

TESTIMONY ON THE PRESIDENT’S FISCAL YEAR 2014 BUDGET REQUEST
FOR THE DEPARTMENT OF COMMERCE
BY DEPUTY SECRETARY REBECCA BLANK
HOUSE APPROPRIATIONS SUBCOMMITTEE ON COMMERCE, JUSTICE, SCIENCE
AND RELATED AGENCIES

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INTRODUCTION

Chairman Wolf, Ranking Member Fattah, and distinguished Members of the Subcommittee, I am pleased to be here to discuss President Obama’s budget request for the Department of Commerce for Fiscal Year (FY) 2014.

As we continue to recover from the worst recession since the Great Depression, the Commerce Department works to help America’s businesses grow, innovate, and compete around the world. Our mission is central to the President’s top priority of economic growth and job creation. Over the past four years, the hard work of our 12 bureaus and 43,000 employees has helped thousands of entrepreneurs, business owners, and workers. In Fiscal Year 2012 alone, one Commerce program helped over 30,000 manufacturers retain or increase sales and jobs,¹ while another Commerce program helped over 2,700 exporters break into or expand in international markets,² helping achieve yet another all-time record in U.S. exports last year of \$2.2 trillion.

The President’s FY 2014 budget request of \$8.6 billion for the Commerce Department makes crucial investments that are needed to support U.S. competitiveness and to create more, good jobs. This budget includes continued support for advanced manufacturing, innovation, and exporting. It also reflects the importance of increasing the flow of business investment into the U.S. And, the budget includes foundational investments that protect and sustain economic growth and societal well-being in areas ranging from cybersecurity to high-quality weather

¹ <http://www.nist.gov/mep/upload/MEP-PARTNERING-IMPACTS-2013-2.pdf>

² <http://www.commerce.gov/news/fact-sheets/2013/02/19/fact-sheet-national-export-initiative>

forecasting. Finally, the budget reflects the Commerce Department's ongoing federal leadership in support of scientific research and development, technological advances, environmental stewardship, information collection and dissemination, public safety communications, direct assistance to businesses and communities, and more.

Throughout the process of developing this budget, the Department of Commerce has remained steadfastly committed to responsible stewardship of taxpayer dollars. In this challenging budget climate, we are making smart and tough choices to cut costs while only building on programs that truly work. Moreover, at the operational level, we have reduced administrative costs by \$143 million in FY 2012, an estimated \$176 million in FY 2013, and a projected \$194 million in this new budget for FY 2014. Finally, the budget reflects a commitment to improving customer service both internally and externally by modernizing outdated systems and streamlining services to be even more responsive to the needs of American citizens and businesses.

HIGH-PRIORITY AREAS

Strengthening U.S. Manufacturing and Innovation

This budget maintains the Administration's strong commitment to accelerating the growth of U.S. manufacturing. This sector has created more than half-a-million manufacturing jobs over the past three years, reflecting the strongest job growth in manufacturing since the 1990s.

There is a powerful link between America's ability to make things and America's ability to innovate, compete and create good jobs. Manufacturing is responsible for 70 percent of our private sector research and development (R&D) and 60 percent of our exports. Among manufacturers, 70 percent rely on patents to protect their innovative ideas.

The FY 2014 budget recognizes that we must build strength in key areas, such as advanced manufacturing, which will be crucial for our economy's long-term competitiveness. The budget invests heavily in the manufacturing expertise at the National Institute for Standards and Technology (NIST), with \$934 million for NIST to continue its research and development work with companies in cutting edge fields such as flexible electronics, robotics, and bio-

manufacturing. Within NIST, the budget provides a \$25 million increase over the FY 2012 enacted level for the Hollings Manufacturing Extension Partnership to establish Manufacturing Technology Acceleration Centers that would help manufacturers adopt advanced technologies and strengthen their supply chains. The budget also provides \$21 million for the Advanced Manufacturing Technology Consortia program, a public-private partnership that will support roadmaps and research to address common manufacturing challenges faced by businesses across the country.

The budget also includes \$1 billion in mandatory funding to launch up to 15 institutes to establish a National Network of Manufacturing Innovation (NNMI). Each institute would bring together businesses, universities and community colleges, and government to invest in cutting-edge manufacturing technologies. The Administration has already launched a pilot institute focused on the fast-growing field of 3D printing in Ohio and Pennsylvania, and the President announced that we will be launching three more this year using existing funds from the Department of Defense and the Department of Energy. Importantly, many of our competitor countries have already made major investments in public-private partnerships similar to the NNMI and are experiencing success.

Also, the budget includes \$113 million in the Economic Development Administration's budget to launch the Investing in Manufacturing Communities (IMC) Partnership, a program the Department will lead. As part of that, the IMC Fund will help communities, especially hard-hit towns, build the public goods needed to attract manufacturers and their supply chains. It will provide targeted financial assistance to support key projects such as industrial parks, research and tech transfer programs, infrastructure expansion, or workforce development efforts that will spur long-term economic growth. This will involve leveraging private-sector resources as well as other non-federal funds, with the goal of leveraging \$2 of non-federal funds for every \$1 awarded by the Fund. Many federal agencies will contribute to the IMC Partnership aligning the full array of their resources and programs to support these locally-driven efforts.

Increasing U.S. Exports

The FY 2014 budget reflects a commitment to building on the recent record levels of U.S. exports of goods and services (\$2.2 trillion in 2012) while also ensuring that U.S. exporters can compete on a level playing field.

This growth has been strongly supported by the International Trade Administration (ITA), which has worked hard to implement the President's National Export Initiative. For example, over the past five years, ITA has increased the number of cases where U.S. exporters were able to successfully break into new foreign markets by 40 percent.

The budget proposes \$520 million for ITA, a 14-percent increase over the FY 2012 enacted level, to continue these and other efforts to increase U.S. exports. ITA is particularly focused on: identifying high-potential international markets for U.S. goods and services, promoting key industries where U.S. companies have an advantage in the global market, empowering small U.S. exporters that comprise an increasing share of total U.S. exports, strengthening trade enforcement, and supporting trade agreement initiatives such as the Trans Pacific Partnership and upcoming negotiations with the European Union.

The Economic Development Administration also plays a crucial role in supporting U.S. exports. The FY 2014 budget includes \$12 million for the Regional Export Challenge. This program will assist communities in the development of robust and sustainable export action plans that support jobs, international trade, and export expansion.

ITA's Import Administration will continue to support leveling the playing field for American companies, by administering U.S. antidumping (AD) and countervailing (CVD) trade law remedies which curtail market distortions caused by unfair trade practices by other countries. They will also administer the Foreign Trade Zone program and other import programs that support U.S. jobs. ITA will also continue to enforce U.S. rights under bilateral and multilateral trade agreements as well as through the World Trade Organization.

In addition, the new Interagency Trade Enforcement Center (ITEC) – a joint effort between the

Commerce Department and the Office of the U.S. Trade Representative – will work to identify, reduce, and remove unfair trade and investment barriers. This budget includes \$20 million for ITEC to expand its efforts.

Attracting More Business Investments to and within the U.S.

Due to a number of factors (decreasing energy costs, increasing labor productivity and comparative cost advantages, projected GDP growth, etc.), the U.S. is becoming a highly attractive location for business investment by both U.S. and foreign-based firms. Already, foreign companies support more than five million U.S. jobs. Maximizing the influx of inbound business investments – such as new facilities and high-tech production sites – in the near future is crucial to ensuring long-term U.S. job retention and growth for decades to come.

Over the past two years, the Administration has made a strong commitment to promoting the United States as the premier world investment location. The President launched the SelectUSA initiative – housed at the Commerce Department – which is the first government-wide effort to attract more investment into the United States. The FY 2014 budget calls for \$20 million to fully establish this crucial program in which we will partner with state and local authorities who are working to attract more investment in their communities.

SelectUSA serves firms and economic development groups by: promoting the benefits of investing in the United States; responding to inquiries about the U.S. business climate; helping investors encountering confusion, delays, or obstacles in the federal regulatory process; advocating on behalf of the U.S. government in large globally-competitive business location decisions; offering guidance on rules, regulations, procedures and policy positions that impact our global competitiveness; and offering aftercare to companies that have already invested in the United States.

The FY 2014 budget also provides \$3.9 million for the Bureau of Economic Analysis (BEA) to improve state-level measurement and capture small-to-mid size investment activity of foreign direct investment (FDI) in the United States.

ONGOING PRIORITIES

Supporting Invention and Innovation

The budget provides full spending authority for the \$3.1 billion that the U.S. Patent and Trademark Office (USPTO) receives in fees to continue supporting the innovation and intellectual property that is crucial to economic growth and facilitating the deployment of new goods and services into the marketplace. This includes support for the continued rollout of key provisions flowing from the Leahy-Smith America Invents Act.

Supporting Minority-Owned Enterprises

The FY 2014 Commerce Department budget funds the Minority Business Development Agency (MBDA) with \$29.3 million to maintain current efforts. In recent years, MBDA's efforts have helped minority-owned firms attract about \$4 billion in contracts and capital while creating thousands of jobs.

Collection and Dissemination of Valuable Data and Information

The Commerce Department's Economics and Statistics Administration (ESA), including the Census Bureau and the Bureau of Economic Analysis (BEA) is responsible for generating and disseminating timely data, information, and analysis to support effective decision-making for leaders in both the public and private sectors. For example, the U.S. Census Bureau provides quality data about our citizens, our communities, and our economy through a number of surveys and other instruments. The resulting information provides an important foundation for fostering economic growth, advancing scientific understanding, and facilitating informed decisions for all levels of government as well as entrepreneurs and businesses.

As the last year of research and testing in advance of the 2020 Census, FY 2014 is a critical year for the Census Bureau in which we will establish how best to improve the design and administration of the decennial census. For that reason, the budget includes an increase of \$154.2 million for 2020 Census research. Without this level of funding, the Department will not be able to consider the range of design alternatives that will allow the Census Bureau to reach

people through 21st century technologies while still controlling the cost of the 2020 Census and maintaining quality.

Environmental Stewardship and Weather Forecasting

Prudent management of our Nation's oceans, coasts, and fisheries promotes economic sustainability and ensures that future generations are able to enjoy and benefit from these resources. At the same time, monitoring the ocean and atmosphere is crucial to supporting business activities and local economies while also providing critical information during severe weather that helps to limit destruction and to save lives. The budget provides \$5.4 billion for the National Oceanic and Atmospheric Administration (NOAA), which will help strengthen ocean and coastal science and stewardship while also investing in lifesaving weather forecast improvements.

The budget invests in NOAA's ocean and coastal research and observing programs and increases support for habitat and species conservation activities that are essential to restoring and maintaining healthy, sustainable fisheries. Increased funding for NOAA's research and development and Earth Observations activities will enhance the agency's ability to detect, understand, and forecast global and ecosystem changes and provide sound, science-based information to support decision making and to help communities prepare for the consequences of climate change. The budget also supports investments that promote well-coordinated ocean and coastal science and management activities. Overall, the budget provides \$929.3 million for the National Marine Fisheries Service, \$529.2 million for the National Ocean Service and \$472.4 million for the Office of Oceanic and Atmospheric Research.

NOAA generates tremendous value by advancing the ability to understand and anticipate changes in the Earth's environment and improving society's ability to make scientifically-informed decisions. The budget maintains NOAA's essential missions to monitor and model the environment in order to forecast daily weather; warn the public of severe weather; inform communities of long-term trends affecting coastal areas; and support private enterprise with vital information to sustain economic growth.

NOAA's satellites are critical to its ability to provide accurate weather forecasts and warnings that help to protect lives and property. The FY 2014 budget provides approximately \$2 billion to support satellite programs including the Geostationary Operational Environmental Satellite-R Series (GOES-R), the Deep Space Climate Observatory (DSCOVR), the altimetry mission (Jason-3), and the Joint Polar Satellite System (JPSS). As compared to the FY12 enacted budget, the two major increases in funding are \$339 million for GOES-R and \$17 million for Jason-3, both of which are expected increases.

We recognize the need to reduce cost and risk to the weather mission, which includes increasing the robustness of JPSS. The budget for JPSS is \$824 million which reflects a number of changes such as: the technical transfer of the Free Flyer-1 mission to a separate budget line called the Polar Free Flyer, the proposed transfer of select climate sensors to NASA, a renewed focus on NOAA's weather mission, and a number of efficiencies. These changes are proposed, in part, because of recent feedback from Congress and the Independent Review Team (IRT). We are currently in the process of completing an Independent Cost Estimate (ICE) for JPSS with options to reduce scope, risk, and lifecycle cost. In an effort to simplify NOAA's mission, the Budget proposes to transfer to NASA climate sensors originally planned for follow-on missions to JPSS-1 and Free Flyer-1, including the Clouds and Earth Radiant Energy System (CERES), the Ozone Mapping and Profiler Suite-Limb (OMPS-Limb) and the Total Solar Irradiance Sensor (TSIS).

The FY 2014 budget includes approximately \$1.1 billion for the National Weather Service (NWS) to continue its vital role in providing the weather forecasts and warnings that Americans have come to rely on and that save lives. This budget provides the funding for NWS to meet its operational needs. As compared to the FY12 enacted budget, the FY14 budget includes an increase of \$16.9 million for labor and operations, and provides increases for weather research, weather modeling, and supercomputing capacity to accelerate advancements in weather forecasting. The budget also supports infrastructure investments to both the NWS Telecommunications Gateway and the Ground Readiness Project to ensure that NOAA is prepared to handle the expected increase in satellite data.

National Security and Export Control Reform

The Bureau of Industry and Security (BIS) advances national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and promoting continued U.S. strategic technology leadership. The budget recognizes the important role of BIS programs and supports its national security mission with a request of \$112 million. This increase of \$11 million from the FY 2012 enacted level supports the bureau's expanded export licensing and export enforcement operations for controlled items which were recently shifted from the State Department to the Commerce Department's jurisdiction due to the President's Export Control Reform initiative.

Strengthening Cybersecurity

Under the President's new Executive Order on Improving Critical Infrastructure Cybersecurity, NIST is helping to lead a broad national effort to develop a "Cybersecurity Framework," working with hundreds of private sector partners. The goal is to promote the adoption of best practices in cybersecurity in order to support both national security and continued economic growth.

This leadership role is an outgrowth of the work that NIST has done in its Laboratory Programs, for which the FY 2014 budget request is \$754 million. The Information Technology Laboratory (ITL), in particular, will develop standards and technology to protect information systems against threats to the confidentiality, integrity, and availability of information and services. In particular, NIST is currently working on initiatives associated with cybersecurity automation, cybersecurity information, and the National Strategy for Trusted Identities in Cyberspace. NIST has also recently established a public-private partnership to operate a Cybersecurity Center of Excellence with the state of Maryland to foster the development and rapid adoption of cybersecurity platforms that support automated and trustworthy government and industry business operations and e-commerce.

Enhancing Public Safety Communications

The Middle Class Tax Relief and Job Creation Act of 2012 allocated \$7 billion of spectrum auction proceeds and valuable spectrum bandwidth towards deployment of a nationwide wireless

broadband network (FirstNet) that will enable police, firefighters, emergency services personnel, and other public safety workers to better communicate with one another during emergencies. By empowering them with new public safety communications technologies, they will improve response times, keep communities safe, and save lives. Last year, I consulted with the National Telecommunications and Information Administration (NTIA) to appoint 12 leading experts on public safety and wireless broadband communications to serve on the Board of FirstNet. Congress also provided \$135 million to NTIA to administer a State and Local Implementation Grant Program which will support the planning work of state, regional, tribal and local jurisdictions who will work to ensure that FirstNet meets their wireless public safety communications needs. FirstNet will also seek to leverage existing commercial and government infrastructure for the new network.

Reducing Waste and Streamlining Operations

The President's Campaign to Cut Waste strives to use government assets more efficiently and to eliminate unnecessary spending. Consistent with this, the Commerce Department has moved ahead to realize core organizational efficiencies. We have focused on finding administrative savings through initiatives in acquisition reform, strategic sourcing, travel, human resources, facilities, and information technology.

The FY 2014 budget reduces or terminates programs that are either: lower priority to our critical mission needs, such as the National Undersea Research Program; or, have finished pieces of their core work and can operate at a lower funding threshold in FY 2014, such as the Economic Census Program. This budget also defers some necessary investments, such as a planned replacement of IT hardware and research on late-stage 2020 Decennial activities at the Census Bureau, until a future year.

While the Census Bureau requests an increase in funding for the final research and testing year of the 2020 Census (see above), this amount actually reflects major revisions to the design plan which decreased our anticipated costs by more than \$100 million. In addition, in comparison to - an FY13 annualized Continuing Resolution Funding Level, the Census Bureau is implementing planned reductions to cyclical programs, including cuts such as \$55.5 million from the 2010

Census, \$20.9 million from the Economic Census, and \$1.7 million from the Census of Governments. We are also reducing Geographic Support Systems (GSS) by \$10.0 million through decreases to the Boundary and Annexation Survey (BAS) and the evaluation of partner-supplied files, as well as trimming \$7.0 million from the Survey of Income and Program Participation (SIPP) as it moves from the old survey panel format to a new, more efficient format.

This commitment to streamlining and reducing waste extends to the Commerce Department's interagency work with federal partners such as BusinessUSA, a collaboration with the U.S. Small Business Administration. Launched by the President, BusinessUSA is a national enterprise assistance network that creates a "No Wrong Door" approach to quickly connect entrepreneurs and businesses with the federal tools, services, and information to meet their needs. In FY 2012, BusinessUSA released the first fully-integrated online platform that taps into hundreds of national, state and local resources and events aimed at helping businesses find solutions to their challenges. BusinessUSA also deployed a unique online "widget" which partner organizations use on their websites to connect their stakeholders to BusinessUSA. In addition, BusinessUSA initiated a single customer service phone line to field calls and provide program contact referrals. The Commerce FY 2014 budget includes \$3.6 million for BusinessUSA.

Modernizing Commerce Department Assets

The Commerce Department is modernizing several key assets to meet the 21st century needs of its employees and customers. Modernization efforts are important to protect the safety of employees while also providing quality service to citizens and taxpayers. Many of these efforts will ultimately result in future savings.

The FY 2014 budget requests \$14.8 million for the renovation and modernization of its headquarters, the Herbert C. Hoover Building. The complete renovation plan calls for 8 phases, and this funding request supports Phase 4 activities and planning for Phase 5. Additionally, this funding moves in consort with GSA's resources and will support an efficient and on-schedule project completion. The renovation provides solutions to replace deteriorating building systems

which have aged beyond useful life, including: mechanical, electrical, plumbing, heating, ventilation, air conditioning and life safety systems.

The FY 2014 budget requests \$16.0 million to design a Department-wide solution for an integrated suite of financial management and business applications, replacing the Department's legacy financial system known as the Commerce Business System (CBS). Since 2009, Commerce has been assessing the long-term viability of the 25 year-old CBS and has found that the stability and reliability of the system is questionable. Further, CBS is not certified by the Financial System Integration Office, nor is it Section 508 compliant. This funding request provides for the design phase of the replacement system and Phase 1 of implementation which includes modernization of the Census Bureau's core financials, acquisitions and property activities – critical to ensuring timely migration in advance of conducting the 2020 Census.

The FY 2014 budget includes \$5.5 million for the relocation and facility improvements of four weather forecasting offices to mitigate operational risks and maintain continuity of weather forecast and warning operations. These facility repairs and improvements are important to avert unacceptable conditions that will impact operations critical to the Weather-Ready Nation mission to save lives and livelihoods and maintain compliance with weather office standards. The budget also includes \$1 million in one-time funding for a study analyzing alternative observing and research platforms to the current Hurricane Hunter (P-3) aircrafts that are used for NOAA hurricane research and reconnaissance. Although these aircraft will receive service life extensions in 2015, they will reach the end of their operational lifetimes by 2030 and 2031 respectively.

CONCLUSION

The President's FY 2014 budget request reflects the crucial role that the entire Department of Commerce plays in making public investments that help to accelerate job growth, strengthen the economic recovery, and support American businesses across our country. At the same time, we

fully recognize the challenging budget climate in which we find ourselves, and the budget reflects difficult choices that meet the need for responsible reductions.

By combining crucial investments with fiscal responsibility, the budget sets forth a meaningful plan to further stimulate private sector job creation and promote American competitiveness for years to come. With each of our twelve bureaus working together, I am confident in our ability to realize that vision.