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CHAIRWOMAN

United States House of Representatives
Committee on Financial Services
Washington, DC 20515

PATRICK McHENRY, NC
RANKING MEMBER

March 3, 2022

The Honorable Rosa DeLauro
Chairwoman
Committee on Appropriations
H-307, the Capitol
Washington DC 20515

The Honorable Kay Granger
Ranking Member
Committee on Appropriations
1016 Longworth HOB
Washington D.C. 20515

Dear Chairwoman DeLauro and Ranking Member Granger:

Two years have passed since the onset of the global pandemic. Our country and economy continue to move forward. But there is reason for concern. Inflation from massive spending bills is plaguing our economy. Prices are at a 40-year high for consumer goods. Gas prices, food costs, rent, and clothing have all increased if not doubled over the last year. American families paid an extra $3,500 in 2021 to keep pace with inflation, a trend that shows no sign of abating in 2022.

Economists point to the American Rescue Plan Act as the primary driver of inflation. Disturbingly, hundreds of billions of dollars of this "emergency relief" remains unspent. Ironically, in some cases, federal agencies have up to eight years to spend the money. As this Committee continues its work to draft a FY 2022 omnibus spending bill—fiscal discipline, transparency, and accountability must guide its decision-making. To that end, I request that you consider the following issues.

1. **<u>Oversight of Relief Funds</u>**

Given the unprecedented spending in 2020, Congress went to great lengths to ensure accountability and transparency. The bipartisan CARES Act and 2020 Consolidated Appropriations Act established a multi-layered oversight structure. This structure ensures relief funds are distributed and used for their intended purposes. For example, Congress appropriated $25 million in the CARES Act to create the Special Inspector General for Pandemic Recovery (SIGPR) to detect and prevent waste, fraud, and abuse associated with the Treasury Department's $500 billion coronavirus relief fund.

Yet, oversight and taxpayer stewardship in 2021 took a back seat. For example, while rhetoric from Democrat leadership in 2020 suggested a serious commitment to providing oversight of the largest economic stimulus package in history, little oversight has occurred. In fact, neither the massive $1.9 trillion spending bill nor the Infrastructure Investment and Jobs Act have provisions in place to ensure federal funds are being used as intended. The once bipartisansupported SIGPR, which has received over 1,500 complaints through its hotline and recovered taxpayer funds, is in jeopardy of closing its doors in June 2022 because Democrats have failed to fund it. Effective oversight of federal funds must be a priority in this spending package.

2. <u>Protect Investors and Support Access to Capital</u>

During the previous Administration, the Securities and Exchange Commission (SEC) worked to ensure there was clarity and certainty in our public markets. This included making much needed reforms to private offerings and expanding the definition of accredited investors. The Committee should resist efforts to limit the effectiveness of these reforms, including efforts to add burdensome disclosure requirements or changes to the regulatory approach of how holders of record for privately held companies are determined.

The Committee should prevent the SEC from imposing one-size-fits-all mandatory ESG, political spending, and climate disclosures for public companies. Mandatory disclosures have the effect of raising a public company's compliance costs as well as deterring companies from going public. This in turn harms everyday Americans in their efforts to save for retirement, pay for the child's college education, or save for a better life. Companies are already required to disclose information that is useful to individuals when making investment decisions. Congress should resist the effort to dictate otherwise.

The notice-and-comment process is critical to effective SEC rulemaking. Protecting the public's right to effectively comment on proposed rulemakings ensures interested parties can provide substantive analysis, warn of unintended negative consequences, and recommend alternatives for the SEC to consider. Moreover, properly scrutinizing a proposed rulemaking often requires significant time and resources. The Committee should ensure that the SEC is prohibited from finalizing any rulemaking that has a comment period of less than 60 days. This prohibition should extend to comment periods associated with existing and future rulemakings.

The Committee can support our capital markets and in turn ensure long term economic growth. The SEC should be directed to conduct a micro-offering exemption rulemaking; extend EGC status for companies that are approaching or are past the five-year threshold but are not otherwise ineligible for EGC status; and to expand Securities Act Rule 701 to include gig workers.

Finally, as interest in digital assets continues to grow, investors would benefit from certainty in the regulatory paradigm. This Committee should direct the creation of a SEC-Commodity Futures Trading Commission (CFTC) working group as set out in H.R. 1602, which passed the House on a bipartisan basis in April 2021. The working group should study and report back to the Committees of jurisdiction on necessary reforms to the current regulatory regime.

3. <u>Protect Consumers</u>

Since its creation, the Consumer Financial Protection Bureau (Bureau) has been controversial. In 2020, the Supreme Court held, in *Seila Law LLC v. CFPB,* the Bureau's organizational structure to be unconstitutional. To ensure its future credibility, the Bureau must be bipartisan and accountable to Congress. The Committee should put the Bureau on an annual appropriation cycle as well as replace the single director model with a bipartisan commission.

There have been internal and external efforts over the last several years to shift the U.S. Post Office's focus away from its core mission to provide mail services and towards nonbank financial services. The most recent four-city pilot in which post offices were authorized to provide financial services/products served six individuals. It is another example of why this Committee should prevent funds from being used to support postal nonbank financial services programs.

Under the Obama Administration, senior officials within the federal financial regulators, including the FDIC and OCC, were found to have illegally targeted legitimate businesses based on partisan biases. Operation Chokepoint, as the campaign was known, was an effort to shut down industries based on personal and partisan preferences. The ongoing events in Canada suggest that government targeting still occurs today. The Committee should ensure that no federal funding goes toward targeting Americans for expressing their constitutional rights.

4. **<u>Counter China's Global Influence</u>**

The Committee must oppose the inclusion of any authorization for IMF Special Drawing Rights (SDRs). This current fiscal year's SFOPS appropriations act included authorizing language giving the Chinese Communist Party more than $130 billion in unconditional liquidity through SDRs. Adversaries such as Russia and Iran would receive tens of billions of dollars more, which they could exchange for renminbi as they solidify their trade relations with Beijing. This would be entirely inconsistent with U.S. national security interests and run counter to the goals of ongoing sanctions programs.

Separately, the Committee must oppose language currently authorizing loans of up to $21 billion in SDRs from the U.S. to an IMF trust fund that supports climate measures abroad. The SFOPS bill in practice would launder SDRs through a new Resilience and Sustainability Trust (RST), a $100 billion vanity project of the current IMF Managing Director, whose data manipulation on behalf of China already drew bipartisan condemnation last year. The IMF has very little expertise in climate change that it would be forced to lean on the World Bank to stand up the RST. Moreover, it is clear this funding would be used as "budget support," a policy that this Committee and Congress have previously opposed.

Finally, as the pandemic has demonstrated, we should be focused on strengthening our domestic supply chain as set out in H.R. 1466, the *American PPE Supply Chain Integrity Act*. The Committee should support reforms to the Defense Production Act as set out in H.R. 3146, the *SAVE Act*, which has already passed the House under suspension of the rules.

5. **<u>Support Increasing our Housing Supply</u>**

Local zoning, ordinances, and land use restrictions have played an outsized role in increased barriers to affordable housing. As housing shortages continue to plague urban and rural areas, this Committee should support language directing GAO to study the impact local zoning, ordinances, and land use restrictions has on America's housing supply and access to affordable housing in the United States. This is the first step in addressing our housing supply shortages.

In conclusion, our country is facing serious challenges both at home and abroad. Congress must rise to meet these challenges. The first step is to restore fiscal discipline. This includes reviewing the massive spending bills that have propped up federal agencies over the last year and ensuring new funds are targeted. At the same time, this Committee should ensure that existing funds are not vulnerable to waste, fraud, and abuse. Congress should restore the free-market principles that have made our economy and country strong. This includes fostering capital formation and making low-cost credit available to businesses of all sizes. Finally, this Committee must lead abroad. This includes ensuring the international community has clear direction from the United States and the tools it needs to forcefully counter both Russia and China. A strong America at home evokes strong power abroad.

Please do not hesitate to contact me with any questions.

Sincerely,

Patrick McHenry
Ranking Member