

**WRITTEN STATEMENT ON THE COMMERCE DEPARTMENT'S FY 2003 BUDGET
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STATE AND THE JUDICIARY
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Thank you for the opportunity to appear before you to present the Department of Commerce's fiscal year (FY) 2003 budget request. Our focus, first and foremost, is funding the core mission of the Department and its bureaus, but as you all know, the tragic events of September 11th forever changed our Nation. The Administration faces even greater challenges now than when I came before you to present the FY 2002 budget. The President is committed to fighting and winning the war on terrorism, while at the same time harnessing the resources of the federal government to protect the lives and safety of all Americans. I hope to fully utilize the resources of the Department of Commerce to not only provide for the physical security of the Nation, but also to work with other agencies and the private sector to promote economic security. The President's budget request proposes increases only in those areas that are critical to strengthening the core services and products provided by the Department of Commerce.

Our FY 2003 budget request focuses on themes outlined by the President in his State of the Union address. Our total request of \$5.3 billion represents a \$107 million increase over FY 2002. In addition to adjustments-to-base, our request supports the Administration's homeland security and economic revitalization priorities and continues our commitment to fund important work of the Department to provide infrastructure for technological innovation and to observe and manage the Nation's oceanic and atmospheric environment.

Homeland Security

The FY 2003 President's Budget includes more than \$50 million in increases for new homeland defense activities in the Department of Commerce. Included in this increase is \$20 million for

homeland security and critical infrastructure protection activities at the Bureau of Export Administration (BXA). BXA seeks to advance U.S. national security and foreign policy interests by regulating exports of critical goods and technologies that could be used to damage those interests, while furthering the growth of legitimate U.S. exporters to maintain our economic leadership. Budget increases in FY 2003 strengthen BXA activities that thwart the global spread of dual-use goods and technologies that can be used in biological, chemical, and nuclear weapons of mass destruction. To reduce the risk of proliferation, beginning in FY 2003, BXA will devote \$5.4 million of this amount to post attachés in several countries abroad (including China, Russia, the United Arab Emirates, and Egypt); send additional export enforcement agents overseas on temporary assignments; and open two new field offices in the critical port cities of Seattle and Houston.

Homeland security investments will also be made in the National Oceanic and Atmospheric Administration (NOAA), the Technology Administration (TA), and in central departmental management offices. NOAA's request includes a \$23.1 million increase to enhance response capabilities and improve internal safety and preparedness by addressing vulnerabilities in weather and satellite systems and provide important hydrographic survey data around key ports in the Gulf of Mexico. The National Institute of Standards and Technology (NIST), part of TA, will continue to devote base resources to fund scientific research on chemical, biological, radiological, nuclear, and explosive threat detection and remediation; information security; air transport safety; and the safety of building structures and occupants. An increase of \$5 million will support the critical and urgent needs in structural fire protection and operational guidance for first responders and provide advanced measurements and standards to accelerate critical

technologies that enhance the effective detection, prevention, response, and recovery management of natural and manmade disasters. A \$2 million increase is requested for the Department Chief Information Officer to insure the protection of our nation's critical economic and environmental information systems.

Economic Information and Framework

The Commerce budget proposes to strengthen core economic activities in areas such as statistical programs and international trade compliance. The Bureau of Economic Analysis (BEA) supplies the nation's key economic statistics, including gross domestic product (GDP), which are crucial ingredients for business and government decision making. A program increase of \$11 million will enable BEA to improve the statistical processing systems for its economic data, accelerate the release of major economic estimates, and incorporate new international economic data classification systems. Also, the Department has begun providing new quarterly estimates for the tourism industry and more accurate GDP estimates for "new economy" products such as local area networks.

This budget includes a \$247 million increase for the Bureau of the Census to significantly improve the breadth and quality of the information it collects and provides to the country by producing better measures of trade statistics, improved measurement of services in the new economy, and a new measurement of the impact of electronic business on the economy. The Department will also undertake an effort to significantly reengineer the 2010 Census. As a major part of this work, Census will launch the American Community Survey, which will provide detailed demographic data on an annual basis, rather than just every ten years. During FY 2003, an increase of \$33.7 million will fully fund data collection for two other cyclical censuses, the

Economic Census and the Census of Governments.

The International Trade Administration (ITA) is responsible for assisting the growth of export businesses, enforcing U.S. trade laws and agreements, and improving access to overseas markets by identifying and pressing for the removal of trade barriers. Among other program changes, the FY 2003 budget proposes a program increase of \$13 million for trade compliance efforts in the areas of antidumping and countervailing duty activities, multilateral trade negotiations, and foreign trade barrier analysis. This increase includes \$2.3 million to organize a domestic education campaign for U.S. firms on compliance issues and to place additional staff overseas in major markets with compliance problems. The President's Request also seeks an additional \$2.6 million to open new offices in Senegal, Botswana, Tanzania, Mozambique, and Cameroon; reopen the Algeria office; and increase staffing in Ghana.

A reduction of \$16 million for the Economic Development Administration (EDA) will bring resources in line with congressionally authorized levels and program needs. EDA helps communities across the nation create economic opportunity by promoting a favorable business environment to attract private capital investments and high-wage jobs, principally through infrastructure investments and capacity building. While the FY 2003 budget streamlines EDA programs, an increase of \$2.5 million is requested for Trade Adjustment Assistance to firms, which provide technical assistance to U.S. manufacturers injured by increased imports. The Administration wants to ensure that sufficient funds are available through the Trade Adjustment Assistance program to help businesses that have been adversely affected by international trade.

The Minority Business Development Administration (MBDA) is transitioning from an administrative agency to an entrepreneurial organization. MBDA is reorganizing, re-training

current employees, and hiring expertise driven by entrepreneurship and innovation. MBDA's Reorganization Plan will reduce the number of supervisory layers, the time it takes to make decisions, and the distance between decision-makers and citizens. MBDA will provide minority business development services, through its Minority Business Information Portal and local Business Development Centers.

Providing Infrastructure for Technological Innovation

The FY 2003 budget strengthens key Commerce programs that provide the infrastructure that enables U.S. businesses to maintain their technological edge in world markets. Increased funding is requested for the laboratories of TA/NIST to work with industry to develop and promote measurement standards that support technological innovation. TA/NIST laboratories specialize in electronics, manufacturing engineering, chemical science, physics, materials science, building and fire research, and information technology. The FY 2003 budget proposes an increase of \$50 million to allow the Advanced Measurement Laboratory, a new facility designed to meet state-of-the-art research requirements, to become fully operational and fund relocation expenses. The budget also includes an increase of \$17 million for critically needed structural improvements at TA/NIST's Boulder, Colorado, facilities.

Consistent with the Administration's emphasis on shifting resources to reflect changing needs, the FY 2003 budget also proposes to significantly reduce federal funding for the Manufacturing Extension Partnership (MEP) program. MEP's original legislative design called for a phase-out of federal funds to each center after six years, with the goal of making each center self-sufficient. The FY 2003 budget would return the program to its original design. The budget also proposes funding the Advanced Technology Program (ATP) at \$107 million and proposes

reforms designed to improve the program. These reforms would increase university participation, limit large companies' participation, and institute a cost recoupment element.

The budget strengthens the spectrum management capabilities of the National Telecommunications and Information Administration by proposing \$3.3 million to begin the process of spectrum management reform and to upgrade its radio quiet zone test facility in Colorado. The budget also proposes to terminate the Technology Opportunities Program. With the expansion of the Internet and related technologies into all sectors of society, the Administration believes federal subsidies are no longer justified to prove the usefulness of such technologies.

The FY 2003 budget proposes an increase of \$237 million for the U.S. Patent and Trademark Office (USPTO) to address the agency's growing workload in the area of intellectual property. This budget increase represents a 21 percent change from last year's level and will allow the USPTO to initiate a five-year plan to enhance the quality of products and services and improve timeliness of patent application processing.

Observing and Managing the Nation's Oceanic and Atmospheric Environment

And, finally the President's budget proposes a total budget request of \$3.2 billion to strengthen key programs of the Department's largest and most diverse bureau, the National Oceanic and Atmospheric Administration (NOAA). This includes an addition of \$84.3 million to improve extreme weather warnings and forecasts. The continuity of NOAA's satellites and severe weather forecasts is critical to meeting our 21st Century mission, and increases are proposed for satellite data and systems, weather research and supercomputing, and improved flood and river forecasts. An increase of \$36.2 million is requested to improve NOAA's climate services, of which \$18

million is for the Administration's Climate Change Research Initiative (CCRI), a multi-agency effort to study areas of scientific uncertainty and to identify priority areas where investments can make a difference. The increase will allow NOAA to advance climate-modeling capabilities at the Geophysical Fluid Dynamics Laboratory; to develop a climate observing system; and to create partnerships to measure pollutant emissions, aerosols, and ozone.

An increase of \$90.9 million is requested to modernize NOAA's fisheries management to improve fisheries management in areas such as stock assessments, to procure a second Fisheries Research Vessel, to build a national fishery observer program, to better fulfill statutory and regulatory authorities, and to implement the National Environmental Policy Act (NEPA). As part of the Administration's energy policy initiative for FY 2003, NOAA requests an increase of \$8.7 million for an energy initiative; of which \$6.1 million is for an energy pilot program to provide more accurate temperature and precipitation forecasts and additional river forecast products to help the energy sector improve electrical load forecasting and hydropower management. Based on industry estimates, this investment will result in savings of \$10 to \$30 million annually in the pilot region after the second year of the demonstration. Expanding the pilot nation-wide could generate savings of over \$1 billion per year. Funding for the energy initiative will help to establish and implement a streamlined energy permit review process (executed by the National Marine Fisheries Service) and institute energy costs savings measures at NOAA facilities.

The Administration also proposes to transfer the National Sea Grant College program from NOAA to the National Science Foundation (NSF) in FY 2003. Funding of \$57 million is requested by NSF for this program. However, NOAA's budget continues to have primary responsibility for key ocean and coastal programs, including funding for ocean exploration,

coastal zone management, coral reef, and marine sanctuaries programs.

NOAA also requests an increase of \$52.9 million to invest in its people and infrastructure. Investments in scientific and technical capacity, as well as facilities and equipment, are essential for NOAA to have a well-functioning agency. The budget request includes funding for essential facilities upgrades, maintenance of aircraft and ships, recruitment and training of NOAA Corps officers, and security of information technology systems.

As I previously stated, this budget request for the Department of Commerce has been carefully crafted to focus on the core functions the American people rely on from this agency. We will focus on promoting innovation, entrepreneurship and exports, while spreading opportunity to all Americans and ensuring responsible stewardship of our natural resources.