Testimony of Secretary of the Treasury Janet L. Yellen, Before the Subcommittee on Financial Services and General Government Committee on Appropriations, United States Senate

June 23, 2021

Chairman Van Hollen, Ranking Member Hyde-Smith, thank you for inviting me to join you today. I look forward to your questions, but first, I want to briefly discuss the state of our economy and the state of the Treasury Department. Because I believe one depends on the other.

When I took office back in January, the most urgent problem confronting our economy was obviously the pandemic: helping people make it to the other side of the crisis and ensuring they were met there by a robust recovery. Thanks to this Congress – and its passage of the American Rescue Plan – I believe we are well on our way toward that goal.

However, the ARP and its predecessor legislation are not self-executing. As you know, in order for relief dollars to effectively reach their intended targets, we have to stand up and manage new federal programs.

Treasury has been tasked with much of this work. We are proud to do it. But our challenge is that while our portfolio has grown to match the urgency of this moment, our annual budget has not grown in tandem, and the funding provided to administer new programs is temporary.

Not accounting for inflation, our annual budget is still at the same enacted level as 2010, and critical policy offices – like Domestic Finance, Economic Policy, and Tax Policy – have seen their budgets cut by as much as 20 percent since 2016.

The mismatch is very stark when you take a moment to scan the new bodies of work we've undertaken.

- Treasury has built a $350 billion program to help state, local, and tribal governments start operating normally again.
- The CERTS program will provide $2 billion to bus and ferry companies.

- There are two separate multi-billion-dollar programs to help people pay their rent and mortgages.
- And of course, Treasury administers economic impact payments. The IRS entered the pandemic as an agency that processes tax filings and returns once a year – and managed to marshal its forces to disburse more than 460 million payments totaling approximately $800 billion across three separate tranches.
- Now, the IRS is preparing to make monthly payments of the expanded child tax credit to families of more than 88% of American children.

Our team has done valiant work implementing these programs with the resources at our disposal. But we cannot continue to be good stewards of this recovery – and tackle the new bodies of work that Congress assigns to us in the years beyond – with a budget that was designed for 2010.

Our Administration has released its formal budget, and there are several critical areas where funding is needed.

For instance, the Financial Crimes and Enforcement Network – FinCEN – is tasked with building a massive database that collects and secures beneficial ownership information, but Congress has not yet provided any funding to do it.

Then there are the Community Development Financial Institutions. Congress has dramatically expanded funding for CDFIs with supplemental appropriations – and rightly so. These institutions are very effective at injecting capital into areas the financial sector hasn't traditionally served well. However, it is challenging for the CDFI Fund to distribute greater resources and scale these programs without additional administrative funding.

The IRS is in need of additional resources, too. Over the next ten years, the American people could see roughly $7 trillion dollars fall through the cracks of our tax system. Why? Because many of the country's wealthiest taxpayers do not pay their full tax bill, and the IRS is not nearly staffed up enough to ensure compliance. Today, the IRS has fewer auditors than at any time since World War II.

Our proposal would give the IRS the funding it needs. For FY 2022, it includes $13.2 billion from discretionary appropriations, plus $417 million for the first year of a program integrity allocation adjustment as part of the multi-year American Families Plan.

Let me just say one final word about the IRS: Many of you have expressed concern about the recent ProPublica report. I am deeply troubled by it, as well. It is important to stress that an unauthorized disclosure of taxpayer information is a crime, and that it has been referred to the FBI, federal prosecutors, and Treasury Department oversight authorities. We don't yet know what occurred—but all is being done to get to the bottom of this criminal activity. And we will be sure to update you as we learn more.

With that, I'm happy to take your questions.

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