

STATEMENT ON THE COMMERCE DEPARTMENT'S
FY 2012 BUDGET REQUEST BY COMMERCE SECRETARY GARY LOCKE
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 join you today to talk about the President's Budget request for the Department of Commerce for Fiscal Year 2012. I very much appreciate the commitment this subcommittee's members show to the Department and our mission.

Since I joined the Department of Commerce two years ago, we have been focused intently on two key priorities: helping American businesses be more innovative at home and more competitive abroad. Our FY 2012 budget request reflects those priorities with investments to spur innovation, increase our international competitiveness and support scientific research and our coastal communities.

Our innovation agenda is focused on building a foundation for private-sector economic growth and empowering entrepreneurs and businesses large and small to invent, grow and hire.

That's why our Economic Development Administration (EDA) is working to help local communities identify their own unique strengths and develop regional economic clusters. Rather than pursuing a one-size-fits-all approach, EDA is supporting private-public partnerships' bottom up strategies to respond to changing regional conditions and has more than halved the response time for its grant applications – from 60 to 18 business days.

To make it easier for groundbreaking ideas to move from research labs – or an inventor's garage – and into the marketplace, we're reforming the U.S. Patent and Trademark Office (USPTO) to accelerate patent examination and improve patent quality. We overhauled management processes at the USPTO, and cut the application backlog by 10 percent, even as the volume of applications has increased by 7 percent.

As the Department works to strengthen American businesses at home, we've also played a lead role in the President's National Export Initiative (NEI), working to connect more U.S. businesses to the 95 percent of consumers who live beyond our borders.

It's important to note that although the United States is a strong exporter, only 1 percent of our companies export and of those that do, 58 percent only sell to one market. We can and must do better.

While the quality and costs of American companies' goods and services ultimately determine their success in the international marketplace, many firms – especially small and medium-size enterprises – rely heavily on the federal government support available under the NEI.

These companies often face significant hurdles in:

- Getting access to working capital to produce the goods they want to sell abroad;
- Navigating complex foreign customs, rules and regulations;
- Forging relationships with key foreign governmental and business decision-makers; and
- Ensuring they get a fair shake when competing with other foreign firms for lucrative government procurement contracts.

The Commerce Department is working successfully with our partners throughout the Administration to help companies clear these hurdles.

Last year, U.S. exports of goods and services increased nearly 17 percent over 2009 – the largest year to year percent change in 20 years. This puts us on pace to achieve the President’s goal of doubling American exports over five years. During the first year of the NEI, the Department assisted more than 5,500 U.S. companies export for the first time or increase their exports. Small and midsize businesses made up 85 percent of those successes. Our International Trade Administration (ITA) coordinated an unprecedented 35 trade missions to 31 different countries, with nearly 400 companies. Participating firms anticipate \$2 billion in increased exports from these missions. In addition, ITA’s Advocacy Center has assisted U.S. companies competing for international contracts, and other U.S. export opportunities, worth \$18.7 billion in U.S. export content, supporting an estimated 101,000 jobs. We’ve recruited nearly 13,000 foreign buyers to visit major trade shows here in the United States, facilitating approximately \$770 million in export successes and supporting over 4,100 domestic jobs. And, ITA has successfully resolved 82 different trade barriers in 45 countries that were adversely impacting a broad range of industries. This includes successfully encouraging Russia to enact a WTO-compliant law that provides authority for its customs officials to interdict suspected counterfeit goods.

In addition, through the work of the Minority Business Development Agency, Commerce assisted more than 6,600 minority business enterprises in attaining almost 1,000 contracts and over 500 financial awards, with a combined dollar value of \$4 billion.

Part of the reason why we have been so successful at increasing our assistance to U.S. businesses is that the Department's senior leadership is focusing everyone on delivering their services more efficiently, more effectively and at less cost. We can also help American companies thrive by making the Commerce Department run better, which has been a top priority of mine and my entire management team.

Consider the 2010 Census, an undertaking that many experts identified as “likely to fail.” The experts were proved wrong, as the 2010 Census was completed on schedule and under budget, saving taxpayers \$1.9 billion.

A year after I arrived at Commerce, the Department stepped into a pivotal event with the explosion of the BP Deepwater Horizon oil rig on April 20, the largest oil spill in U.S. history. Within hours the National Oceanic and Atmospheric Administration (NOAA) responded by mobilizing ships, aircraft and personnel to provide targeted weather forecasts and oil spill trajectory maps and EDA applied resources to help Gulf communities. ESA provided the data

needed to estimate the economic impact while NOAA protected Gulf seafood through closures and careful reopening of fisheries in Federal waters. We learned through the BP Deepwater Horizon oil spill and other events that we cannot have healthy economies without healthy communities and healthy ecosystems and that good science and stewardship is good business.

The destruction and loss of life resulting from last week's catastrophic disaster in Japan are heartbreaking. Our thoughts and prayers are with the Japanese people, and as the President has said, we're going to stand with them as they recover and rebuild from this tragedy. Nine minutes after the March 11th earthquake struck, NOAA issued its first Tsunami Warning for Japan, Russia, Marcus Island, and Northern Marianas Islands as part of the coordinated global response to this tragic natural disaster. Shortly thereafter, timely watches, advisories, and warnings were extended to vulnerable coastal areas of Alaska, British Columbia, Washington, Oregon, and Hawaii well ahead of the arrival of the first waves. The NOAA-developed Deep-ocean Assessment and Reporting of Tsunami (DART®) stations detected and tracked the tsunami as it traveled from Japan across the Pacific Basin. The NOAA-issued tsunami warnings along with its education efforts allowed communities both here and across the globe to take action that saved lives and reduced property damage.

America is still in the process of economic recovery, and we at the Commerce Department must continue to build upon the past two years of successes. The President's FY 2012 budget request for the Commerce Department makes tough choices – many of them reductions to programs that we might like to continue under normal economic conditions. But we also have the responsibility to prioritize investments in those things that are critical to winning the future. The President's request recognizes that this is only possible when the United States out-educates, out-innovates, and out-builds our economic competitors. For that reason, the FY 2012 request for the Department of Commerce makes several targeted reductions and is focusing on organizational effectiveness in order to focus on investments in innovation, international competitiveness and science as well as supporting our coastal communities – to spur job creation here at home and improve American competitiveness in the global marketplace.

REDUCTIONS

With his FY 2012 request, President Obama pledged to root out ineffective, outdated, or duplicative programs to cut or reform, taking further steps toward reducing our long-term deficit. In all, the Department's FY 2012 budget proposes ending, reducing, or restructuring more than 15 lower-priority programs

First, this budget cuts what is ineffective and outdated. For example, the Emergency Steel Loan Guarantee program made its last guarantee in 2003, and its elimination alone results in \$43 million in savings. Other reductions reflect the need to transition to new funding models, as in the National Institute of Standards and Technology's Baldrige Performance Excellence Program. To transition the program to be completely privately funded, the program's funding is reduced by \$2 million.

Secondly, hard choices were made among competing priorities. The termination of the Public Telecommunications Facilities, Planning, and Construction (PTFP) program saves \$20 million,

and streamlines the current structure under which both the PTFP and Corporation for Public Broadcasting programs fund equipment for non-commercial television and radio stations.

Lastly, this budget strives for efficiency. The proposal to restructure the International Trade Administration saves \$20 million through the streamlining of administrative functions, closing some overseas posts, and focusing on high priority markets and industries.

By eliminating the Trade Adjustment Assistance for Firms program, discontinuing the Trade Adjustment Assistance for Communities program, and ramping up the Economic Adjustment Assistance (EAA) program, our Economic Development Administration will be able to get funding out more quickly and at a much lower cost to areas disrupted by import competition or other factors. EAA is the most flexible program in EDA's toolbox, tailoring economic recovery strategies to communities' needs with far lower overhead costs than Trade Adjustment Assistance. The elimination saves \$15.8 million.

We also took a hard look at our statistical programs and products within this budget, eliminating six statistical programs and reducing funding in three others at the Census Bureau, for a savings of \$16 million. We targeted programs, such as the separate publication of E-Business statistics that had, over time, been incorporated into other data collection efforts, thereby achieving greater efficiency.

But by far, our top saving initiative focuses on reforming the way the Commerce Department does business. We are doing more while spending less. We plan on saving \$142.8 million in FY 2012 as part of the President's Administrative Efficiency Initiative. The Department is digging into how we handle acquisitions and other administrative functions to find places where we can leverage our buying power. We have a six-point plan to reform acquisitions in order to deliver greater savings, greater results and greater efficiencies. Specific measures include saving taxpayers \$57 million in FY 2012 through bulk buying and other smart purchasing strategies, stronger metrics to measure and increase performance, a new approach to requirements definition and validation, an enterprise-wide approach to identifying and managing high-risk projects, and a new Center of Excellence to best serve every bureau within the Department. Lastly, we anticipate savings in information technology through data center consolidation and slowing the replacement cycle for computer hardware.

INVESTMENTS

At the same time the FY 2012 budget makes some tough but responsible choices that will put government on a sounder financial footing, it also reflects this Administration's commitment to invest in areas that will help create jobs here at home and better position America in an increasingly competitive global economic environment. Because of the savings discussed above, the Department is able to reinvest \$39.2 million to strengthen valuable programs. The budget does this by focusing investments in innovation, international competitiveness, science, and support for coastal communities.

Innovation

In his State of the Union address, the President said: “The first step in winning the future is encouraging American innovation,” and he promised to deliver a budget that would ensure the nation’s ability to achieve that goal. The Department of Commerce is responsible for providing the tools, systems, policies and technologies that give U.S. businesses a technological edge in world markets. Key components of the Department’s innovation tools are: the National Institute of Standards and Technology’s cutting edge research laboratories; the U.S. Patent and Trademark Office’s protection of intellectual property that fosters the entrepreneurial spirit; the EDA’s regional innovation clusters; and the National Telecommunications and Information Administration’s efforts to accelerate the adoption of a wireless interoperable network for public safety, optimize the use of federal spectrum and increase broadband access.

The National Institute of Standards and Technology is a key agency identified in the President’s Plan for Science and Innovation, the Administration’s Innovation Strategy, and the America COMPETES Reauthorization Act – which Congress approved with broad bipartisan support at the end of last year. For FY 2012, the Department is requesting \$763.5 million for NIST laboratories, which includes an increase of over \$100 million for research into advanced manufacturing technologies, health information technology, cybersecurity, interoperable smart grid technology, and clean energy research and development.

In FY 2012, NIST will also expand its extramural programs to support technological innovation through a request of \$75.0 million for the Technology Innovation Program, an increase of \$5.1 million, to continue to fund high-risk, high-reward research competitions in areas of critical national need such as advanced robotics and intelligent automation, manufacturing, energy, and healthcare. NIST is also launching a new Advanced Manufacturing Technology Consortia (AMTech) Program, a public-private partnership program for industry-led research and development (R&D) aimed at increasing the nation’s return on scientific investment, collapsing the timescale of technological innovation, and ultimately expanding the value added captured by the domestic economy for emerging technologies. The \$12.3 million requested for the program will provide grants to industrial consortia to develop roadmaps for research that will broadly benefit our nation’s industrial base.

NOAA’s atmospheric and ocean, coastal and Great Lakes research programs turn scientific discovery and innovation into products and services for our communities and businesses. The President’s budget request for 2012 includes \$212 million for the Office of Oceanic and Atmospheric Research (OAR). NOAA is proposing to strategically realign this existing core research line office to better support the goals of the America COMPETES Reauthorization Act of 2010. OAR will refocus its work to serve as an innovator and incubator of new science, technologies, and applications, and an integrator of science and technology across all of NOAA.

Prime examples of NOAA’s work in advancing innovative technologies for weather forecasting is the adaptation of naval radar technology for use in severe weather and tornado forecasting. Multi-function Phased Array Radar, developed by the Navy for use on ships, is being adapted by NOAA and its partners, for severe weather forecasting. This work is improving the average lead time for tornado warnings. NOAA is also leading the way in weather and climate modeling and

research. Since the 1980s, NOAA has more than doubled the accuracy of hurricane track forecasts. And public and private sector decision makers look to NOAA for climate products such as the air freezing index to provide home builders with information on which to design home foundations. Also, in FY2012, the President's budget invests \$2 million to advance our capabilities to understand and forecast atmospheric conditions to support wind energy generation in the United States.

The USPTO's work in fostering innovation is a crucial driver of job creation, economic recovery, and prosperity. American innovators and businesses rely on the legal rights associated with patents in order to reap the benefits of their innovations. Processing patent applications in a quality and timely manner establishes a business environment that cultivates new ideas, technologies, services, and products by ensuring their protection. The USPTO has committed to taking action on a patent application within 10 months by 2014 – a significant reduction from the slightly over two years on average it currently takes to first address a patent application. The current backlog of over 700,000 patent applications stands as a barrier to innovation and economic growth. The USPTO has committed to reducing the patent backlog to less than 353,000 by 2014. The FY 2012 budget for USPTO continues to request full access to fees, which is estimated at about \$2.7 billion for FY 2012. The request allows USPTO to levy a 15 percent surcharge to optimize patent and trademark quality and timeliness. Doing so will aid intellectual property policy, protection, and enforcement worldwide.

The FY 2012 budget also supports innovation and economic opportunity by ensuring taxpayer investments in broadband are managed responsibly and achieve results. In FY 2012, the National Telecommunications and Information Administration (NTIA) will continue its work in fostering greater access to and use of broadband services throughout the nation. NTIA completed the award of its broadband grants at the end of FY 2010 and now the funded projects are being implemented. The projects will be built between now and FY 2013. The FY 2012 budget includes funding for proper oversight of the program to guard against waste, fraud, and abuse by the grantees – many of whom have never received a Federal grant before.

The Department will also receive about \$1.5 billion to support the President's Wireless Innovation and Infrastructure Initiative (WI3). NTIA, along with the Federal Communications Commission, will find 500 MHz of spectrum within ten years that can be applied to commercial purposes in support of WI3. Of this funding in FY 2012: \$1.4 billion would be for NTIA to establish and develop a nationwide interoperable public safety broadband network; \$100 million would be for NIST to work with industry and public safety organizations to conduct research and develop standards, technologies, and applications to advance public safety communications; and \$20 million for EDA to accelerate the development of innovative wireless applications that can accelerate job creation and promote the competitiveness of the regional economy.

International Competitiveness

The Department of Commerce embraces its core mission to improve U.S. global competitiveness and foster domestic job growth – and to do so while protecting American security. The President's FY 2012 budget request will increase U.S. exports, ensure effective export control and trade compliance, and make certain that trade remedy laws are enforced.

Exporting is good for American business, good for American workers, and good for American jobs. That is why President Obama announced the National Export Initiative (NEI) and set the goal of doubling U.S. exports over five years to support several million American jobs and foster long-term sustainable economic growth.

We jump-started the NEI in FY 2010 by pursuing new relationships with the business community. In addition, as previously mentioned we led a record 35 trade missions to 31 countries with 400 companies to promote industries including renewable and nuclear energy, as well as infrastructure, construction, and aerospace. One recent example of a successful trade mission involved Suniva, based in Atlanta, Georgia, which manufactures high-efficiency silicon solar cells and high-power solar modules using low-cost manufacturing techniques. The company is focused on the mass adoption of high-efficiency photovoltaic technology and the significant economic, social, and environmental benefits it brings to the world community. The company found potential partners on a clean energy trade mission to India in 2009. They returned the next year with the ITA and secured several long-term customers with an estimated value of \$18.7 million.

With a relatively small and strategic federal investment in export promotion, we can build upon our aggressive efforts to help American companies sell their American-made goods overseas. The FY 2012 budget request for the ITA includes an increase of \$78.5 million to support NEI-related efforts, which will encourage new companies to export, and help current exporters expand to more markets,. These efforts mean leading more trade missions; helping U.S. companies win more foreign procurement bids; bringing more foreign buyers, distributors, and partners to U.S. trade shows; and providing more business to business matchmaking services to U.S. companies. In addition, a key part of the NEI involves ITA's continued work to assist companies and create trading opportunities by identifying, overcoming, and resolving trade policy issues and ensuring that our trading partners fully meet their obligations under our trade agreements.

The Bureau of Industry and Security (BIS) advances U.S. national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system, and by promoting continued U.S. leadership in strategic technologies. A major Administration-wide effort to reform the current morass of bureaucracy that constitutes our export control regime is underway. Our focus, quite simply, is to build higher fences around fewer items – to focus resources on protecting those products that are truly sensitive. The FY 2012 budget recognizes the important role of BIS programs and supports the national security mission with a request of \$111.2 million. This includes an increase of \$10.8 million for an Export Enforcement Enhancement initiative that increases staff for counter proliferation, counterterrorism, and national security programs and investigations.

Another key priority for the Department is strengthening the nation's cybersecurity infrastructure, which is vital to the economic and national security interests of the United States. The FY 2012 Budget requests an increase of \$81.3 million for cybersecurity, of which \$37.9 million secures Commerce Department systems and \$43.4 million supports NIST's work on the U.S. government and national security infrastructure.

Science

The Department of Commerce also supports science with a focus on generating and providing timely data and analysis to support effective decision making by policymakers, businesses, and the public. Before discussing other science-related initiatives, I'd like to speak on the NOAA's Joint Polar Satellite System – JPSS.

For FY 2012 we are requesting \$1.07 billion for Joint Polar Satellite System (JPSS), an increase of \$687.8 million over the FY 2010 enacted. This large increase reflects the impact of not receiving our FY 2011 request for this vital program. Even with this large increase, we are looking at a 12-18 month delay in the delivery of the first satellite and a very high likelihood of a gap in our polar satellite coverage. Continued inadequate funding only further jeopardizes this program. JPSS is essential for the nation and provides the backbone of all National Weather Service forecasts beyond 48 hours. Without JPSS, our ability to provide timely and accurate weather forecasts and severe storm warnings for both civilian and military users will significantly diminish, thereby placing lives, property, and critical infrastructure in danger. While we all wish that the predecessor NPOESS program had not had the history it did, the Administration created a new structure that works, and we need this funding to ensure we can continue to provide this essential service the nation. I look forward to working with you to resolve this issue.

Finding the resources for JPSS was not easy. It was one of the tough choices the Department had to make and is one of several major science-related initiatives in the FY 2012 request. The President's FY 2012 request supports steps needed to improve the understanding of our climate and proposes a no-cost reorganization within NOAA: establishing a Climate Service line office. NOAA spends over \$350 million on climate science and decision support, with the majority of spending spread across three different line offices. The current arrangement complicates coordination and the ability for NOAA to provide information to decision-makers who can use it – whether it's local governments looking at meeting a growing community's water needs, state governments looking at building a new road or bridge, or businesses looking at long-term site locations and investments. This new line office will allow NOAA to more effectively and efficiently provide reliable and authoritative climate data, information, and decision-support services. The climate service is primarily about providing one place for people to go to access and be able to use the data we are already gathering – at no additional cost to taxpayers. A streamlined Climate Service would increase NOAA's ability to more efficiently and effectively respond to the demands we are hearing from businesses and communities for science based climate information to help them make sound investments that lead to economic growth and innovation, and improve public safety.

The Bureau of Economic Analysis (BEA) provides the tools to identify the drivers of growth and fluctuation, and to measure the long-term health and sustainability of U.S. economic activity. One of the most valuable services the Department provides both the business community and policy makers are timely, accurate, and reliable economic data to inform their decision making. These key decision makers would benefit from innovative statistical tools updated for the dynamic changes in the U.S. economy to make evidenced-based choices about growing their businesses and creating policy that fosters economic expansion. To answer this demand, BEA

will focus in FY 2012 on producing new economic statistics and tools to enhance its evaluation of the economic performance of U.S. industries. The FY 2012 request invests an additional \$10.3 million to create these new products, which includes a new suite of statistics showing the purchasing power of American households and how it varies across different households and over time. This will give small businesses information they need to grow.

The U.S. Census Bureau is the premier source of information about the American people and our economy. More than just numbers, this information supports important policy decisions that help improve the nation's social and economic conditions. Census completed the 2010 Census and has turned to releasing that data. In the FY 2012 request, the Census Bureau turns its attention to early planning for the 2020 Census with a focus on cost containment, including an Internet option, and identifying research-based design options. The FY 2012 budget includes \$69.3 million to begin a three-year research and testing phase for the 2020 Census – with a goal of designing a census that costs less per household while maintaining quality. The FY2012 budget also includes money to ramp-up for the Economic Census, which collects data every five years from all businesses in America to provide information that is used throughout the private and public sectors and that is vital to producing accurate economic statistics.

The Census Bureau's demographic statistics programs provide policymakers with social and economic data needed to make effective policy and program decisions as well as provide source data used to create the U.S. official measures of employment, unemployment, consumer prices, poverty, and widely used measures of income and health insurance coverage. The American Community Survey (ACS) provides the primary source of demographic and economic data for small geographic areas. As the federal government's most comprehensive demographic survey, ACS results are used to distribute over \$400 billion in federal funds. The FY 2012 budget requests \$8.8 million to complete the expansion of the ACS sample size to improve the reliability of the data at the tract level.

Coastal Communities

The Department of Commerce has the responsibility to sustainably manage our nation's oceans and coasts to promote economic sustainability and to ensure that future generations will also have the ability to enjoy and earn their livelihoods from these same resources. Impacts to water quality, fish stocks, and coastal habitat all impact our coastal communities through potential reductions in local fishing businesses that are the heart of so many coastal communities, tourism, and storm protection.

The National Marine Fisheries Service (NMFS) manages living marine resources throughout the nation's coastal zone and protected areas. We are faced with the challenge of ending overfishing, improving fisheries management, and putting fisheries on a path to sustainability. Working with the Regional Fishery Management Councils, in FY 2010, five fisheries stocks were rebuilt. Based on estimates, rebuilding U.S. stocks has the potential to increase the annual commercial dockside value by 54 percent, which is an estimated \$2.2 billion. The FY 2012 Budget requests \$1.0 billion for NMFS, \$7 million less than the FY 2010 enacted. Within the request, \$54 million is to provide start-up costs for fisheries recently shifting to catch share programs, and to develop new catch share programs that incentivize more effective fisheries

management. Recognizing the importance of increasing the number and timeliness of stock assessments, a total of \$67 million, including \$15 million to expand annual stock assessments which provide the scientific basis for setting appropriate catch limits.

Our oceans, coasts, and marine resources are a source of untold wealth. America has 95,000 miles of shoreline and the world's largest Exclusive Economic Zone at 3.4 million square nautical miles. The oceans and coasts provide many goods and services to the nation, including food from wild fisheries and aquaculture, goods from maritime commerce, ship and boat building, energy, minerals, tourism, recreation, and pharmaceuticals. Nearly 80 percent of U.S. import and export freight is transported through seaports. The FY 2012 budget requests \$559.6 million for NOAA's National Ocean Service (NOS), including \$8.0 million to support a National Working Waterfronts grant program to assist fishing dependent coastal communities adversely impacted by changes in regulations or environmental conditions that affect fishing resources on which the community depends and \$20 million in grants to support regional partnerships for the development of comprehensive coastal and marine spatial planning.

Organizational Effectiveness

The Department of Commerce is also committed to organizational effectiveness and is undertaking a number of initiatives to streamline government and improve how we deliver existing services to businesses and other customers. Through CommerceConnect, we are working to connect our infrastructure of web portals and customer service technologies, call centers, field offices in 18 cities, and training for customer-facing staff among the Commerce Department bureau's and their 70+ business-supporting programs. We recognize that the needs of any given business do not stop within Commerce's organizational boundaries. We are working with other federal, state and local governments, and non-profit partners to build customer service infrastructure to connect businesses to the right resources. CommerceConnect is designed to break down silos and make government and partner programs more effective in serving America's businesses and entrepreneurs.

CONCLUSION

Ultimately, the FY 2012 budget request for the Department of Commerce is a roadmap for winning the future by helping American companies be more innovative, export more, and create and sustain the jobs of the future. The budget strikes a balance between the necessity of responsible reductions that reduce spending with targeted, crucial investments in foundational research and development on technologies that will lead to private sector job creation and help America out-innovate and out-build its economic rivals.

Thank you for the opportunity to appear before you today. I look forward to answering your questions.