DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

ASSISTANT SECRETARY
FOR LEGISLATIVE AFFAIRS

March 17, 2023

The Honorable Rosa DeLauro
U.S. House of Representatives
Washington, DC 20515

Dear Representative DeLauro:

President Biden's FY 2024 Budget provides his plan to invest in America, lower costs for families, protect and strengthen Social Security and Medicare, and reduce the deficit. Congressional Republicans have proposed unprecedented cuts in FY 2024 funding for key services, programs, and protections such as education, public safety, research, nutrition, and more. Cuts on this scale would have very real and damaging effects on our families, our communities, our economy, and our competitiveness.

These cuts would also undermine critical services provided by the Treasury Department that the American people rely on in their everyday lives. Treasury and its agencies conduct essential financial functions such as payments, providing tax refunds, and taxpayer assistance. Any proposal to return appropriations to FY 2022 funding levels—as implied by the proposals to reduce overall spending without reducing defense spending—would be devastating to American families, small businesses, and taxpayers.

Treasury is also responsible for revenue collection, financial management, borrowing, and debt collection for the entire government. It promotes international economic stability, protects the integrity of the financial system, and combats global financial crime and corruption. This month, for example, the government took decisive and forceful actions to strengthen public confidence in our banking system. Reductions to funding for Treasury's Departmental Offices would significantly impair our ability to monitor such risks and ensure an effective and unified approach to promoting financial stability and growth.

Reduced investments in initiatives by Treasury's Office of Terrorism and Financial Intelligence (TFI) would jeopardize our national security by impacting Treasury's ability to craft, implement, and enforce sanctions, including the historic sanctions program targeting Russia's illegal war in Ukraine. At a time when we are supporting Ukraine against Russia's illegal war, this sends the wrong message to our allies about our steadfast commitment to the Ukrainian people and our resolute ability to hold President Vladimir Putin and his cronies accountable. It would also hinder critical sanctions programs for countries like Iran, the DPRK, and Venezuela. Lower investments in the Financial Crimes Enforcement Network (FinCEN) would reduce its ability to enforce anti-money laundering and corporate transparency laws, and would curtail development and implementation of the beneficial ownership database system. Finally, reducing contributions to multilateral development banks and other international financial institutions would limit their ability to help poor countries and people in need all around the world. These reductions would also hinder U.S. leadership in many of these institutions, thereby ceding ground to China.

Reductions to Treasury's programs would also mean significantly fewer resources for Community Development Financial Institutions (CDFI) grants and assistance, thus harming the economic vitality of America's most economically disadvantaged communities by reducing small business lending, affordable housing, and the provision of consumer products and services. Reduced private-sector investment from CDFIs would likely lead to lower economic growth and job creation in communities in need. Reducing funding for Treasury's Alcohol and Tobacco Tax and Trade Bureau (TTB) would lead to slower label approvals and formula approvals (which now average approximately 5 days but could grow to 75 days or more), and slower import refund claims processing, thereby hurting small businesses in every state by putting them at a competitive disadvantage vis-à-vis large businesses that can more easily absorb delays.

Across-the-board reductions of 22 percent to all programs would force the Internal Revenue Service (IRS) to divert funding provided in the Inflation Reduction Act (IRA) to cover steady-state operations, significantly undermining the improvements taxpayers have seen, including an exponential increase in service. In this scenario, IRS would not have the resources it needs to achieve the congressional objective of modernizing its technology, dramatically improving customer service, and building up enforcement capacity to pursue high-end tax evaders.

There is no room to reduce funding for these programs without significant negative impacts on millions of Americans and on the Nation's leadership on the world stage. If you or your staff have further questions, please contact Treasury's Office of Legislative Affairs at (202) 622-1900.

Sincerely,

Jonathan C. Davidson

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