



Department of Justice

STATEMENT

OF

**PAUL R. CORTS
ASSISTANT ATTORNEY GENERAL FOR ADMINISTRATION
DEPARTMENT OF JUSTICE**

BEFORE THE

**SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT,
GOVERNMENT INFORMATION, AND INTERNATIONAL SECURITY
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
UNITED STATES SENATE**

CONCERNING

RESCISSION OF BALANCES IN THE CRIME VICTIMS FUND

PRESENTED ON

MARCH 8, 2006

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Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to appear before you today to discuss the planned rescission of balances in the Crime Victims Fund and the outlook for the Fund in the near future. Joining me today is the Department's Deputy Assistant Attorney General/Controller, Lee Lofthus, who is responsible for our budget and financial management operations.

The Crime Victims Fund is a major funding source for victim services across the Nation, and the Department is fully committed to supporting vital victims programs. We are also deeply committed to sound and responsible budgeting. For that reason, in my statement this afternoon I plan to explain the proposed rescission of Crime Victims Fund balances in the context of the Department's Fiscal Year (FY) 2007 President's budget request.

FY 2007 Budget Request

The FY 2007 President's Budget requests \$20.8 billion in direct discretionary funds for the Department of Justice, including over \$1 billion in enhancements designed to protect the American people. Our budget request includes increases of \$286 million to support the Department's number one priority: preventing terrorism and protecting national security. We are also requesting an additional \$235 million to combat illegal drugs and secure our borders. In addition, our budget request includes additional funding for Project Safe Neighborhoods, which targets violent gun crime and gangs, fighting child exploitation, and detaining and incarcerating federal prisoners.

I am pleased that our budget contains these resource enhancements, yet I am acutely aware that we are a Nation at war, and we are facing significant demands upon our resources. As such, the President has asked all non-defense agencies to prioritize spending to ensure the highest priorities of the Nation are funded. If we are to protect American citizens from harm, while at the same time maintaining fiscal discipline over spending, we want to make full and appropriate use of available resources.

Proposed Offsets

The Department's budget contains a total of \$3.7 billion in recommended offsets. By "offsets" I mean that we are proposing to help cover a portion of our FY 2007 budget requirements through funds we can save or recoup in other areas. These offsets reduce the demand the Department makes on the appropriators, the Treasury, and ultimately the taxpayers for "new" dollars. In some cases, our offsets include proposals to redirect funds from lower priority programs towards higher priority programs. In another instance we have a new fee proposal to offset the cost of administering federal explosives laws. Finally, where certain programs have accumulated significant balances over the years, our budget offsets include rescissions of such prior year balances, including the rescission of \$1.255 billion from the Crime Victims Fund.

The Crime Victims Fund

Let me turn now to a discussion of the Crime Victims Fund and the proposed rescission of the excess balance. Please let me restate that we fully recognize the importance of the Crime Victims Fund and the critical role it plays in our system of justice and in the lives of our citizens. We are pleased that the Fund continues to support vital crime victims programs. We are committed to ensuring that sufficient resources from the Fund will continue to be available for these purposes.

The Crime Victims Fund was established by the Victims of Crime Act in 1984. The fund provides resources for a wide variety of victim services across the Nation. The fund is managed as a separate account in the U.S. Treasury, with deposits coming from criminal fines; forfeited appearance bonds; bail bonds; special forfeitures of the collateral profits of crime proceeds retained in an escrow account for more than five years; and special assessments collected by the United States Attorneys Offices, Federal courts, and the Federal Bureau of Prisons; as well as from gifts and bequests. The Fund is used to pay for victim assistance services and direct compensation to individual crime victims, as well as certain other related items such as victim coordinator positions in U.S. Attorneys Offices, victim specialists in FBI field offices, and training and technical assistance for victim service providers. The fund draws on the payments of offenders convicted of federal crimes; it is not funded through tax revenues.

In plain terms, receipts deposited from convicted offenders are used to support victim programs authorized by Victims of Crime Act. However, in recent years, the Congress has capped the amount that can be spent from the Crime Victims Fund for victim programs. Deposits in excess of the caps remain in the Fund unused. The President's Budget proposes to rescind these unused funds.

By way of background, in the years since it was created, the Fund has undergone several changes. During the first eight years of its existence, a cap was placed on how much could be deposited into the Fund. In 1993 the cap was lifted. In FY 2000, the Congress enacted an obligational cap for the Crime Victims Fund. Each year since then, the President's budget has included, and the Congress has enacted, obligation caps for the Fund. Under this arrangement, the amount of funding available for victim programs is determined in the annual appropriations

process. For FY 2007, the proposed obligation cap is \$625 million, which is the same as the cap enacted in FY 2006. Without this obligation cap, the formula under which most funds are spent would result in dramatic fluctuations in mandatory spending over the prior year.

The cap enables Congress to determine the appropriate level of expenditures required to maintain viable victims programs. Excess balances above the cap remain in the Fund and “rollover” from year to year. Significant rollover balances have existed in the fund since 2000, creating what can be characterized as a “perpetual float” in the account now in excess of \$1 billion. This float is not required to fund the enacted level of victims programs, nor is it money that can be made available for other appropriations use.

The Crime Victims Fund Rescission Proposal

The perpetual float in the Fund results in two consequences. First, the excess balances are precluded from being available for appropriation for other programs that could benefit the Nation. Second, the balances have become fodder for temporary budget scorekeeping schemes that mask our true discretionary budget needs. Accordingly, the President’s FY 2007 budget proposes to rescind and permanently cancel the excess balance in the Crime Victims Fund, returning the funds to the general fund of the Treasury.

Both the prior and current administrations have used the excess Crime Victims Fund balances as a mean of achieving a scorekeeping credit when the budget is presented to Congress. In fact, Congress itself has used the fund balance for scorekeeping benefit. The scorekeeping offset basically allows, for example, a \$19 billion budget submission to be characterized as a request for \$18 billion, as the \$1 billion difference would be attributed as an offset to the \$1 billion Crime Victims Fund balance. Meanwhile, the \$1 billion floating balance remains in the Fund, to be made available again the next fiscal year for the same offset exercise.

The recurring use of the excess balance as a scorekeeping adjustment is something we propose to end. The President’s budget proposes an FY 2007 permanent rescission of \$1.255 billion, with the rescinded funds to be deposited to the general fund of the Treasury as noted earlier. As a result, the balance will not be available for any future scorekeeping offset, and, in plain terms, a \$19 billion budget would be presented as a \$19 billion budget (under this example). Thus, the rationale for rescinding the balance of the Crime Victims Fund is that it is a more straightforward approach to budgeting.

Assuming the rescission of the Fund balance were enacted, crime victim services in FY 2007 and beyond would continue to be funded from criminal fines and penalties receipts deposited into the Crime Victims Fund. The Administration is committed to maintaining the programs that fund crime victim compensation and services, programs that are mostly administered by the States. While receipts can fluctuate significantly from year to year, we note that receipts totaled \$668 million in FY 2005 and \$834 million in FY 2004. We anticipate that receipts can be maintained at a level sufficient to support the currently enacted victim program levels.

Conclusion

In closing, I want to stress that I stand behind the priorities in this budget, which focus on national security, violent crime reduction, protecting our children, and supporting communities and victims of crime.

I also want to emphasize that we recognize the importance of the Crime Victims Fund as an integral part of our victim services efforts. The proposed rescission is a budgetary action that will not negatively affect programs for the victims of crime. We are committed to ensuring the solvency of the Fund and adequate funding for victims programs. We are also committed to transparent budgeting and wise use of available resources. We believe the rescission proposal combines fiscal responsibility with continued support for our communities and victims programs.

Mr. Chairman, this concludes my prepared statement. We would be pleased to answer any questions you or the other subcommittee members may have.