

PREVENTING THE FINANCING OF ILLEGAL SYNTHETIC DRUGS ACT

MAY 22, 2023.—Committed to the Committee of the Whole House on the State of
the Union and ordered to be printed

Mr. MCHENRY, from the Committee on Financial Services,
submitted the following

R E P O R T

[To accompany H.R. 1076]

[Including cost estimate of the Congressional Budget Office]

The Committee on Financial Services, to whom was referred the bill (H.R. 1076) to require the Comptroller General of the United States to carry out a study on the trafficking into the United States of synthetic drugs, and related illicit finance, and for other purposes, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “Preventing the Financing of Illegal Synthetic Drugs Act”.

SEC. 2. FINDINGS.

The Congress finds the following:

(1) According to the Center for Disease Control and Prevention, over 107,000 people in the United States died from drug overdoses or drug poisonings in the 12-month period ending January 2022, with 67 percent of those deaths involving synthetic opioids like fentanyl.

(2) According to the United Nations Office of Drugs and Crime (UNODC) in its “Synthetic Drug Strategy 2021-2025”, the number of synthetic drugs, also called New Psychoactive Substances, has increased 631 percent since 2009, with traffickers introducing an average of 80 new substances to the illicit drug market each year from 2009-2019.

(3) In October 2022, F. Michael McDaniel, director of the Houston High Intensity Drug Trafficking Areas (HITDA) program testified in Congress that one kilogram of fentanyl can produce one million counterfeit pills containing one milligram of fentanyl, saying, “Currently in Houston, Texas, you can buy a kilogram of fentanyl for an average price of \$25,000 to \$30,000. This same kilogram of fentanyl in Culiacán (Mexico) could be purchased at an average price of \$13,500. Currently, the price of a fentanyl pill in Houston ranges from \$6 to

\$65. Therefore, an illicit investment of \$30,000 or less could result in a return of \$6 to \$32.5 million.”

(4) According to Celina B. Realuyo, Adjunct Professor, The George Washington University Elliott School of International Affairs, in March 2022 Congressional testimony, “Financing is essential to support and sustain the command and control, personnel, arms, communications, logistics and operations of organized crime groups. For this reason, following the money trail and depriving criminals of illicit financial flows can disrupt and disable these networks.”

SEC. 3. GAO STUDY ON SYNTHETIC DRUGS TRAFFICKING.

(a) STUDY.—The Comptroller General of the United States shall carry out a study on illicit financing in connection with the trafficking of synthetic drugs, including fentanyl and methamphetamine, fentanyl- and methamphetamine-related substances, Captagon, and fentanyl and methamphetamine precursors, including—

(1) the business of the trafficking of synthetic drugs and related illicit finance, such as the participation of transnational criminal organizations and terror syndicates and their notable trafficking corridors, including source and transit countries;

(2) the business models used by these transnational criminal organizations, including U.S. domestic and foreign activities for precursor purchase or production, movement along the supply chain, manufacture of the completed product, marketing, distribution, sales, and return of proceeds;

(3) the overlap of the business model of human trafficking and the trafficking of synthetic drugs and related illicit finance;

(4) the use of online illicit drug markets and the use of social media for the marketing, sale, and payment for synthetic drugs;

(5) financial methods used by such transnational criminal organizations, including—

(A) payment;

(B) money laundering; and

(C) repatriation of proceeds;

(6) the use of social media applications like Snap Chat, Discord, and Facebook and payment applications like CashApp to facilitate financial transactions for synthetic drug trafficking, especially among young people; and

(7) U.S. Government activities to combat illicit finance related to the trafficking of synthetic drugs, including—

(A) interagency collaboration, including personnel detailed to other agencies to support the effort to combat synthetic drugs trafficking and related illicit finance;

(B) intergovernmental collaboration;

(C) intersectoral collaboration with the private sector, including the business and non-governmental communities; and

(D) identified gaps or resource deficiencies in combating the trafficking of synthetic drugs and related illicit finance in the coordination and collaboration activities described in subparagraphs (A) through (C).

(b) REPORT REQUIRED.—Not later than the end of the 1-year period beginning on the date of enactment of this Act, the Comptroller General shall issue a report to the Congress containing all findings and determinations made in carrying out the study required under subsection (a).

PURPOSE AND SUMMARY

Introduced on February 17, 2023, by Representative Monica De La Cruz, H.R. 1076, the *Preventing the Financing of Illegal Synthetic Drugs Act*, instructs the Comptroller General of the United States to carry out a study on illicit financing in connection with the trafficking of synthetic drugs and related illicit finance. Without financing, a business cannot operate. The study will provide policymakers with better information on how traffickers operate and facilitate illicit activity to draft effective legislation.

BACKGROUND AND NEED FOR LEGISLATION

According to the Center for Disease Control, over 107,000 people in the United States died from drug overdoses or drug poisons in

2022.¹ Sixty-seven percent of those deaths involved synthetic opioids like fentanyl. Financing is essential to support and sustain the logistics needed to carry out large and small-scale trafficking operations. A detailed study examining the business model of synthetic trafficking, the ways in which the business model overlaps with human trafficking, and the use of online illicit drug markets and financial methods used to carry out illicit activity will allow policymakers to better prioritize U.S. government activities to combat the illicit finance related to the trafficking of synthetic drugs.

HEARING

The Committee on Financial Services held a hearing examining matters relating to H.R. 1076 on February 7, 2023.

COMMITTEE CONSIDERATION

The Committee on Financial Services met in open session on February 28, 2023, and ordered H.R. 1076 to be reported favorably to the House as amended by voice vote, a quorum being present. Before the question to report was called, the Committee adopted an amendment in the nature of a substitute offered by Ms. De La Cruz by voice vote.

COMMITTEE VOTES

Clause 2(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the record votes on the order to report legislation and amendments thereto. H.R. 1076 was reported favorably to the House as amended by voice vote, a quorum being present.

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c) of rule XIII of the Rules of the House of Representatives, the findings and recommendations of the Committee based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the goal of H.R. 1076 is to provide lawmakers with better information on how traffickers operate and facilitate illicit activity to draft effective legislation through a study, conducted by the Comptroller General of the United States, on illicit financing in connection with the trafficking of synthetic drugs and related illicit finance.

NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the estimate of new budget authority, entitlement authority, or tax expenditures or revenues contained in the cost estimate prepared by

¹ https://www.cdc.gov/nchs/pressroom/nchs_press_releases/2022/202205.htm.

the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1973.

CONGRESSIONAL BUDGET OFFICE ESTIMATES

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

H.R. 1076, Preventing the Financing of Illegal Synthetic Drugs Act				
As ordered reported by the House Committee on Financial Services on February 28, 2023				
By Fiscal Year, Millions of Dollars		2023	2023-2028	2023-2033
Direct Spending (Outlays)		0	0	0
Revenues		0	0	0
Increase or Decrease (-) in the Deficit		0	0	0
Spending Subject to Appropriation (Outlays)		*	*	not estimated
Increases net direct spending in any of the four consecutive 10-year periods beginning in 2034?		No	Statutory pay-as-you-go procedures apply? No	
			Mandate Effects	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2034?		No	Contains intergovernmental mandate? No	
			Contains private-sector mandate? No	
* = between zero and \$500,000.				

H.R. 1076 would require the Government Accountability Office (GAO) to study the illicit financing of synthetic-drug trafficking and the federal government's efforts to combat those activities. The bill would require the GAO to report its findings to the Congress within one year of enactment.

Based on the cost to produce similar reports, CBO estimates that implementing H.R. 1076 would cost less than \$500,000 over the 2023–2028 period; any such spending would be subject to the availability of appropriated funds.

The CBO staff contact for this estimate is Jeremy Crimm. The estimate was reviewed by Chad Chirico, Deputy Director of Budget Analysis.

PHILLIP L. SWAGEL,
Director, Congressional Budget Office.

FEDERAL MANDATES STATEMENT

This information is provided in accordance with section 423 of the Unfunded Mandates Reform Act of 1995.

The Committee has determined that the bill does not contain Federal mandates on the private sector. The Committee has determined that the bill does not impose a Federal intergovernmental mandate on State, local, or tribal governments.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of the section 102(b)(3) of the Congressional Accountability Act.

EARMARK IDENTIFICATION

With respect to clause 9 of rule XIII of the Rules of the House of Representatives, the Committee has carefully reviewed the provisions of the bill and states that the provisions of the bill do not contain any congressional earmarks, limited tax benefits, or limited tariff benefits within the meaning of the rule.

DUPLICATION OF FEDERAL PROGRAMS

In compliance with clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, the Committee states that no provision of the bill establishes or reauthorizes: (1) a program of the Federal Government known to be duplicative of another Federal program; (2) a program included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111–139; or (3) a program related to a program identified in the most recent Catalog of Federal Domestic Assistance, published pursuant to the Federal Program Information Act (Pub. L. No. 85–220, as amended by Pub. L. No. 98–169).

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Sec. 1: Short title

This Act may be cited as the “Preventing the Financing of Illegal Synthetic Drugs Act”.

Sec. 2: Findings

This section sets out a series of findings describing the financing of, trafficking in, and the pervasiveness use of synthetic drugs, including fentanyl.

Sec. 3: GAO study on synthetic drugs trafficking

This section directs the Comptroller General of the United States to carry out a study on illicit financing in connection with the trafficking of synthetic drugs, including fentanyl.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

H.R. 1076 does not repeal or amend any section of a statute. Therefore, the Office of Legislative Counsel did not prepare the report contemplated by clause 3(e)(1)(B) of rule XIII of the House of Representatives.