

**OPENING STATEMENT BY SECRETARY HENRY M. PAULSON, JR.  
ON THE DEPARTMENT OF THE TREASURY FY 2009 BUDGET REQUEST  
BEFORE THE SENATE COMMITTEE ON APPROPRIATIONS  
SUBCOMMITTEE ON FINANCIAL SERVICES AND GENERAL GOVERNMENT**

**Washington, DC**— Chairman Durbin, Senator Brownback, Members of the Committee: Thank you for the opportunity to discuss the Treasury Department's proposed fiscal year 2009 budget. Our budget request reflects the Department's continued commitment to promoting a healthy U.S. economy, fiscal discipline and national security. The Department has broad responsibility in federal cash management, tax administration and plays an integral role in combating terrorist financing and advocating the integrity of the U.S. and global financial systems.

Our spending priorities for the 2009 fiscal year fall into six main categories. I will briefly describe the priorities and then take your questions.

**U.S. Economic Steward**

Treasury has an important role to play as steward of the U.S. economy, and our offices provide technical analysis, economic forecasting and policy guidance on issues ranging from federal financing to domestic and global financial systems.

Those functions are especially critical now as the U.S. economy, through a combination of a significant housing correction, high energy prices and capital market turmoil has slowed appreciably. Our long term economic fundamentals are solid, and I believe our economy will continue to grow this year, although not as rapidly as in recent years.

In response to economic signals, early this year the Administration and the Congress worked together to quickly pass, on a bipartisan basis, the Economic Stimulus Act of 2008. And I would like to thank this subcommittee for approving funds for the IRS and the FMS to administer the stimulus check rebate program under that Act.

As you know, the stimulus payments to households and the incentives to businesses in the Act, together, are estimated to lead to the creation of half a million jobs by year-end. This will provide timely and effective support for families and our economy, and it wouldn't be possible without your leadership.

**Strengthening National Security**

Treasury's Office of Terrorism and Financial Intelligence (TFI) uses financial intelligence, sanctions, and regulatory authorities to track and combat threats to our security and safeguard the U.S. financial system from abuse by terrorists, proliferators of weapons of mass destruction and other illicit actors.

To continue and build on our efforts to combat these threats, we are requesting an \$11 million increase for TFI, including \$5.5 million for the Financial Crimes Enforcement Network to ensure effective management of the Bank Secrecy Act.

**Efficient Management of the Treasury Department**

The budget request emphasizes infrastructure and technology investments to modernize business processes and improve efficiency throughout the Treasury Department. We will continue to make information technology management a priority, and have taken several significant steps to strengthen our systems and oversight.

**Fiscal Discipline**

Treasury is committed to managing the nation's finances effectively, ensuring the most efficient use of taxpayer dollars and collecting the revenue due to the federal government.

#### Enforcing the Nation's Tax Laws Fairly and Efficiently

The Internal Revenue Service, of course, plays an integral role in this. The budget requests a 4.3 percent increase in IRS funding.

As in the past three budget requests, we are proposing to increase IRS enforcement funding as a Budget Enforcement Act program integrity cap adjustment. IRS enforcement efforts have yielded record revenue collections. With the requested funding, the IRS will collect an estimated \$55 billion in direct enforcement revenue in 2009.

The budget also includes a number of legislative proposals intended to target the tax gap and improve tax compliance, with an appropriate balance between enforcement and taxpayer service. These proposals are estimated to generate \$36 billion over the next ten years.

#### **International Programs**

We will continue to focus efforts on supporting a stable and growing global economy, through on-going dialogue and initiatives with developing economies throughout Asia, Latin America and Africa.

In addition we are asking your colleagues on the Foreign Operations Subcommittee to support key objectives of the President's international assistance agenda. This includes funding for the multilateral development banks --- notably new replenishments for the World Bank's International Development Association (IDA) and the African Development Fund.

Also included as a Foreign Operations priority is \$400 million request for the first installment of a \$2 billion clean technology fund that, with additional funding from the United Kingdom, Japan and other donors, will help finance clean energy projects in the developing world and make strides towards addressing global climate change.

#### **Conclusion**

Overall, the budget request reflects a prudent and forward-leaning approach to fulfilling the Treasury Department's core responsibilities to support our economy, managing the government's finances and ensuring financial system security. I thank you for your past support and consideration of our work, and look forward to working with you during your deliberations.

Thank you and I welcome your questions.