

TESTIMONY ON THE PRESIDENT'S FISCAL YEAR 2013 BUDGET REQUEST
FOR THE DEPARTMENT OF COMMERCE
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SENATE APPROPRIATIONS SUBCOMMITTEE ON COMMERCE, JUSTICE, SCIENCE
AND RELATED AGENCIES
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INTRODUCTION

Chairman Mikulski, Ranking Member Hutchison, and distinguished Members of the Subcommittee, I am pleased to join you today to talk about President Obama's budget request for the Department of Commerce for Fiscal Year (FY) 2013. While this is my first testimony before you, I want to start by thanking you for the Subcommittee's Members' deep appreciation of the talented women and men who work at the Department of Commerce, and for your support of our relentless focus on helping American companies be more innovative at home and competitive around the world.

I must say, it is humbling that my first time testifying in the Senate as the Secretary of Commerce is before the longest-serving female member in the history of the United States Congress. As the father of four daughters, I thank you. As the newest member of the Cabinet, I humbly recognize what an impressive feat this is and deeply admire your many years of service. Since being elected to Congress in 1976, you have always been an admirable representative of the great state of Maryland and our country. Thank you and congratulations on making history once again, Chairwoman Mikulski.

In today's challenging budget climate, the Commerce Department is committed to responsible stewardship of taxpayer dollars. We've done this by making smart and tough choices to cut costs, while ensuring that we build only on programs that truly work. Thus, the FY 2013 budget request for Commerce is fiscally responsible while promoting entrepreneurship, innovation fueled by investments in science, global competitiveness, and research and development. President Obama's FY 2013 budget for Commerce includes \$8.0 billion in discretionary funding, which is a five percent increase from the FY 2012 enacted level. The budget also requests \$2.3 billion in mandatory funding for new programs.

This budget invests in efforts to help businesses build their products here and sell their products and services everywhere, putting Americans back to work. To do so, we are requesting funding specifically to promote high priority activities to support advanced manufacturing, exports and foreign direct investment. With these investments, we will build a 21st century infrastructure, encourage the sustainability of our environment, strengthen science and information, and support national security and public safety. To make that possible, this budget request balances the

investments and priorities outlined here with difficult choices – including eliminating 18 programs, resulting in over \$50 million in savings; reducing other programs by an additional \$336 million; and achieving \$176 million in administrative savings.

As a CEO for nearly two decades, I learned that a company is most effective at delivering services when it operates with one vision and the entire workforce, from the boardroom to the shop floor, are focused on a clearly defined collective goal. I believe the same thing at the Commerce Department. We are the strongest advocates for American businesses when we are more than the sum of our parts – when we are “One Commerce.”

The common thread through all of our work across the bureaus is helping American businesses create jobs. This is as true for NOAA as it is for the International Trade Administration. As One Commerce, we are working relentlessly to support businesses and communities and to advance the frontiers of innovation, as I detail below.

BUILD IT HERE – SELL IT EVERYWHERE

As you all know, the challenges and opportunities that American businesses face today are global in nature. Since my confirmation in October, I have focused the Commerce Department on becoming more nimble, responsive, and effective for American businesses. As my friend Fred Hochberg and I like to say, we want government at the speed of business. To reach this goal, the Department will focus on a simple imperative: In order to create good paying jobs here at home, we need to help more businesses build their products here and sell them everywhere. To achieve this, we are focusing on:

- Supporting advanced manufacturing;
- Increasing U.S. exports; and
- Attracting more investment in America from all over the world.

Advanced Manufacturing

The President’s FY 2013 budget request for the Department of Commerce recognizes that we must build momentum in our manufacturing sector, particularly advanced manufacturing. By itself, the U.S. manufacturing sector would be the ninth largest economy in the world. Manufacturing employs 12 million Americans and is a major source of innovation in our economy, with manufacturing companies accounting for 72 percent of all private-sector research and development (R&D) spending. This is why the President’s proposed budget would invest heavily in the manufacturing expertise at our National Institute for Standards and Technology (NIST).

In support of the President's priority to strengthen advanced manufacturing, the President's FY 2013 budget for NIST contains: \$135 million for advanced manufacturing R&D to target high potential technologies such as the manufacture of advanced materials and smart manufacturing processes, which will make U.S. manufacturers more competitive; and \$21 million for the Advanced Manufacturing Technology Consortia (AMTech) initiative that will bring together industry, universities, and the federal government to invest in highly promising R&D and accelerate the transfer of innovative technologies and products into the hands of American manufacturers. In addition, the Hollings Manufacturing Extension Partnership (MEP) within NIST is funded at \$128 million to help businesses save time and money and thereby improve the competitiveness of small- and medium-sized firms in manufacturing.

Partnerships can also strengthen our competitiveness in manufacturing. Gene Sperling, Director of the National Economic Council and Assistant to the President for Economic Policy, and I are co-leading the new White House Office of Manufacturing Policy. We are focused on high-impact ideas, such as the creation of a new National Network for Manufacturing Innovation. The Administration proposes to make a one-time \$1 billion mandatory spending investment to catalyze the creation of a network of up to 15 regional institutes to foster innovation and accelerate technological advancements in manufacturing. These regional institutes will allow researchers, companies, and entrepreneurs to solve problems in pre-commercial technologies that will lead to U.S. leadership in tomorrow's manufactured goods.

Our "One Commerce" approach brings significant resources to bear for the benefit of American manufacturing companies. The Commerce Department's bureaus – including NIST, the International Trade Administration (ITA), Economic Development Administration (EDA), and U.S. Patent and Trademark Office (USPTO) – are collectively focused on supporting the commercialization of manufacturing technology, bridging the gap between the laboratory and the market, and maximizing the unique strengths that already exist in particular regions and manufacturing hubs around the U.S. This will help us ensure that the next generation of groundbreaking products is not just invented here in America, but is also built here.

Increasing U.S. Exports

We also want to help American companies sell their products and services to the 95 percent of the world's consumers who live beyond our borders. U.S. businesses are not exporting nearly as much as they could. Only about one percent of U.S. businesses export, and most only to one country. Many American companies would like to export but are unsure how to start. Small businesses in particular often face big challenges when it comes to getting export financing, building relationships with foreign suppliers, and dealing with unfamiliar foreign rules and regulations. President Obama's National Export Initiative (NEI), led by our Department, is designed to help businesses overcome these hurdles. And, in fact, U.S. companies increased

their exports by 17 percent in 2010 and by an additional 14 percent in 2011, putting us substantially on track to meet the challenging goal to double American exports by the end of 2014.

We have leveraged existing resources and enhanced the way we work to help American companies expand their global market share. In 2010 and 2011, the Commerce Department coordinated 77 trade missions to 38 countries with over 1,000 U.S. companies. We have identified and prioritized work in markets and sectors where American businesses are the most competitive. In addition, we have expanded opportunities in new markets thanks to Congressional implementation of the trade agreements with Colombia, Panama and Korea.

The FY 2013 budget requests a total of \$517 million for our International Trade Administration. As with other Commerce Department bureaus, ITA is closely examining its organization to speed up operations in order to focus on higher productivity results for American businesses. This budget request proposes a consolidation of ITA's four business units to three, organizing them by core function to provide more effective and efficient services to U.S. companies and to better focus on priority export markets, trade enforcement, and strategic partnerships while saving \$8 million annually.

The ITA budget also requests an additional \$30 million to strengthen trade promotion by placing Foreign Commercial Service Officers and the equivalent of 90 locally engaged staff in high-growth markets such as China, India, and Brazil. An expansion of these priority markets will enable identification of more export opportunities for U.S. companies, more rapid and timely business counseling, and enhanced commercial diplomacy and advocacy support.

Attracting More Investment

We also must promote investment into the United States. That includes U.S. companies expanding their operations domestically or bringing jobs back to the U.S. It also means foreign companies investing here. This Administration maintains a deep commitment to ensuring that the United States remains the most open economy in the world. America is already the number-one destination around the world for foreign direct investment, and foreign companies support more than 5 million jobs across the United States. Until the recent launch of SelectUSA, however, there has not been coordinated federal effort to help either U.S. or non-U.S. businesses navigate the federal and various state economic environments in order for the private sector to more rapidly and easily make these types of investments in America. The FY 2013 President's budget proposes \$13 million for SelectUSA to aggressively pursue and win new business investment in the United States.

In order to spur job creation, the United States must encourage business investment from all

sources, including encouraging companies that have moved jobs offshore to come back to the United States. To support this effort, we have launched a task force dedicated to investment and the in-sourcing of jobs. This task force is leveraging our existing resources to make promoting and facilitating business investment in the U.S. a natural part of what the Department does, akin to export promotion and facilitation. Further, we are working to create an online calculator that will help companies determine the hidden costs of moving business out of the United States.

Additionally, our Economic Development Administration (EDA) will play a critical role through strategic grants that build assets in communities to support investment. Moreover, EDA is updating its investment priorities to include the in-sourcing of jobs back to the United States; projects to facilitate in-sourcing will be prioritized for funding within all EDA grant programs. In FY 2012, EDA will offer support to grant applicants who are interested in bringing jobs back to the United States through its next round of Jobs and Innovation Accelerator Challenges – economic development grants that will focus on America’s rural communities and strengthening advanced manufacturing. Those interested in accelerating job creation through in-sourcing will be encouraged to apply.

SUPPORTING U.S. BUSINESSES AND COMMUNITIES

The FY 2013 budget for the Department of Commerce supports American businesses and communities – whether it’s working directly with manufacturers to enhance their economic competitiveness or supporting communities through economic development and the delivery of daily weather forecasts and severe storm warnings.

The Department works to strengthen communities, especially in disadvantaged or distressed areas, through private sector job creation. The President’s budget provides \$182 million for the EDA’s Economic Development Assistance Programs to drive 21st century innovation and economic development that leverage regional assets to foster economic growth.

The budget provides \$29 million for the Minority Business Development Agency (MBDA), which, through a network of 39 affiliated Minority Business Centers, supports the ability of minority businesses to grow and thrive in the global economy. We are investing in these centers because they are on the front lines of providing direct services to minority-owned businesses. This approach has worked. Over the last three years, our network of MBDA Business Centers has helped minority businesses obtain \$10 billion in contracts and capital while helping to create and save nearly 20,000 jobs. And last year, MBDA registered the best annual performance in its 41-year history.

The Bureau of Industry and Security (BIS) advances U.S. national security, foreign policy, and economic objectives through ensuring an effective export control and treaty compliance system

and by promoting continued U.S. strategic technology leadership. The President's FY 2013 budget recognizes, with a request of \$102 million, the important role of BIS to ensure sensitive technologies are not exported to regimes unable to safeguard the technologies from bad actors, weapons proliferators and terrorists. Within this request, \$6 million is provided to hire 24 additional personnel at Commerce to handle the new workload under the Administration's export control reform initiative to advance national security and overall economic competitiveness.

Robust monitoring and enforcement of U.S. rights under international trade agreements, as well as enforcement of domestic trade laws, are crucial components of the Administration's strategy to expand exports, ensure fair competition with our foreign trading partners and grow the economy. ITA is a key partner supporting the new Interagency Trade Enforcement Center (ITEC), which will represent a more aggressive "whole-of-government" approach to addressing unfair trade practices, and will serve as the primary forum within the federal government for executive departments and agencies to coordinate enforcement of international and domestic trade rules. This budget requests an increase of \$24 million to the Commerce Department that will support the ITEC and will significantly enhance the Administration's capabilities to aggressively challenge unfair trade practices around the world.

The Commerce Department also focuses on generating and providing timely data and analysis for public and private sector decision-making. The FY 2013 President's budget requests \$100 million for the Economics and Statistics Administration (including the Bureau of Economic Analysis) and \$970 million for the Census Bureau. The Bureau of Economic Analysis (BEA), which sits within the Economics and Statistics Administration (ESA), provides the tools to identify the drivers of economic growth and fluctuation, as well as measure the long-term health and sustainability of U.S. economic activity. This budget will strengthen BEA's ability to identify industry-specific trends within its GDP statistics.

The FY 2013 budget for Census sustains critical business and household data collection activities, such as the 2012 Economic Census that provides an every-five-year comprehensive view of American businesses and that forms the foundation for all our industry and business statistics. Similarly, the American Community Survey (ACS) is the only source for geographically detailed socio-economic information on a yearly basis. Businesses use ACS information in many ways, such as site selection and market intelligence, which promotes job creation and economic recovery. State and local governments use ACS information to support decision-making for key programs and services, such as schools, transportation, and emergency services. The Census Bureau request also invests \$131 million in research and testing for the 2020 Decennial Census. This is a critical investment that is essential to saving money in future years. By devoting sufficient resources to this early state of the life cycle, the Census Bureau will be able to develop the new approaches required to break the trend of doubling the cost of the decennial census each decade.

This budget also supports U.S. businesses and communities by investing \$5.1 billion, an increase of \$153.9 million or 3.1 percent above the FY 2012 enacted level, for the National Oceanic and Atmospheric Administration's (NOAA) vital work on weather forecasting, fisheries management, and coastal stewardship.

NOAA's critical satellite operations will provide businesses and individuals with the data and information needed to plan for changing weather conditions. These satellites also provide advanced warning of severe storms so that actions can be taken to protect lives and property. The FY 2013 budget invests \$1.8 billion in NOAA satellites, including \$916 million for the NOAA Joint Polar Satellite System (JPSS), and \$802 million for the next generation geostationary satellite, GOES-R. Weather satellites, including JPSS and GOES-R, are critical to our nation's infrastructure and economy and provide 93 percent of the input to the nation's weather prediction models. Severe storms in the past year, both tornados and hurricanes, have demonstrated the importance of our weather satellite system to provide advance warning of these disasters. FY 2013 funding will ensure that GOES-R remains on its current schedule to replace the GOES-N series of satellites currently in operation. Full funding is required to avoid any additional schedule slip to JPSS and to minimize the gap in polar satellite coverage between JPSS and the Suomi National Polar-orbiting Partnership (Suomi-NPP). NOAA and NASA successfully launched the Suomi-NPP in October 2011. JPSS is scheduled to launch in the second quarter of 2017.

NOAA's environmental data and services support commerce throughout the country. NOAA provides weather information that allows for safe and efficient transportation; drought and water data that inform agricultural decisions; space weather warnings needed to protect the national energy grid and worldwide communications from solar storms; and climate information that supports adaptation decisions for business and communities. Nearly 80 percent of U.S. import and export freight is transported through seaports, and by 2020, the value of all freight coming through U.S. ports is projected to increase by more than 40 percent. The FY 2013 President's budget requests \$150 million to support navigational services nationwide, including mapping and charting and real-time observations and forecasts of water levels, tides, and currents. The budget also provides \$972 million for weather, drought, and flood forecasting.

The FY 2013 President's budget for NOAA also provides an increase of \$29.7 million to improve our understanding of climate, with a specific focus on research that underpins our understanding of climate processes. This includes an \$8 million investment in the continued development and use of state-of-the-art Earth system models, which help businesses and communities address climate related issues, including sea level rise and Arctic climate change and \$4.6 million to make progress in critical ocean observations and analysis.

Healthy coastal economies rely on a healthy ocean ecosystem. NOAA's FY 2013 budget will continue to ensure that critical information and tools are available to users and decision makers to support the management of our ocean and coastal resources to make certain future generations also have the ability to enjoy and benefit from these resources. Rebuilding our nation's fisheries is essential to preserving the livelihood of fishermen, the economies of our coastal communities, and a sustainable supply of healthy seafood. The FY 2013 President's budget requests \$880 million for the National Marine Fisheries Service, funding science, management, and conservation of fisheries and protected resources. This includes a requested increase of \$4.3 million to expand stock assessments and \$2.3 million for survey and monitoring projects, which will be targeted at high priority commercially and recreationally viable fish stocks.

ADVANCING THE FRONTIERS OF INNOVATION

The FY 2013 budget supports key initiatives to help advance our scientific and technological frontiers and build the foundations for a secure future. Innovation is critical to our economy; it generates American jobs today and will drive the jobs of the future. Along with major research universities, businesses are the primary source of new ideas, from concept to commercialization, and the Department of Commerce is leveraging our resources to provide the tools, policies, and technologies that enable U.S. businesses to gain and maintain an advantage in world markets.

Together, NIST and NOAA will invest an additional \$1.3 billion in research and development efforts.

As I mentioned earlier in my testimony, a focal point for the NIST budget request is on investments to support advanced manufacturing. Overall, the FY 2013 President's budget requests \$857 million in discretionary spending for NIST that addresses challenges to U.S. industry in a number of areas including advanced communications and cybersecurity.

Specifically, we request \$10 million to support research in advanced communications networks to build collaboration with the telecommunications industry to help lay the groundwork for an interoperable public safety communications network that seamlessly delivers voice, data, and video to first responders and other emergency personnel. In addition, cybersecurity remains a priority at NIST with the request of an additional \$8 million for the Administration's National Strategy for Trusted Identities in Cyberspace (NSTIC) program. This program supports the development of an online environment—the "Identity Ecosystem"—that improves on the use of passwords and usernames, and allows individuals and organizations to better trust one another, with minimized disclosure of personal information. This work is intended to have broad benefits for applications ranging from consumer financial transactions, to industrial supply chains, to health records, for which it is essential to have information security.

The President's FY 2013 budget requests \$651 million for NOAA research and development. This includes NOAA's atmospheric and ocean, coastal, and Great Lakes research and applied science which are at the forefront of discovery and a key component of advancing the mandates of the America COMPETES Reauthorization Act of 2010. NOAA research is improving the forecasts of severe weather such as winter storms and flash floods, developing next-generation radars with the potential to extend lead times for detecting tornadoes, and operationalizing new marine sensor technologies with economic benefits.

The United States Patent and Trademark Office (USPTO) facilitates the generation of innovative and commercially viable processes and products, while protecting the intellectual property rights of inventors. Congress helped tremendously in this effort last year with the passage of the America Invents Act, and the FY 2013 budget supports USPTO's authority to spend all of the fees collected to accelerate patent processing and improve patent quality, as established in that law. The request supports continued reductions to pendency and backlogs, with goals of cutting the backlog in half to 329,500 by FY 2015 and total pendency to 18.3 months by FY 2016. This would be a dramatic turn-around from where we were just three years ago. In FY 2009, the backlog was nearly 800,000 and pendency was 34.6 months. In FY 2013 USPTO expects to hire an additional 1,500 examiners to support this effort.

EDA will dedicate \$182 million in grants to foster innovation through innovation hubs across the U.S., particularly in distressed communities. We know this new model of economic development works. The Jobs Innovation and Accelerator Program launched by EDA last year is estimated to create approximately 4,800 jobs and 300 new businesses, retain 2,400 jobs and train 4,000 people for careers in high-growth industries.

The need to ensure our nation has state-of-the-art digital infrastructure – to drive economic growth, create jobs, promote innovation, support federal agencies' missions, and improve public safety – cannot be overstated. This is a core value of President Obama, and one that is reflected in several major initiatives undertaken by the Administration and enacted by Congress. The Department's National Telecommunications and Information Administration (NTIA) has been called upon to make some of the most complex and consequential technology and innovation programs a reality. Most recently, under the Middle Class Tax Relief and Job Creation Act, NTIA will establish "FirstNet," an independent entity that will oversee the creation of a long-needed nationwide, interoperable public safety broadband network. Funded through proceeds of future spectrum auctions, this broadband network represents delivery on a promise made by this Administration to America's first responders and the key challenge of network operability noted by the 9/11 Commission.

In all, the President's FY 2013 budget provides \$47 million to NTIA. These funds are needed for NTIA to continue its work in several areas critical to creating jobs, promoting innovation and

growing our economy. This includes implementing the President's directive to double the amount of spectrum available for commercial wireless broadband service. It also includes managing and overseeing nearly \$4 billion in Broadband Technology Opportunities Program projects, which are helping to expand broadband access and adoption across the country. These projects are allowing hospitals, libraries and universities, as well as individual citizens, entrepreneurs and small businesses, to succeed and thrive in the digital economy. The FY 2013 President's budget request includes \$27 million for NTIA to continue to oversee these projects to protect against waste, fraud and abuse, and ensure they deliver on their promised benefits – including more than 70,000 miles of broadband networks by the end of FY 2013 – on time and on budget. Almost all projects are slated to be completed by the end of FY 2013.

The Department of Commerce is also active on the domestic and international fronts to preserve an open, interconnected global Internet that supports continued innovation and U.S. economic growth. Privacy is a key component of consumer trust in the Internet and of the online retail marketplace that accounts for around \$200 billion in annual economic activity. The President's budget requests approximately \$1 million for NTIA's work on promoting Internet innovation, in particular, by leading the Administration's efforts to provide consumers with stronger privacy protections while maintaining the flexibility that companies need to innovate, here and around the globe.

STEWARDSHIP OF TAXPAYER DOLLARS

Just as businesses across the U.S. must find efficiencies and focus on results, the federal government has a responsibility to maximize results and be responsible stewards of taxpayer dollars, especially in difficult economic times. As I stated before, there were many difficult choices made in this budget, cutting programs across the Department. In fact, the Economic Development Administration, the Minority Business Development Agency, and Departmental Management are decreased below their FY 2012 enacted levels. In other bureaus, such as NOAA, sharp cuts were taken to specific programs to focus on the most essential initiatives. Programs were reviewed across the Department, and reductions were focused on specific programs or projects that, while performing important work and generating value, are lower priority because they are either similar to programs in other agencies or not central to the Department's mission.

The Commerce Department is committed to reducing our administrative costs through savings and efficiencies. In doing so, we are not only being financially sound, but we are ensuring we can invest in the important initiatives that help American businesses compete and win.

The FY 2013 President's budget invests in key areas to improve administrative functions throughout the Department. These investments include an increase of \$0.4 million for

cybersecurity; \$3.9 million to upgrade the financial management, acquisition, and other administrative systems within the Department; and \$2.2 million to continue to automate our manual human resource processes. Making these investments is key to future savings.

To fund these investments, the Commerce Department has moved aggressively in the past year to reduce our administrative costs. We will meet our goal of saving \$143 million by the end of FY 2012, in areas such as acquisition, fleet operations, human resources, and information technology. This builds upon our FY 2011 savings of approximately \$50 million in administrative costs. Part of those savings resulted from Commerce shutting down approximately 3,000 unused cell phone lines and optimizing rate plans, for an annual savings of \$1.8 million, and issuing a printing policy that calls for less and smarter printing, which will save approximately \$4.2 million annually.

Next year we will achieve substantial additional savings. The FY 2013 President's budget calls on the Department to achieve a total of \$176 million in administrative cost savings, which is already underway by placing additional focus on reducing travel costs, employee IT devices, printing, fleet operations, management contracts and extraneous promotional items. In addition, the Department has proposed administrative savings in NOAA by merging a small number of programs and reducing its footprint of facilities so that funding can be targeted at the agency's highest priorities.

The Department of Commerce also continues to support the President's BusinessUSA initiative – a comprehensive customer service plan to better meet the needs of businesses. Furthering the Commerce Connect initiative launched in late 2010, BusinessUSA ensures that businesses looking for assistance from the federal government can quickly connect to the services and information relevant to them, regardless of which agency's website, call center, or office they go to for help. BusinessUSA would link American businesses and entrepreneurs with Commerce Department and other federal, state and local partner resources. These services are provided faster and more comprehensively through a one-stop shop, beginning with a web portal and enhanced call center coordination. This is a key step in a new way for the federal government to be an asset to America's businesses – applying information and customer service standards, technology, call centers, and field offices in a manner that provides the most useful, accurate, and timely services and information to businesses.

CONCLUSION

The President's FY 2013 budget request reflects the crucial role that the entire Department of Commerce plays in accelerating job growth, strengthening the economic recovery, and supporting American businesses all across our country. At the same time, the President's request

recognizes the challenging budget climate in which we find ourselves and includes many difficult choices that meet the need for responsible reductions.

By combining crucial investments with fiscal responsibility, the budget sets forth a meaningful plan to stimulate private sector job creation and promote American competitiveness for years to come. With each of our twelve bureaus working together with a focus on helping companies sell their goods and services around the globe, supporting businesses and communities, and advancing the frontiers of innovation, I am confident in our ability to deliver on that commitment.