

**WRITTEN STATEMENT ON THE COMMERCE DEPARTMENT'S FY 2006  
BUDGET BY COMMERCE SECRETARY CARLOS GUTIERREZ  
SENATE APPROPRIATIONS SUBCOMMITTEE ON COMMERCE, JUSTICE,  
SCIENCE, AND RELATED AGENCIES  
May 26, 2005**

Mr. Chairman and Members of the Subcommittee, I am pleased to appear before you today to present the President's Budget request for economic, scientific, technological, and environmental programs of the Department of Commerce. Our request of \$9.4 billion is an increase of \$3.1 billion above the FY 2005 enacted level. This performance-integrated Budget, based upon the Department's Strategic Plan, includes a proposal to create a new opportunity to foster domestic economic and community development through the Strengthening America's Communities Grant Program. And, in keeping with Commerce's mission to provide the tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers, the request continues programs that create conditions for economic growth and opportunity for all Americans by promoting innovation, entrepreneurship, competitiveness, and stewardship.

**Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers.**

The President's new initiative, Strengthening America's Communities (SAC), will consolidate and transform 18 Federal economic and community development programs from the Departments of Agriculture, Health and Human Services, Housing and Urban Development, Treasury, and Commerce into a single direct-grant program to be housed within the Department of Commerce. The purpose of this initiative is to create an Administration-wide unified approach to the Federal government's domestic development efforts, rather than one distributing efforts across agencies. The results will better focus resources and eliminate overlapping and conflicting programs.

This consolidated economic and community development grant program will streamline Federal assistance. It will provide States and communities with simplified access to the Federal grant system, focus on communities most in need of assistance, and require communities to meet substantive accountability standards that will track progress toward achieving the community's goals of long-term economic stability and growth. By consolidating those programs that share a similar mission, the Strengthening America's Communities initiative will help provide a more coherent, strategic and results-oriented focus to federal economic development efforts. In addition, by providing incentives and increased accountability, we can reward communities that make concrete economic improvements in distressed areas. The FY 2006 Budget requests a total of \$3.71 billion for the new Strengthening America's Communities Grant Program. The Administration intends to prepare and present to Congress legislation to implement the initiative as soon as possible.

This past February, I met with European Union officials in Brussels, Belgium, to discuss the Administration's continued commitment to working with other nations to achieve common goals. The strength of the U.S. economy is closely tied to our success in fostering international partnerships and encouraging broad support for the sound fiscal and monetary policies that create jobs at home and produce prosperity around the world.

The Bureau of Economic Analysis (BEA) seeks to strengthen the understanding of the United States economy and its competitive position. BEA accomplishes this task by providing accurate economic accounts data in a timely and cost-effective manner, and by supplying many of the Nation's key economic statistics, including the Gross Domestic Product. To ensure we have sufficient tools to provide our decision-makers with the necessary information, we have included in this request a 12 percent increase for BEA to support key initiatives: to improve international statistics to better describe offshore outsourcing, expand business investment data, and finish a multi-year effort to improve the timeliness, relevance, and accuracy of economic measures.

The Bureau of the Census requests an increase of \$133 million to support initiatives that will significantly improve the quality of the information it collects and provides to the country. The most significant increase supports the three key components of re-engineering the Decennial Census. First, the American Community Survey, the annual replacement to the once-in a-decade long form, will be fully implemented with funding for group quarters enumeration and a methods panel to update the questionnaire. Second, modernization of the geographic database information remains on schedule. Third, preparation for a short-form only 2010 Decennial Census continues with the 2006 Census Test and development of support systems. Several other notable program changes are supported by this request: improvements to the Automated Export System will produce more accurate trade statistics; expansion of the measurements of services will add detail to this important sector; creation of a Longitudinal Employer/Household Dynamics data base infrastructure will fill critical gaps in local employment data; and strengthening the measurements of migration will improve state-level estimates. In addition, the Bureau of the Census also plans to furnish and move into its new office building at the Suitland Federal Center.

The globalization of trade and the rapid development of technology presents great opportunity and risk to the United States' economic and national security. The Bureau of Industry and Security (BIS) regulates the export of sensitive goods and technologies. The 14 percent budget increase requested will give BIS the necessary tools and personnel to effectively deal with these challenges. The request includes funding for additional licensing personnel to address the rising numbers of licenses, and an Office of Technology Evaluation to ensure that the Department is controlling the appropriate new technologies while not restricting exports of products that are widely available. As license requests have increased so has the need for additional enforcement resources. We are asking for additional enforcement agents, and resources for a seized computer evidence recovery program and additional overseas end-use verification. We are also asking for funding for a program to recruit and retain the high-quality personnel needed for BIS's critical mission.

The International Trade Administration (ITA) is charged with promoting international trade, opening foreign markets to U.S. businesses, and ensuring compliance with trade laws and agreements while supporting U.S. commercial interests at home and abroad. In carrying out its mission, ITA conducts detailed domestic and international competitive analyses to ensure that the U.S. manufacturing and service sectors compete effectively and meet the demands of global supply chains, as well as understand the competitive impact of regulatory and economic changes. ITA supports the U.S. exporting community directly by providing a variety of products and services, and by operating a Trade Information Center to provide a single point of customer contact to government export assistance programs.

The Minority Business Development Agency (MBDA) is focused on accelerating the growth and competitiveness of minority-owned businesses by closing the gap in economic opportunities and capital access. We are requesting an increase of \$0.2 million for MBDA to expand the Agency's capabilities to disseminate, analyze and deliver vital statistical data for the minority business community. We are also requesting an increase of \$0.5 million for MBDA to provide equal economic opportunities for full participation of Asian American and Pacific Islander businesses in our free market economy, and to increase the access of minority business enterprises to global markets.

**Foster science and technological leadership by protecting intellectual property, enhancing technical standards, and advancing measurement science.**

The President understands the opportunities science and technology provide to enhance the lives of all Americans. The President's focus in the area of science and technology is reflected in the Department of Commerce R&D portfolio. The Commerce budget maintains substantial R&D investments in the Technology Administration (TA), which includes the National Institute of Standards and Technology (NIST) and the National Technical Information Service (NTIS).

The Technology Administration and its various components seek to maximize technology's contribution to economic growth, high-wage job creation, and the social well-being of the United States. TA and NIST not only serve as advocates for technological innovation but also analyze the factors that affect our competitiveness and develop the tools needed to enhance productivity, trade, and, in the end, the quality of life for all Americans. In addition, NIST is engaged in critical research in high-priority areas of technological innovation such as nanotechnology, information technology, biotechnology, and manufacturing technology. NIST is also conducting research in response to the World Trade Center tragedy and the February 2003 nightclub fire in Rhode Island to better prepare facility owners, contractors, architects, engineers, emergency responders, and regulatory authorities to prevent future disasters.

To meet the Nation's needs in setting technological standards, we propose increased funding to NIST laboratories for high priority research areas and necessary facilities upgrades and maintenance. The increases include \$39.8 million to enhance research

capabilities in manufacturing (particularly in the area of nanotechnology), expand public safety and security programs, and provide the measurement infrastructure for emerging needs of the Nation's research community, and \$32 million to support the Facilities Improvement Plan for critical construction, major repair, and renovation projects at the NIST sites in Boulder, Colorado, and Gaithersburg, Maryland. Consistent with the Administration's continuing emphasis on shifting resources to reflect changing needs, the FY 2006 Budget proposes to terminate the Advanced Technology Program. We propose to fund the Hollings Manufacturing Extension Partnership Program (HMEP) at \$46.8 million. This level of funding, combined with expanding partnerships with other agencies and institutions, will allow the HMEP to maintain a national network.

The U.S. Patent and Trademark Office (USPTO) request will support the USPTO strategic plan for the 21<sup>st</sup> Century to keep pace with workload growth and to enhance the quality of products and services. The Administration continues to support giving USPTO full access to its fees in the year of collection. This \$148.5 million increase will allow the USPTO to improve processing capacity by hiring additional patent and trademark examiners, continue development of an operational system to process patent applications electronically, continue the transition of the trademark operation to a fully electronic environment, enhance the current quality assurance programs by integrating reviews to cover all stages of examination, and work to achieve greater patent examiner productivity by reducing the prior art search burden. I have visited USPTO's new headquarters in Alexandria, Virginia, and appreciate your support for that facility.

The FY 2006 National Telecommunications and Information Administration (NTIA) request will continue to provide the resources necessary to improve NTIA's research and Federal spectrum management capabilities and provide support for NTIA to implement the President's Spectrum Policy Initiative for the 21<sup>st</sup> Century.

### **Observe, protect and manage the earth's resources to promote environmental stewardship**

The National Oceanic and Atmospheric Administration's (NOAA) mission is to understand and predict changes in the Earth's environment, as well as to conserve and manage coastal and marine resources to meet our Nation's economic, social, and environmental needs. The work performed at NOAA touches the daily lives of every person in the United States and in much of the world, since NOAA:

- provides weather, water, and climate services;
- manages and protects marine resources ecosystems;
- conducts atmospheric, climate, and ecosystems research;
- promotes efficient and environmentally safe commerce and transportation; and
- provides emergency response and vital information in support of homeland security.

In addition to using science and technology to create jobs and improve economic prosperity, the Department is also directing resources toward disaster prevention, to better understand and minimize the loss of life and property from disasters.

While in Brussels, I led the U.S. delegation to the Global Earth Observation Summit and presented the Administration's plan for the U.S. component of a Global Earth Observation System of Systems (GEOSS). A large portion of the increase requested for NOAA in FY 2006 will support the effort to better understand the complex interactions on our planet. With this improved knowledge, decision-makers around the world will be able to make more informed decisions regarding climate, the environment, and other issues.

I applaud the Congress for passing the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005, which embraced the President's desire to protect the American people by providing the initial resources necessary to meet the need for 100 percent detection capability for a U.S. coastal tsunami. To continue this effort in FY 2006, we propose to invest \$9.5 million to expand the U.S. tsunami warning system. Once fully implemented by mid-2007, the new system will extend monitoring capabilities throughout the Pacific and Caribbean basins and provide tsunami warning coverage for regions bordering half of the world's oceans.

Currently, NOAA leads the Nation and world in ocean and ecosystem science, policy and management. In December 2004, the Administration released the "U.S. Ocean Action Plan," a response to the U.S. Commission on Ocean Policy's report entitled, "An Ocean Blueprint for the 21<sup>st</sup> Century." Working under the leadership of the Council on Environmental Quality, and with several other agencies, NOAA substantially assisted in the development of this action plan. NOAA will play a key role in implementing many of the ocean policy measures that the plan contains, including supporting the establishment of a coordinated ocean governance structure. Consistent with this approach, the Administration continues to support Commerce's leadership role in oceans policy and activities by promoting passage of a NOAA Organic Act. An Administration drafted Organic Act was sent to Congress on April 5th and is awaiting introduction.

In accordance with the President's U.S. Ocean Action Plan, the Department continues to request significant resources for ocean and coastal programs and improved fisheries management, as well as protected species activities. The President's Budget includes more than \$1 billion for these ongoing programs, including \$61.2 million to address state and regional ecosystem research priorities at the National Sea Grant College Program, \$22.7 million in support of NOAA's Ocean Exploration Program, \$32.5 million to begin construction of a fourth fisheries survey vessel that will substantially improve the quality of NOAA fisheries research, and \$25.4 million for fisheries stock assessment. The Budget proposes reforms to the Pacific Coastal Salmon Recovery Fund to help ensure that funds are allocated to high priority activities, and to require matching contributions from State and local recipients of grants.

NOAA's global leadership also extends to monitoring the planet through the development of the GEOSS. The GEOSS will provide NOAA and others with the tools to better understand our planet through an integrated, comprehensive, and sustained Earth

observation program. We are requesting a significant increase for GEOSS of \$94.7 million, which includes the development of the next generation of weather satellites.

In addition, the Administration is committed to continuing the LANDSAT mission. Our budget requests \$11 million to begin the process of integrating LANDSAT sensors on future weather satellites. NOAA's satellite programs secure the observational data necessary for more timely and accurate weather forecasts, hurricane predictions, and the development of climate predictive models.

NOAA leads the Administration's interagency Climate Change Science Program. As needs for water, climate, and air quality information increase worldwide, NOAA has been working to improve our understanding of climate and helping develop products and services that provide useful information for national and regional management decisions. One example of this is the National Integrated Drought Information System (NIDIS), which provides early drought warning on a regional level.

Finally, the Budget includes investments for improvements in transportation. Additional funding for electronic navigational charts and for accurate current and water level data is essential to safe and environmentally sound shipping. Improving aviation ceiling/visibility forecasting will result in an estimated \$250 million annual fuel cost savings for U.S. airlines.

### **Achieve organizational and management excellence**

The Department's headquarters building, the Herbert C. Hoover Building (HCHB), is in critical need of major renovation and modernization. The 70 year-old HCHB is one of the last historic buildings in the Federal Triangle to be scheduled for renovation and modernization. To meet basic health and safety codes, meet industry standards, and replace failing mechanical, electrical, and plumbing systems, the Department is requesting \$30 million for its FY 2006 portion of the joint General Services Administration/Department of Commerce project. The request also includes funding of the Department's renovation office that will coordinate the movement of tenants and GSA's work to minimize the disruption of the Department's missions and provide necessary oversight of the project.

Both the Office of the Inspector General and Departmental Management are requesting funding increases to improve acquisition oversight, provide additional training to contract officers and make targeted reviews of both specific contracts and the procurement process. A quarter of Commerce's appropriation is spent on major procurement activities, such as satellites, the Decennial Census and the renovation of HCHB. Improving the acquisition process is one of the Department's top management challenges because, with proper oversight and improvements, taxpayer money can be better utilized.

## **Conclusion**

In his February 2nd State of the Union Address, the President underscored the need to restrain spending in order to sustain our economic prosperity. As part of this restraint, it is important that total discretionary and non-security spending be held to levels proposed in the FY 2006 President's Budget. The FY 2006 President's Budget includes more than 150 reductions, reforms, and terminations in non-defense discretionary programs, of which six affect Department of Commerce programs. To meet this fiscal requirement we are proposing terminating the Advanced Technology Program, the Emergency Steel Guarantee Loan Program, and the Public Telecommunications, Facilities, Planning, and Construction Program. In addition, we are proposing a major reduction from FY 2005 enacted levels in the Hollings Manufacturing Extension Partnership Program. The Budget also contains the reform proposals for the Strengthening America's Communities Grant Program and the Pacific Coastal Salmon Recovery Fund discussed above. The Department wants to work with the Congress to achieve these savings and reforms.

The Department of Commerce's FY 2006 Budget has been crafted to focus on funding the core functions that the American people rely on from this Department, in the most efficient manner. I look forward to working with the Committee to ensure that together we are providing the best services to the American people—promoting “American Jobs and American Values.”