Self-Employed Division. FinCEN issued a notice on August 4, 2025 regarding the use of CVC kiosks for scam payments and other illicit activity.[2]

To further counter scams, in May 2025, FinCEN issued a finding and notice of proposed rulemaking (NPRM), pursuant to Section 311 of the USA PATRIOT Act, identifying Cambodia-based Huione Group as a financial institution operating outside of the United States that is of primary money laundering concern. Huione Group serves as a critical node for laundering proceeds of cyber heists carried out by the Democratic People's Republic of Korea and transnational criminal organizations in Southeast Asia perpetrating CVC investment scams and other types of CVC-related scams. Given the money laundering risk posed by Huione Group, the NPRM proposes to prohibit U.S. financial institutions from opening or maintaining correspondent or payable-through accounts for or on behalf of Huione Group. On October 14, 2025, FinCEN issued a final rule severing Huione Group from the U.S. financial system by prohibiting covered financial institutions from opening or maintaining correspondent accounts for or on behalf of Huione Group and requiring covered financial institutions to take reasonable steps not to process transactions for the correspondent account of a foreign banking institution in the United States if such a transaction involves Huione Group.

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[1] FinCEN Notice, FIN–2025–NTC1, August 4, 2025.
[2] FinCEN Notice, FIN–2025–NTC1, August 4, 2025.

c. What resources do the Treasury Department and FinCEN need to help crack down on crypto ATM scams?

Answer. Combating fraud is one of FinCEN's AML/CFT National Priorities[3] and, since 2015, Treasury has assessed in its National Money Laundering Risk Assessment that fraud is the top proceeds-generating crime for money laundering activity.[4] In addition to coordinated efforts with law enforcement, interagency partners, and private sector stakeholders, Treasury maintains a resource focus on combatting fraud and related illicit finance.

d. What resources do the Treasury Department and FinCEN provide to local law enforcement to help investigate these scams and warn communities of the harms of these scams?

Answer. Treasury uses a range of authorities and initiatives to support law enforcement and communities in combatting scams. For instance, FinCEN leverages its FinCEN Exchange information-sharing program to bring together financial institutions, law enforcement, national security agencies, and relevant private sector entities to address priority financial fraud threats. On July 15, 2025, FinCEN hosted a FinCEN Exchange event on advancing digital assets innovation while safeguarding consumers against fraud and scam risks. This public-private partnership event was convened in support of Executive Order 14178, which strengthens American leadership in digital financial technology. FinCEN also maintains a dedicated page on its website devoted to educating the public on best practices to avoid imposter scams from individuals or entities purporting to from FinCEN.[5] FinCEN also issues advisory products to financial institutions on new and emerging fraud typologies and red flag indicators to support their suspicious activity reporting to law enforcement. Relatedly, Treasury conducts regular engagements with financial institutions to discuss the findings of the risk assessments and solicit their feedback on any emerging trends and typologies. Further, Treasury will also continue to work with civil society and other intergovernmental agencies to educate consumers of evolving financial fraud schemes, as, for example, it has already done in the past with the American Bankers Association Foundation, Department of Justice, and others by providing infographic pamphlets on these scam typologies.

Additionally, the Rapid Response Program (RRP) is a collaborative partnership that leverages FinCEN's relationships with law enforcement, U.S. financial institutions, and foreign Financial Intelligence Units to secure the recovery of funds stolen through cyber-enabled financial crimes. FinCEN, in partnership with approximately 91 different Financial Intelligence Units, has assisted in the recovery of over $1.6 billion in proceeds since 2014. In Fiscal Year 2024, the RRP froze $126.4 million, and helped recover $82.6 million in funds to victims of financial fraud and scam activity. Further, the RRP has successfully recovered over $355 million in cyber-enabled financial crime proceeds for Financial Intelligence Unit partners abroad.

QUESTIONS SUBMITTED BY SENATOR JACK REED

Question 1. Since 2010, Community Development Financial Institutions (CDFI) Fund CDFI Program award recipients have originated more than $298 billion in loans and investments to revitalize communities, financing over 1.3 million businesses and 557,000 affordable homes. CDFI Fund investments are matched around 8:1 by private investment and help CDFIs expand local economies by supporting small businesses, childcare centers, healthcare facilities, and new housing at little comparative cost to taxpayers.

While Treasury's proposed Fiscal Year (FY) 2026 budget would eliminate all current CDFI Fund discretionary awards, Congress provided $324 million for the CDFI Fund in FY2025. Treasury closed its application window for FY2025 CDFI discretionary awards in March, but has not yet announced awards.

Will Treasury obligate all discretionary CDFI award funding provided in fiscal year 2025 before these funds expire—yes or no?

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[3] See FinCEN, Anti-Money Laundering and Countering the Financing of Terrorism National Priorities, at 8 (June 30, 2021), https://www.fincen.gov/sites/default/files/shared/AML_CFT%20Priorities%20(June%2030%2C%202021).pdf.

[4] See Treasury, National Money Laundering Risk Assessment, at 11 (2015), https://home.treasury.gov/system/files/246/National-Money-Laundering-Risk-Assessment-06-12-2015.pdf; National Money Laundering Risk Assessment, at 5 (2024), https://home.treasury.gov/system/files/136/2024-National-Money-Laundering-Risk-Assessment.pdf.

[5] FinCEN, Recognizing Imposter Scams, https://www.fincen.gov/resources/scams.

Answer. Treasury will obligate the appropriated CDFI funds for the fiscal year 2025 awards consistent with the President's policy agenda, current law, and apportionment actions.

Question 2. IRS's Direct File program allows taxpayers to file their taxes for free directly with the IRS instead of having to pay for private sector programs. Yet the Trump Administration reportedly plans to end Direct File.

What is the status of the Direct File program?

Answer. Select states and eligible taxpayers were able to utilize the Direct File program for the previous year's filing season. Staff continues 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" provides additional resources to launch a task force focused on Direct File and other services for taxpayers. In August 2025, the IRS invited the public to provide feedback on this matter as well.

Question 3. Earlier this month, President Trump said that:

> "The Debt Limit should be entirely scrapped to prevent an Economic catastrophe. It is too devastating to be put in the hands of political people that may want to use it despite the horrendous effect it could have on our Country and, indirectly, even the World."

As you know, the debt limit does not create new spending. It simply allows the government to make scheduled payments as they come due.

Do you agree with the President that the debt limit should be eliminated?

Answer. I agree with President Trump that our country must never default on its debt. Honoring the full faith and credit of our debt is a critical commitment.

Question 4. Tom Krause was simultaneously employed at Treasury, performing the duties of the Fiscal Assistant Secretary, and employed as the CEO of a private company called Cloud Software Group.

During Mr. Krause's time in government service, approximately what percentage of his working hours did he spend on Treasury Department work and what percentage of his working hours did he spend on Cloud Software Group work?

Answer. Treasury staff are required to follow all applicable laws and regulations, including ethics requirements. Mr. Krause complied with all applicable ethics training and filing requirements during his time at Treasury as a Special Government Employee.

Question 5. Congress created the Office of Financial Research following the 2008 financial crisis and gave it a mandate to catalog the financial system, so that regulators can determine who owes what to whom in a crisis.

What financial data does Treasury currently rely on OFR to provide?

If OFR is eliminated, will Treasury need to spend money to acquire or maintain the data currently held by OFR?

How many employees did OFR have at the time you were sworn in as Secretary and how many employees does OFR currently have? Please provide a break-down of staff reductions across the various parts of the organization, including the Office of the Director, the Data Center, the Research and Analysis Center, the Technology Center, the Operations division, and the Office of the Chief Counsel.

Answer. OFR makes various financial data available to Treasury or other FSOC member agencies, including on short-term funding (repo markets), hedge funds, central counterparties, money market funds, and household credit. As with all of Treasury, we are working to ensure that OFR is operating efficiently and focused on its statutory mission and requirements.

CONCLUSION OF HEARINGS

Senator HAGERTY. And with that, the subcommittee meeting is adjourned.

[Whereupon, at 4:40 p.m., Wednesday, June 11, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

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