



DEPARTMENT OF COMMERCE BUDGET HEARING

OPENING STATEMENT

Chairman Alan B. Mollohan
House Subcommittee on Commerce, Justice, Science and Related Agencies
Appropriations
3/11/08

GOOD AFTERNOON AND WELCOME TO MEMBERS, STAFF, AND AGENCY WITNESSES, AS WELL AS THE PUBLIC.

THIS AFTERNOON WE WELCOME SECRETARY CARLOS GUTIERREZ OF THE DEPARTMENT OF COMMERCE, TO TESTIFY ON THE DEPARTMENT'S FISCAL YEAR 2009 BUDGET REQUEST.

THE APPROPRIATION REQUEST FOR COMMERCE IS \$8.1 BILLION, AN INCREASE OF \$1.3 BILLION OVER THE FISCAL YEAR 2008 ENACTED LEVEL. THE CENSUS BUREAU ALONE IS RESPONSIBLE FOR THE \$1.3 BILLION INCREASE. UNFORTUNATELY, THERE ARE ALSO SIGNIFICANT AND UNWARRANTED CUTS WITHIN THE COMMERCE DEPARTMENT REQUEST, INCLUDING:

- \$149.1 MILLION FROM THE ECONOMIC DEVELOPMENT ADMINISTRATION;
- \$150.8 MILLION SLASHED FROM NIST'S INDUSTRIAL TECHNOLOGY SERVICES—WITH THE BUDGET INCLUDING JUST ENOUGH FUNDS TO "CLOSE OUT" THE MANUFACTURING EXTENSION PARTNERSHIP;
- \$32 MILLION FROM THE PACIFIC COAST SALMON RECOVERY FUND;
- THE PUBLIC TELECOMMUNICATIONS FACILITIES PLANNING AND CONSTRUCTION GRANTS HAVE BEEN ZEROED OUT;

- AND ALL THE EMERGENCY STEEL GUARANTEED LOAN PROGRAM FUNDING IS PROPOSED FOR RESCISSION.

THE BUREAU OF LABOR STATISTICS REPORTED NET JOB LOSSES OF 63,000 IN FEBRUARY, 22,000 IN JANUARY. OIL HAS HIT \$106/BARREL; MEDICAL EXPENSES AND THE COST OF FOOD ARE RISING; CREDIT IS TIGHT AND WE ARE IN THE MIDDLE OF A SUBPRIME MORTGAGE CRISIS. BUT THIS ADMINISTRATION HAS LITTLE INTEREST IN LEVERAGING PRIVATE INVESTMENT FOR PUBLIC INFRASTRUCTURE OR JOB CREATION AND RETENTION.

WITH ALL THAT SAID, SECRETARY GUTIERREZ, THE 800 POUND GORILLA IN THE ROOM IS STILL THE 2010 CENSUS.

ON NOVEMBER 13, 2007, CHAIRMAN CLAY OF THE INFORMATION POLICY, CENSUS, AND NATIONAL ARCHIVES SUBCOMMITTEE, WROTE A LETTER TO DIRECTOR CHARLES KINCANNON OF THE BUREAU OF THE CENSUS. IN THAT LETTER, CHAIRMAN CLAY DISCUSSED CONCERNS ABOUT THE FUNCTIONALITY OF THE FIELD DATA COLLECTION AUTOMATION (FDCA) PROGRAM, INCLUDING SLOW TRANSMISSIONS AND DIFFICULTIES WORKING WITH LARGE ASSIGNMENT AREAS.

ON DECEMBER 11, 2007, DIRECTOR KINCANNON TESTIFIED BEFORE THE ABOVE MENTIONED SUBCOMMITTEE THAT THE HANDHELD COMPUTER PROVIDED BY THE FDCA CONTRACTOR, HARRIS CORPORATION, "IS FUNCTIONING WELL IN THE INITIAL DRESS REHEARSAL ADDRESS CANVASSING OPERATIONS...THE DEVICES HAVE PROVEN TO BE RELIABLE, WITH A HARDWARE FAILURE RATE OF LESS THAN 1 PERCENT." HE WENT ON TO SAY THAT "THE DEVICES ARE PROVING TO BE FUNCTIONAL." HOWEVER, DIRECTOR KINCANNON ACKNOWLEDGED THAT "HARRIS DEPLOYED SOFTWARE PATCHES DURING THE OPERATION THAT SUBSTANTIALLY REDUCED AVERAGE TRANSMISSION TIME."

CONGRESS HAS SINCE LEARNED THAT THE BUREAU WAS FIRST ALERTED TO SERIOUS PROBLEMS WITH THE HARRIS HANDHELDS IN SPRING OF LAST YEAR, BUT THE BUREAU LET THINGS SLIDE:

IN MAY AND JUNE OF 2007, THE BUREAU TESTED THE CONTRACTOR-DEVELOPED HANDHELD MOBILE COMPUTING DEVICE, FOR THE FIRST TIME UNDER CENSUS-LIKE CONDITIONS, DURING THE ADDRESS CANVASSING PHASE OF THE DRESS REHEARSAL IN CALIFORNIA AND NORTH CAROLINA.

THE INDEPENDENT MITRE CORPORATION WAS HIRED TO EVALUATE THE SYSTEM AND CONCLUDED THAT THE HANDHELDS TOOK THREE TIMES LONGER TO CREATE AND CONFIRM THE ADDRESS THAN A PAPER-BASED SYSTEM.

GAO OBSERVED THE SPRING ADDRESS CANVASSING DRESS REHEARSAL. FIELD STAFF TOLD GAO THEY EXPERIENCED SLOW AND INCONSISTENT DATA TRANSMISSIONS FROM THE HANDHELD COMPUTERS TO THE CENTRAL DATA PROCESSING CENTER, AND THE DEVICE WAS SLOW TO PROCESS ADDRESSES THAT WERE PART OF A LARGE ASSIGNMENT AREA. BUREAU STAFF REPORTED SIMILAR PROBLEMS IN OBSERVATION

REPORTS, HELP DESK CALLS, AND DEBRIEFING REPORTS. GAO'S ANALYSIS OF BUREAU DOCUMENTATION CONFIRMED THESE PROBLEMS.

ACCORDING TO THE COMMERCE INSPECTOR GENERAL'S SEPTEMBER 2007 REPORT, "HANDHELD COMPUTER FUNCTIONS FREQUENTLY FROZE, PROCESSING OF LARGE ADDRESS LISTS WAS SLOW, AND HELP DESK SUPPORT FOR RESOLVING USERS' COMPUTER PROBLEMS WAS INADEQUATE."

IN OCTOBER 2007, GAO REPORTED THAT FDCA HAD EXPERIENCED SCHEDULE DELAYS AND CONTINUING COST INCREASES. THESE DELAYS INCREASED THE LIKELIHOOD THAT THE SYSTEMS TESTING AT THE FALL DRESS REHEARSAL WOULD NOT BE AS COMPREHENSIVE AS PLANNED.

YET, THE BUREAU WENT INTO CRISIS MODE ONLY **AFTER** THE HANDHELD SYSTEM PERFORMED VERY POORLY DURING ADDRESS LISTING FOR THE DRESS REHEARSAL LAST FALL.

IN NOVEMBER, MITRE SAID "FDCA IS IN SERIOUS TROUBLE. IT IS NOT CLEAR THAT THE SYSTEM WILL MEET CENSUS' OPERATIONAL NEEDS AND QUALITY GOALS. THE FINAL COST IS UNPREDICTABLE. IMMEDIATE, SIGNIFICANT CHANGES ARE REQUIRED TO RESCUE THE PROGRAM."

IN DECEMBER, JUST ABOUT THE TIME DIRECTOR KINCANNON WAS MISLEADING THE INFORMATION POLICY, CENSUS, AND NATIONAL ARCHIVES SUBCOMMITTEE ON THE FUNCTIONALITY OF THE HANDHELDS, THE BUREAU BEGAN TO WORK INTENSIVELY ON MORE DETAILED SPECIFICATIONS FOR THE HANDHELD SYSTEM.

THOSE SPECIFICATIONS WERE THEN DELIVERED TO HARRIS IN MID-JANUARY.

HARRIS REVIEWED THE BUREAU'S NEW SPECIFICATIONS AND IN EARLY FEBRUARY RESPONDED THAT IT WOULD COST AT LEAST AN ADDITIONAL \$900 MILLION TO SATISFY THOSE SPECIFICATIONS.

THE COMMITTEE UNDERSTANDS THAT THE BUREAU HAS SERIOUS DOUBTS ABOUT HARRIS' ABILITY TO MEET ALL THE NEW SPECIFICATIONS AT ANY PRICE.

IT IS OBVIOUS THAT THE CENSUS BUREAU KNEW THERE WERE SERIOUS ISSUES WITH THE HANDHELD COMPUTERS WELL IN ADVANCE OF BOTH THE FISCAL YEAR 2008 OMNIBUS AND AT LEAST TWO CONTINUING RESOLUTIONS. IN FACT, THE FISCAL YEAR 2009 BUDGET REQUEST DESCRIBES A REPLAN OF THE FDCA CONTRACT THAT INVOLVES DEFINING FINAL REQUIREMENTS AND COSTS.

AND YET, ON DECEMBER 11, DIRECTOR KINCANNON CHASTISED CONGRESS ON THE MATTER OF THE TIMING OF FUNDING. "TIMING IS CRITICAL TO THE SUCCESS OF THESE SYSTEMS. I CANNOT EMPHASIZE TOO STRONGLY THAT NOT ONLY DO WE NEED ADEQUATE FUNDING, WE NEED IT IN TIME TO MAKE USE OF IT." HE WENT ON TO SAY, "WE CANNOT BUY BACK TIME. AS YOU KNOW, THE RECENT SIX-WEEK DELAY IN FUNDING CENSUS PROGRAMS RESULTING FROM THE 'CLEAN' CONTINUING RESOLUTION (CR) PASSED AT THE BEGINNING OF FY 2008 FORCED US TO DELAY AND

REDUCE THE SCOPE OF OUR DRESS REHEARSAL, WHICH WILL NOW BEGIN ON MAY 1, 2008...OVER THE NEXT THREE YEARS, DELAYS IN FUNDING ARE THE BIGGEST RISK FOR THE 2010 CENSUS.”

IN RETROSPECT, ONE WONDERS WHY THE DEPARTMENT—AND THE ADMINISTRATION—DIDN’T OFFICIALLY REQUEST AN ANOMALY FOR THE 2010 DECENNIAL CENSUS, IN THE FISCAL YEAR 2008 CONTINUING RESOLUTION. AND WHILE HINDSIGHT MAY BE 20-20, AS THE SAYING GOES, WHY HASN’T THE DEPARTMENT REQUESTED ADDITIONAL APPROPRIATIONS ABOVE ITS FISCAL YEAR 2008 APPROPRIATION?

INSTEAD OF CHASTISING CONGRESS, DIRECTOR KINCANNON SHOULD HAVE TOLD US THEN ABOUT THE SERIOUS PROBLEMS FACING THE BUREAU. AND WHILE THE FINANCIAL REPERCUSSIONS MAY STILL BE UNREFINED, WE ALL KNOW—YOU, THE CONGRESS, AND THE ADMINISTRATION—THAT COSTS ARE WELL BEYOND THE FISCAL YEAR 2008 APPROPRIATION AND WILL REQUIRE ADDITIONAL FUNDS THIS YEAR AND NEXT YEAR. HOW CAN WE AVOID THE CONCLUSION THAT YOU HAVE KNOWN ABOUT THE SERIOUSNESS OF THESE PROBLEMS FOR A YEAR AND NOT BEEN WILLING TO COMMUNICATE THEM?

NOT KNOWING A FIRM NUMBER IS NO REASON TO OBFUSCATE THE RISING PROBLEMS AT CENSUS. TO PARAPHRASE KINCANNON: YOU NEED ADEQUATE FUNDING IN TIME TO MAKE USE OF IT. WITHOUT IT, YOU WILL HAVE A FAILED CENSUS. IF AN ADDITIONAL APPROPRIATION PROVIDED FOR FISCAL YEAR 2008 TURNED OUT TO BE TOO GENEROUS, THE FISCAL YEAR 2009 APPROPRIATION COULD BE ADJUSTED DOWNWARD. THE PROBLEM IS CLEARLY THE ADMINISTRATION’S—AND THUS THE DEPARTMENT’S—UNWILLINGNESS TO COMMUNICATE THE SCOPE AND COSTS OF THE PROBLEMS WITH CONGRESS.

AND WHILE WE ARE HERE TO DISCUSS YOUR FISCAL YEAR 2009 REQUEST FOR THE DEPARTMENT, THE **MOST** PRESSING NEED IS TO DETERMINE THE CHALLENGES FACING THE CENSUS BUREAU—AND ITS FINANCIAL REQUIREMENTS. IT IS THE COMMITTEE’S EXPECTATION THAT WE WILL HAVE AN OPEN AND FREE DISCUSSION ABOUT THE NEEDS OF YOUR DEPARTMENT TO CARRY OUT A SUCCESSFUL CENSUS.

BUT BEFORE INVITING YOU TO MAKE AN OPENING STATEMENT, I RECOGNIZE THE RANKING MEMBER OF THE SUBCOMMITTEE, MR. FRELINGHUYSEN, FOR ANY OPENING COMMENTS THAT HE MAY WISH TO MAKE.