

STATEMENT OF ERIC H. HOLDER JR.
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BEFORE THE UNITED STATES SENATE

COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON COMMERCE, JUSTICE, SCIENCE, AND RELATED
AGENCIES

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Good morning, Chairwoman Mikulski, Ranking Member Hutchison, and Members of the Subcommittee. Thank you for the opportunity to meet with you today to discuss the President's Fiscal Year (FY) 2013 Budget for the U.S. Department of Justice and the Department's key priorities.

I also appreciate the opportunity to tell you more about the good work that is being done by Department employees across the United States and overseas to protect all of our citizens from harm and to ensure equal protection under the law, in order to promote "liberty and justice for all."

The President has emphasized his goal to stabilize the economy by creating new jobs and reducing our national debt through greater revenue generation and spending cuts. To assist in the economic recovery, we continue to ask even more from our talented Department personnel. This is as true in the Department of Justice as it is in the rest of the federal government.

The President has asked the Department to do more with less, recognizing that many across the country are still suffering; I am committed to presenting Congress with a serious and thoughtful budget, which clearly reflects this awareness, and allows us the resources to faithfully carry out the Department's mission and fulfill our obligation to the American people.

Upon careful examination of our mission and the range of the priorities I will present here we cannot simply "cut back" on the extent or quality of justice that we are obliged to deliver; we cannot cease to enforce the law. We cannot ignore an indictment, or choose at the end of the process not to imprison a criminal, if sentenced. We are responsible for enforcing the law, and these efforts must be funded.

What we can and must do, however, is examine the way we do our work, and find better ways to continue to do it well. In response to my call for savings across the Department, my staff developed almost \$700 million worth of budget offsets, so that we can reinvest that money and protect the Department's core mission and priorities. In presenting the Department's FY

2013 Budget, we have aligned the entire amount to pay for high-priority, mission-related needs. Specifically, we have proposed \$228 million in program increases. Our overall discretionary budget authority is reduced from \$27.2 billion in FY 2012 to \$27.1 billion in our FY 2013 request.

In this FY 2013 Budget, we have proposed changes in operational accounts, as well as leadership offices. We have used balances from prior years that were left on the books to offset this year's costs, and we tried to find less expensive ways to accomplish the same outcome.

Each of our proposed reorganizations and realignments has been developed with one goal in mind, to save taxpayers money, while remaining dedicated to our mission to protect our citizens. I can assure you that none of our reorganizations or realignments will compromise this fundamental mission; personnel and resources will be shifted to achieve the same end, to remake the Department of Justice in ways that make us more responsive to the American people whom we proudly serve.

To be clear, then, we at the Department recognize that we are accountable to the American people, to identify and eliminate areas of waste, fraud, and duplication, and also to marshal limited resources for the greatest return on investment. I have carefully reviewed with my staff the Department's FY 2013 Budget request, and have directed them to focus resources on programs that have a measurable impact and demonstrate success in keeping our citizens safe.

In his FY 2013 Budget, President Obama proposes that Congress fund the work of the U.S. Department of Justice in the amount of \$27.1 billion. In this hearing, I would like to focus on the Department's work in six critical areas, namely,

- To sustain our nation's security interests;
- To uphold the Department's traditional mission programs;
- To combat financial, mortgage, and health care fraud;
- To support our state, local, and tribal law enforcement partners;
- To invest in federal prisons and enhance detention capacity; and
- To streamline programs and operations across the Department.

I. National Security

The FY 2013 Budget includes a total of \$4 billion to sustain our first priority – the Department's national security mission. As with our law enforcement mission, the Department continues to work to build strong ties with intelligence and security partners around the world, to protect the American people. At the same time, we are diligent in protecting U.S. technologies, goods, services, and national security interests from illegal tampering, malicious manipulation and acquisition by other countries, in order to maintain our nation's competitive edge.

The funding previously enacted, which the FY 2013 Budget maintains, for our national security programs ensures the continuation of critical investments made to improve intelligence coordination; expands information sharing efforts with trusted counterparts; secures our cyber infrastructure; widens investigations of drug trafficking organizations with ties to terrorist groups; and continues to extend anti-terrorism training to our law enforcement partners.

In the past year, we were successful in several key national security investigations. In October, the Department obtained the conviction against Umar Farouk Abdulmutallab for his role in the attempted bombing of an airplane full of holiday travelers on Christmas Day in 2009. He was sentenced to life in prison earlier this month. Working closely with our U.S. and international partners, we thwarted a plot by two Iranian nationals to assassinate the Saudi Ambassador to the United States, as well as numerous other suspected plots by homegrown violent extremists. We also secured the conviction of notorious arms dealer Viktor Bout for his efforts to sell millions of dollars of weapons for use in killing Americans. In May of last year, a grand jury indicted Waad Ramadan Alwan [al-WAN] on 23 charges, including conspiracy to use a weapon of mass destruction against U.S. nationals abroad; attempting to provide material support to al-Qa'ida in Iraq; and conspiracy to transfer, possess, and export explosive devices against U.S. troops in Iraq. In December, Alwan pleaded guilty to all 23 charges.

In the FY 2013 Budget, the Department seeks to maintain critical counterterrorism and counterintelligence programs, and sustain significant, recent increases related to intelligence gathering and surveillance capabilities; detecting and deterring cyber intrusions and fully supporting cybersecurity through the Comprehensive National Cybersecurity Initiative. We also look to maintain our investments supporting the High Value Detainee Interrogation Group; the Joint Terrorism Task Forces; and the Render Safe Program.

II. Traditional Mission Programs

In the FY 2013 Budget, the Department of Justice seeks increases of \$31.8 million in support of programs in the Department's traditional core mission of combating violent crime, cybercrime, crimes against children and criminal trafficking in persons; and enforcing the nation's civil rights and environmental laws.

A. Criminal Law

In combating organized crime, I announced in January 2011 the single largest operation against the mafia ever undertaken by the FBI, the result of unprecedented cooperation among federal, state, local, and foreign law enforcement personnel. The operation resulted in the arrest of over 100 suspected mobsters—all without a hitch. In July, we announced the results of *Project Delirium*, a Drug Enforcement Administration (DEA) operation targeting La Familia Michoacana [Mee-shoa-CA-na], a violent drug cartel and supplier of most of the methamphetamines smuggled into the United States. Working with other federal, state, local and foreign law enforcement partners, including the Bureau of Alcohol, Tobacco, Firearms and

Explosives (ATF), DEA oversaw more than 1,900 arrests and the seizure of over \$63 million in U.S. currency; over 2,700 pounds of methamphetamine; over 2,700 kilograms of cocaine; 900 pounds of heroin; nearly 15,000 pounds of marijuana; and \$3.8 million in other assets. An ATF investigation targeting a gang in Philadelphia known as the Young Hit Men or Harlem Gang resulted in an 89-count superseding indictment charging 23 members with an array of federal violations, including multiple firearms violations. The trial of these gang members is scheduled for May. And finally, in 2011, the U.S. Marshals Service captured nearly 125,000 fugitives, including seven from their “Fifteen Most Wanted” list in 2011. This was the fourth consecutive year that the U.S. Marshals Service captured over 100,000 fugitives. These are only highlights, but, as you can see, it’s been a busy year for the Department.

Investigating cyber crime and protecting our nation’s critical network infrastructure is another of the Department’s top priorities. Successful cyber attacks can have devastating effects on our national security, infrastructure, and economy; and hackers have been relentless in their efforts to attack U.S. Government agency Web sites, including ours. In combating these efforts, we continue to build and strengthen our capabilities to counter and prevent these attacks. Here again, the Department works on a global scale to achieve success, in cooperation with our law enforcement partners abroad. The FBI estimates that Americans lose hundreds of millions of dollars to cyber criminals based in Eastern Europe alone. Working closely with the FBI Cyber Division and with our Legal Attaché personnel in Bucharest, our Romanian counterparts have arrested over 300 cyber criminals in the last three years. Our efforts to build relationships with foreign counterparts continue to produce real dividends. The FBI, the DOJ Office of International Affairs, and the Southern District of New York cooperated closely with the Israeli National Police and the Israeli Ministry of Justice. Together, we took down two boiler rooms in Israel that had targeted elderly persons in the United States in a lottery telemarketing scam, and had swindled them out of over \$10 million of their hard-earned savings. Thanks to this cooperation, 24 members of the ring were arrested in Israel and the United States; and 19 of the 21 have been extradited to the United States. Most pleaded guilty, and have been sentenced.

In FY 2013, the Department is requesting an increase of \$15.2 million within the Justice Information Sharing Technology program to transform, strengthen, and protect DOJ internal networks. This will counter newly emerging cyber security threats, including insider threats, provide advanced intrusion detection and response capabilities, and implement cost-efficient scalable enterprise architecture.

The FY 2013 Budget also includes \$3 million in new investments to combat transnational criminal organizations, and a total of nearly \$2 billion to maintain the security of our nation’s southwest border. The Budget also increases funding for international investigation and deterrence of intellectual property crime by \$5 million, which brings our investment to nearly \$40 million annually to combat online piracy and otherwise protect our nation’s intellectual capital and maintain our competitive edge in developing American ideas and technologies to better compete in the global marketplace.

The Department's budget request also supports our continuing work to prevent, investigate, and prosecute child exploitation crimes. Sadly, our caseload in this area continues to increase. Our budget request will fund ongoing efforts to investigate and prosecute offenders such as those who participated in the so-called Dreamboard, an international, members-only, online bulletin board that was dedicated to the sexual abuse of children. Just as Dreamboard's members operated across international boundaries in committing their crimes, so too did law enforcement personnel work across boundaries to take down this nefarious ring. To date, 72 Dreamboard members have been indicted; 53 have been arrested in the United States and abroad.

The Department has successfully investigated and prosecuted public corruption, not only in the several high-profile cases that made the news, but across the United States. The American electorate trusts that their public servants will obey the law; they expect the Department to bring to full justice those who abuse that trust.

B. Civil Rights

A fundamental highlight of the Department's budget request for traditional mission programs is \$5 million in new resources for the Civil Rights Division to prevent and combat human trafficking; hate crimes; and misconduct by law enforcement and public officials. These issues warrant our greater investment and vigilance as we advocate for every American—without exception. Safeguarding the civil rights of every American is at the heart of what we do, and represents our core mission. In this good work, the Department continues to achieve success and helps our nation to create “a more perfect union.”

In seeking redress for the host of inequities uncovered by the mortgage morass, the Department has fought especially hard to protect the civil rights of Americans. Recently, I announced that the Department had reached a \$335 million settlement with a lender to resolve allegations of lending discrimination against African-American and Hispanic borrowers who qualified for mortgage loans, but were charged higher interest fees or were steered into sub-prime loans, solely because of their race and national origin. Over 200,000 Americans will be entitled to compensation. We have also acted to protect the civil rights of our service members who have been targeted by these unconscionable, predatory lending practices. In May 2011, we announced settlements with two lenders to resolve allegations that they had wrongfully foreclosed upon active-duty service members without first obtaining court orders, in clear violation of the Service Members Civil Relief Act. The settlements provided over \$22 million in compensation to our men and women in uniform who were forced to worry about their families and losing their homes through unlawful foreclosures, while also having to endure the horrors of war. We fought hard for them because we believe that, as Americans, we are much better than that, and that our fellow citizens, who place their lives on the line for all of us, deserve far better than that.

Our other civil rights priorities in FY 2013 include a greater focus upon combating human trafficking; in uncovering and prosecuting hate crimes that target Americans for who they are and what they believe; in upholding and enforcing the constitutional right of every eligible American to participate in our nation's political process and vote freely; and fully implementing provisions of the Civil Rights for Institutionalized Persons Act.

C. Environment and Natural Resources

Since 2011, a team of our agents and prosecutors continues to lead the Deepwater Horizon Task Force, which has investigated the conduct of those involved in the tragic explosion and oil spill that claimed the lives of 11 people; despoiled the coastal waters of the Gulf of Mexico; killed scores of wildlife; and damaged the vibrant economy of a beautiful region, which our citizens have struggled mightily to restore.

III. Financial, Mortgage, and Health Fraud

In our FY 2013 Budget, the Department seeks an increase of \$55 million, for a total investment of over \$700 million, to investigate and prosecute financial and mortgage crimes that have sorely hurt the American people and damaged their trust in the financial markets they expect to engage in fair play. The abuses by many in the financial sector have had a devastating effect on the U.S. economy, and have contributed significantly to the economic suffering of so many Americans. It is essential that the Department address these abuses forcefully, to hold fully accountable those who are responsible for these abuses and ensure that they are not repeated. In this budget, we propose an increase in specialized staffing and technologies to combat and root out fraud in the area of securities and commodities; investment scams; mortgage foreclosure schemes; and increasingly, in health care fraud.

The program increase of \$55 million would provide funding for additional FBI special agents, criminal prosecutors, civil litigators, in-house investigators, forensic accountants, and paralegals to hone the Department's capacity to investigate and prosecute the full spectrum of financial fraud. Bringing aboard specialized and dedicated personnel, especially investigators and forensic accountants, is key to our successful detection and prosecution of complex financial schemes, and helps us to stay well ahead of the criminals who devise them. Of the \$55 million program increase, \$37.4 million is to increase criminal enforcement efforts and \$17.6 million would increase civil enforcement efforts. Our total request also includes \$9.8 million for technology tools and automated litigation support.

We have already been actively engaged in these efforts. Since FY 2010, the Financial Fraud Enforcement Task Force has spurred investigation and prosecution of financial fraud that has been uncovered by the 2008 financial crisis and economic recovery efforts. The task force has charged and sentenced a great number of defendants involved in securities fraud, investment fraud, Ponzi schemes, and other financial fraud. In October 2011, the managing member of Galleon Management LLC was sentenced to 11 years in prison, based on the Department's

investigation of the largest hedge fund insider trading scheme in history. We also continue to aggressively prosecute those who commit mortgage fraud. Mortgage fraud victims include distressed homeowners preyed upon by fraudsters posing as foreclosure rescue experts; the elderly who are victimized in Home Equity Conversion Mortgage or “reverse mortgage” schemes; U.S. service members; and entire neighborhoods blighted by blocks of abandoned homes. In FY 2011, the U.S. Attorneys’ Offices filed 513 cases against 947 defendants, an increase of 92 percent in just two years.

Earlier this month, I joined Housing and Urban Development Secretary Shaun Donovan and the Attorneys General of Colorado, Indiana, North Carolina, Illinois, and Iowa to announce the unprecedented agreement reached by the Federal Government and state attorneys general with the nation’s five largest mortgage servicers to address mortgage loan servicing and foreclosure abuses. This agreement--the largest joint federal-state settlement ever obtained--provides substantial financial relief to homeowners and establishes significant, new homeowner protections. It holds mortgage servicers accountable for abusive practices and requires them to commit more than \$20 billion towards financial relief for consumers. As a result, struggling homeowners throughout the country will benefit from reduced principal amounts and the refinancing of their loans. The agreement also requires substantial changes in how servicers do business, which will help to ensure the abuses of the past are not repeated.

Moreover, on January 27, I announced the formation of the Residential Mortgage-Backed Securities Working Group, supported by current manpower and funds, to leverage state and local resources in a nation-wide effort to investigate and prosecute crimes in the residential mortgage-backed securities market. The Department will join the Securities and Exchange Commission and the New York State Attorney General under authority of the Financial Fraud Enforcement Task Force in leading the working group, which will be staffed by at least 55 DOJ agents, analysts, investigators, and attorneys from around the United States.

Finally, the Department remains fully engaged with the Department of Health and Human Services (HHS) to prevent and combat health care fraud. Earlier this month, HHS Secretary Kathleen Sebelius and I reported the success of our joint efforts, having recovered nearly \$4.1 billion for U.S. taxpayers in FY 2011. The three-year average return on investment for health care fraud funding in FY 2011 was over \$7 for every \$1 invested – the highest ever for this program.

In FY 2013, we plan to redouble our efforts and ask Congress for \$294.5 million through the HHS budget for health care fraud funding to support DOJ initiatives to combat civil and criminal health care fraud. Increased funding will permit the Department to expand Medicare Fraud Strike Force operations and to more effectively target locations where health care fraud activities are rampant. We also propose additional support to bolster civil enforcement efforts, including False Claims Act matters, to investigate and prosecute fraud by medical and pharmaceutical providers.

IV. State, Local, and Tribal Law Enforcement

In our FY 2013 Budget, the Department seeks a total of \$2 billion to assist state, local, and tribal law enforcement personnel, especially in combating violent crime and violence against women and all other victims of crime, and in supporting victim programs.

The Department's budget request is strong on law enforcement; it's strong on solid program research and development; it's strong on juvenile justice; and it's strong on innovation. In presenting this budget request, we've taken a long, hard look at what has worked best in these areas, in order to extend these best practices across the broad range of our work.

The key to the Department's success in protecting the American people continues to be in developing effective partnerships with law enforcement counterparts throughout the United States and abroad to leverage a more focused and effective law enforcement response. To put this in perspective, there are 65,000 U.S. federal agents dedicated to criminal investigations; by comparison, there are 700,000 state and local law enforcement officers in the United States, not to mention scores of others who work for agencies from other nations. Crime is increasingly transnational and global in scope, and criminals respect no boundaries. We owe it to the American people to work closely with our partners—at home and abroad—to prevent these criminals from harming our citizens, and to ensure that those who do so are brought to justice.

Here at home, one of our most important partnering programs is the Community Oriented Policing Service (COPS) grant program. These grants assist state and local police in hiring officers for targeted patrol and other proven strategies to reduce and prevent crime. From FY 2009 through FY 2011, the COPS Office funded more than 7,100 positions. Over 5,000 of these positions have been filled so far; nearly 4,000 of them as new hires. The Budget requests an additional \$91 million for the COPS Hiring Program in FY 2013, for a total of \$257.1 million. Of this amount, \$15 million will be dedicated to community policing development initiatives and \$15 million will be directed to tribal jurisdictions.

It is worth noting that COPS will be giving preference in any FY 2012 hiring grant award to communities that hire post-9/11 veterans of our armed forces. Put simply, this is the right thing to do, and I assure you that this policy will continue in grants funded by the FY 2013 appropriation.

To give you an idea of the impact that COPS funding has had within local communities, let me tell you about Fresno, California. Given budgetary constraints, the Fresno Police Department had lost 100 sworn police officer positions and 265 civilian positions over a three-year period. COPS funding added 41 front-line officers who helped Fresno reduce violent crime by targeted removal of dangerous criminals from the community's streets. The results are impressive. In 2011, Fresno experienced decreases in violent crimes across the board and had its lowest murder rate in a decade. Without COPS funding, the Fresno Police Department would have been forced to disband its violent crime impact team and redeploy officers into patrol, and

merely react to crime. Instead, COPS funding helped the people of Fresno become more active in safeguarding their community.

In this area, too, the Department seeks funding for grant programs proven to be effective in preventing crime. Increased funding is requested for the Byrne Criminal Justice Innovation Program; for residential substance abuse treatment; for Second Chance Act implementation; for Part B Juvenile Justice Formula Grants; and for a new, evidence-based juvenile justice competitive demonstration grant program.

The Adam Walsh Act significantly enhances the Department's ability to respond to crimes against children and vulnerable adults, and to prevent sex offenders who have been released back into the community from victimizing others. The FY 2013 Budget also includes \$20 million for states and local jurisdictions, and an additional \$1 million to develop the National Sex Offender Public Web site.

Finally, a significant outlay under the FY 2013 Budget includes increased funding to squarely address domestic violence and child abuse in rural areas through support of projects specifically designed to prevent these crimes in rural jurisdictions. A significant portion of these funds will be dedicated to implementing public safety programs in Indian country, to assist tribal law enforcement partners in reducing the disproportionately high levels of violent crime there.

V. Prisons and Detention

In the Department's FY 2013 Budget, we are seeking \$8.6 billion to ensure that prisoners and detainees are held in secure federal facilities and to improve federal prisoner re-entry.

Last year, the Department made strategic investments to enhance the nation's security and make communities safer. There are over two million people incarcerated in the United States; estimates project the federal inmate population in the United States to increase by 6,500, in addition to the estimated 5,000 inmates who will be processed in FY 2012. The FY 2012 enacted appropriation included partial funding for activation of new prisons in Alabama and New Hampshire. In the FY 2013 Budget, the Department requests funding to fully activate these facilities and initiate two others, in Mississippi and West Virginia. In all, the Department plans to add 2,500 prison beds and 1,000 new, low-security contract confinement beds in FY 2013. The Department will also direct increased funding to hire additional corrections workers and cover increased costs to transfer, accommodate, and secure the larger prisoner population.

While opening the secure facilities we need to confine criminals, the Department's budget request also addresses the parallel need to free up prison space and reduce long-term detention and incarceration costs. This budget recognizes the need to work with you in Congress to make simple changes to the calculation of good conduct time, and to explore ways to further reduce recidivism. These proposals provide proven incentives for good behavior among certain eligible, non-violent inmates, and their participation in programs designed to keep them from

returning to prison, and will have a direct impact in relieving overcrowding in federal prisons. Beyond the steps proposed in this budget, the federal government has an opportunity to build on the work of states like Texas and Indiana to modernize criminal sentencing, ensuring that violent and career criminals remain behind bars and off the streets, while strengthening programs to help eligible, non-violent offenders to safely and productively re-enter their communities.

The programs we propose to fund aim to reduce recidivism by expanding participation in these re-entry programs. The Department's FY 2013 Budget request includes expansion of the Bureau of Prison's residential drug abuse program, which supports Second Chance objectives. This expansion will enable greater use of the sentencing credits available to eligible, non-violent inmates who complete drug treatment programs. Thus, as this program contributes to reducing crime, it will also result in fewer taxpayer resources directed at incarcerating inmates.

VI. Savings and Efficiencies

The Department's FY 2013 Budget presents a highly streamlined array of programs, which will help us to achieve our mission more efficiently while protecting the American people more effectively.

The Department of Justice proposes almost \$700 million in efficiencies, offsets, and rescissions. We in the Department recognize that we must do our part to help our nation maintain its sound fiscal footing. In our FY 2013 Budget request, we seek to balance fiscal responsibility demanded by the American people with the Department's national security and law enforcement mission to prevent, prosecute, and bring to justice all who would do us harm.

In leading this effort, I directed Department staff to identify areas where we would achieve significant savings for the American taxpayers by implementing changes in the way we execute our mission. These changes include improving the way we target funding, seeking support for programs that work; redirecting funding from the Department level to component agencies to reduce overhead and increase operational efficiency; and consolidating offices and redirecting or reducing personnel and resources.

In all, we identified \$646.6 million in administrative efficiencies, non-grant program reductions, and rescissions of prior year balances, which will reduce our bottom line without impairing our mission or capabilities.

In submitting the Department's 2013 Budget request, I emphasize that we continue to hold the line on expenses, seek to eliminate waste, and promote efficiencies. In this request, we propose to reorganize the Department by consolidating offices. In doing so, we will become a leaner, more agile, and more responsive organization. Our goal is to enhance our service to the American people, without sacrificing the essential mission. Instead, we intend to realign our staff and resources to meet the greatest needs.

In proposing these realignments, we add our efforts to the President's Campaign to Cut Waste. In July 2010, I launched the Department's Advisory Council for Savings and Efficiencies, or the SAVE Council, to focus these efforts within the Department. In just the last two years, the SAVE Council has helped the Department realize nearly \$60 million in savings and cost avoidance.

The 2013 Budget includes savings expected from merging detention functions currently performed by the Office of the Federal Detention Trustee into the U.S. Marshals Service, merging core functions of the National Drug Intelligence Center into DEA, and transfer management of the Law Enforcement Wireless Communication program to the FBI, returning funding and the concomitant responsibility for radio operations and maintenance to the Department's law enforcement components.

Additional savings and efficiencies were identified in the areas of information technology, space requirements, overhead, administration, and operations. For example, the IT offset represents savings that will be developed through greater inter-component collaboration in IT contracting; funds will be redirected to support the Department's cyber security and IT transformation efforts and other high-priority initiatives.

VII. Conclusion

In conclusion, I am keenly aware that the President and I have asked the Department's dedicated employees to do much more with fewer resources during this period of economic recovery. That they have done so with continued dedication to our mission to protect the American people is truly exemplary and inspiring.

I appreciate this opportunity to tell you about our good work at the Department of Justice, to thank you for your support to date, and to ask you to fund the important work that lies ahead.

At this time, I would be pleased to take your questions.