

BUDGET SEEKS \$1 BILLION MORE FOR FBI - RESTORING THE FIGHT AGAINST WHITE-COLLAR CRIME

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The Obama administration wants to boost the FBI budget by as much as \$1 billion - a move that would reverse Bush-era policies and add agents to depleted mortgage fraud and white-collar crime squads.

While details were still emerging Friday, the proposal for fiscal 2010 could represent a more than 10 percent increase in the FBI budget, according to documents released by the Office of Management and Budget.

The White House said the budget "provides resources for additional FBI agents to investigate mortgage fraud and white-collar crime ... to protect investors, the market, the federal government's investment of resources in the financial crisis and the American public."

Budget documents specify that \$8 billion will be spent on the FBI, but administration officials declined to provide details on the increase from this year's \$7.1 billion FBI budget.

Under the plan, the FBI would get a quarter of the Justice Department's \$23.9 billion budget, which overall is actually decreasing by 6.3 percent. The department also will tap \$2.5 billion more from a dedicated fund for crime victims.

Sen. Patty Murray, who has taken a leading role on Capitol Hill in trying to reverse years of cuts to FBI traditional crime units, applauded the budget proposal.

"We finally have a president who understands that protecting our communities from terrorists doesn't have to come at the expense of fighting crime," said Murray, D-Wash. "Washington has an international border, but we also have gangs and mortgage fraud, so we know that the FBI is being stretched thin. President Obama's budget makes both the FBI and our safety a priority."

More money would boost the bureau's ability to fight crime at a time when a multitude of voices have been calling on the FBI to combat the kind of financial fraud that has helped bring America's economy to its knees.

A Seattle P-I investigation found in 2007 that the Bush administration, in the wake of the 9/11 terrorist attacks, had shifted about 2,400 agents from crime squads nationwide to counterterrorism duties. The crime squads weren't reinforced, triggering dramatic drops in the number of prosecutions around the country for white-collar crimes, civil rights violations and other crime categories.

Using FBI figures, a P-I analysis showed it would take about \$400 million to restore the bureau's crime-fighting units to their pre-9/11 staffing levels.

Working with Murray and Sen. Barbara Mikulski, D-Md., to reinvigorate the FBI has been Vice President Joe Biden, who as a Delaware senator introduced a bill to hire 1,000 FBI agents.

A source in the Vice President's Office confirmed Thursday that Biden's voice had been heard on the topic during budget deliberations. "It's safe to say that the vice president has not pulled back on his historic advocacy for the FBI and law enforcement."

During the presidential campaign, Obama told the P-I in a statement that he supported boosting funding for the FBI.

"I reject the Bush administration's contention that in order to protect our nation from terrorists we have to deplete the resources used by the FBI to protect our communities from criminals," Obama wrote in July 2008. "Even as we fight terrorism, we cannot lose sight of high crime rates in our cities, violence in our schools and economic crimes like predatory mortgage lenders."

The cost of the Bush administration policy has come increasingly into focus as the American and global economies continue to founder. Last month, the P-I reported that the FBI was aware for years of "pervasive and growing" fraud in the mortgage industry but felt it was stretched too thin to mount aggressive investigations.

"It is clear that we had good intelligence on the mortgage-fraud schemes, the corrupt attorneys, the corrupt appraisers, the insider schemes," said a recently retired, high-ranking FBI official. Another retired top FBI official confirmed that such intelligence went back to 2002.

The problem, according to current and former bureau officials, is that the agency was stretched so thin, no one noticed when lenders

began packaging bad mortgages into bad securities.

The budget plan released Thursday gives broad outlines of the White House's spending priorities, with a more detailed budget request to be released in April. Congress approves the budget and usually makes many changes to the presidential proposal.

The Obama budget also would significantly increase resources for agencies that supervise Wall Street. It calls for a 13 percent increase in the budget of the Securities and Exchange Commission and a 44 percent increase for the Commodity Futures Trading Commission.

The SEC is expected to use the additional money to "build its staff and technology resources" and to promote a new program to "better detect fraud and strengthen markets." The commodity commission will increase its oversight of energy and over-the-counter derivatives trading.

The agency has been criticized for not chasing tips on Bernard Madoff's alleged \$50 billion fraud.

The budget also calls for more prosecutors and bankruptcy experts at the Justice Department to deal with growing problems arising from the financial crisis.

Washington Attorney General Rob McKenna praised the administration's move, calling it good news for state and local police and prosecutors.

"Where we're short is on investigative resources," he said. "There's clearly a need for more resources on fraud, white-collar crime and identity theft."

McKenna expressed hope that the boosts also will mean more FBI agents pursuing gangs, organized crime and major drug investigations.

"We've seen a dramatic rise in gangs and organized crime in the past five years," he said.

This story includes information from The Associated Press.

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