

WRITTEN STATEMENT ON THE COMMERCE DEPARTMENT'S
FY 2011 BUDGET BY COMMERCE SECRETARY GARY LOCKE
SENATE APPROPRIATIONS SUBCOMMITTEE ON COMMERCE, JUSTICE,
SCIENCE, AND RELATED AGENCIES

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Chairwoman Mikulski, Ranking Member Shelby, and distinguished Members of the Subcommittee, I am pleased to join you today to talk about the Department of Commerce and the President's Budget for Fiscal Year 2011. It has been my privilege to serve the American people for the past year, and I am grateful for President Obama's continued confidence in my ability to lead this great agency. We have accomplished a great deal since the beginning of this Administration, and the Subcommittee has played a critical role both in providing resources and conducting oversight to ensure that the Department achieves its mission.

Having steered the economy back from the brink of a depression, the Administration is committed to moving the nation from recession to recovery by sparking job creation to get millions of Americans back to work and building a new foundation for the long-term prosperity for all American families. To do this, the FY 2011 Budget makes critical investments in the key areas that will help to reverse the decline in economic security that American families have experienced over the past decade.

But even as we meet the challenge of the recession and work to build an economy that works for all American families, we must also change the way Washington does business – fixing programs that don't work, streamlining those that do, cracking down on special interest access, and bringing a new responsibility to how tax dollars are spent. I have been working hard to improve the way the Department of Commerce serves its customers, especially American entrepreneurs and businesses, the backbone of our nation's economy. The Department is focused on strengthening the conditions for economic growth and opportunity by promoting innovation, entrepreneurship, competitiveness, and stewardship. The FY 2011 Budget reflects this ethic and will allow the Department of Commerce to better meet the needs of the American people.

The request of \$8.9 billion will enable the Department to effectively promote strong and equitable trade relationships critical to sustaining our nation's ability to successfully compete in the global marketplace, improve our scientific and technological capabilities, upgrade our capabilities for weather and climate observations and forecasting, and ensure the long-term economic and ecological sustainability of our natural resources. This request is a significant decrease from our FY 2010 appropriation, since major field operations for the Decennial Census will be completed in the current year.

The Decennial Census is an enormous undertaking, and we are urging everyone to mail in their forms this month. An increase of just one percent in the response rate will save the taxpayers roughly \$80 million. The Census Bureau is focusing extensive advertising and partnership activities on hard-to-reach populations, to encourage a high response rate and help meet our goal of achieving the most complete and accurate count of the Nation's

population to date. We have expanded and accelerated those activities, with the Subcommittee's support, using funds provided in the Recovery Act. Our partnership efforts have been well-received – we have already enlisted 207,000 partners. For comparison, at the end of the Census in 2000 we had 140,000 partners. Our decision to advertise during the Super Bowl succeeded in reaching a massive audience – it was the most-watched TV event in history, with 116 million viewers. The results of these activities are promising: in the last three months, the share of people who have heard something about the Census has increased from 35 percent to 75 percent, and the share of people who say they definitely or most likely will complete the Census has gone from 77 percent to 85 percent.

Implementing all our Recovery Act programs effectively and efficiently remains a key priority for the Department this year and in the future. We have completed the Digital TV Converter Box Coupon program and returned unused funds to the Treasury. The pace of our grant and contract awards is increasing, and we remain on schedule to complete all awards this year. By the end of this week, we will have awarded 111 Broadband Technology Opportunity Program (BTOP) grants totaling \$1.1 billion. For example, a \$39.7 million broadband infrastructure grant to the ION Upstate New York Rural Broadband Initiative will serve more than 70 rural communities in upstate New York and parts of Pennsylvania and Vermont by constructing a 1,308-mile network and immediately connecting more than 100 anchor institutions, including libraries, state and community colleges, and health clinics. Our second round of grants will focus on expanding Middle Mile broadband infrastructure that connects critical community anchor institutions—such as schools, hospitals, libraries, and public safety agencies—and attracts end-user connections provided by the private sector to consumers and businesses, creating a ripple effect of economic development throughout communities.

Having addressed such critical needs, the FY 2011 President's Budget is designed to help put our country back on a fiscally sustainable path. This will require a high level of budgetary discipline and a number of hard choices and painful tradeoffs. Nonetheless, the Budget includes targeted investments in Commerce programs that meet major national needs, like export promotion that supports job creation, and research and development that can spur new ideas, new products, and new industries.

The Budget provides \$534 million, a 20-percent increase, to the International Trade Administration (ITA), for its role in the National Export Initiative, a broad Federal effort to increase American exports. ITA will strengthen its efforts to promote exports from small- and medium-size enterprises, help enforce U.S. trade law, fight to eliminate barriers to sales of American products and services and improve the competitiveness of U.S. firms. President Obama has issued a challenge to double U.S. exports over the next five years. By increasing the number of U.S. firms that export and enabling them to increase their volume of exports, new higher-wage jobs will be created, and U.S. companies will be better able to compete in the expanding global marketplace.

The Budget includes \$919 million for the National Institute of Standards and Technology (NIST), as part of the President's Plan for Science and Innovation. This proposed

increase reflects the critical role that measurement science, standards, and technology services play in fostering innovation and encouraging economic growth. To support and enhance our world leadership in the physical sciences and technology, the NIST laboratories would address critical challenges in manufacturing, advanced alternative energy sources, cyber security, the Smart Grid and other important areas, and ensure that its facilities meet its needs to continue to produce world-class research. The Budget also includes \$80 million for the Technology Innovation Program, which invests in game-changing new technologies that address critical national needs. The Hollings Manufacturing Extension Partnership will receive \$130 million to continue expanding its services to help smaller manufacturers adopt technological innovations that spur economic growth, and develop new products, expanded markets, process improvements, and more green technology jobs.

The request provides more than \$5.5 billion for the National Oceanic and Atmospheric Administration (NOAA), including investments to improve fisheries and the economies and communities they support, and to help green and blue businesses with a solid foundation of environmental information and stewardship. Much of this year's increase is to fund a major restructuring of the National Polar-orbiting Operational Environmental Satellite System (NPOESS). As it stands, the program is years behind schedule and billions over budget; independent reports and an Administration task force have concluded that the program cannot be successfully executed with the current management and budget structure. However, the need for a successor system of polar-orbiting environmental satellites remains a national priority and is essential to meeting both civil and military weather-forecasting, storm-tracking, and climate-monitoring requirements. The restructured Joint Polar Satellite System will keep what works – common operating and ground systems, run by NOAA – but NOAA will separately procure the spacecraft for its highest priority orbit, as will the Air Force. NOAA's spacecraft procurement will be managed by the National Aeronautics and Space Administration, as has been the case with prior polar satellites and all geostationary satellites, and is fully funded in the NOAA request rather than shared with the Air Force.

Strengthening our knowledge on climate, weather and ecosystem sciences, as proposed in the Budget, will also increase America's competitiveness. For example, the requested increase for the multi-agency Next Generation Air Transportation System would support enhanced weather information that, when fully integrated into the Federal Aviation Administration's operational decision-making process, could significantly reduce flight delays. There are also increases to strengthen NOAA's climate research and observation capabilities, including upgrades to climate science and improved modeling and assessments at the global, national and regional levels. In addition, we recently announced our plans to develop a NOAA Climate Service, and we look forward to working with the Subcommittee toward that goal.

The Budget includes \$2.3 billion for the U.S. Patent and Trademark Office (USPTO) to put the agency on a path to reduce first action pendency to 10 months and total pendency for patent applications to 20 months, implement a new, targeted hiring model, and make critical investments in its information technology, to support companies and innovators seeking to bring new products to market. The Budget also gives USPTO full access to its

fee collections and will strengthen its efforts to improve the speed and quality of patent examinations through an interim fee increase and fee-setting authority to better reflect the costs of providing services. Shorter pendency times at USPTO, in combination with patent reform legislation and other mechanisms for improving patent quality, can reduce legal uncertainty over rights and drive commercialization of new technologies.

In FY 2011, with funding of \$46 million, the National Telecommunications and Information Administration (NTIA) will continue its important policy, spectrum management, and research programs that support emerging technologies and affordable, alternative communications services that can drive economic growth and create jobs. The Administration and NTIA have moved aggressively to create an economic and regulatory environment in which innovations in information and communications technologies can flourish. In addition, as noted above, NTIA will focus on administering the billions of dollars in broadband grants being awarded this year; broadband is a central part of the infrastructure necessary for the economy to create jobs and thrive. The Budget provides \$23.7 million for post-award administration and oversight of BTOP grants for construction and mapping, and for ongoing work with the FCC to maintain the national broadband map.

The Budget includes \$1.3 billion for the Economics and Statistics Administration's (ESA) Census Bureau to process, tabulate, and release 2010 Census data, conduct extensive evaluations of the Census, improve the data collection methods of the American Community Survey (ACS), and begin a continuous update process of the Census Bureau's geospatial and address data, which is expected to produce long-run cost savings for the taxpayer. Understanding the demographic profile and economic structure of the Nation is key to any business or policy decision designed to promote job creation or to improve the economic well-being of American families. For example, the Budget proposes to expand the ACS sample size, which will increase the reliability of ACS data, especially for areas with a population of 20,000 or less. This increased reliability will greatly benefit entrepreneurs and businesses by informing their decisions about where to expand their operations and providing better data on the changing economic, social, and demographic trends of their workforce and customers. It also will lead to more efficient allocations of more than \$400 billion in Federal funds to communities, ensuring that even the smallest of towns, communities, rural areas, and tribal lands get their fair share of funding for schools, transportation projects and job training.

The request also provides \$109 million for ESA's Bureau of Economic Analysis to develop new statistics that provide greater detail on key economic sectors to ensure that regulators, policymakers and businesses have all the necessary data at their disposal to make the most effective investment and economic policy decisions. This includes data on the American family's income, spending, savings and debt. More accessible data will help businesses of all sizes make better investment decisions that can, in turn, lead to job growth. The Bureau will also reinstate statistics on new direct foreign investment into the United States and produce data critical to analyzing the energy sector's contribution to U.S. economic growth, productivity, inflation, the trade balance, and income.

In FY 2011, with funding of \$113 million, the Bureau of Industry and Security's (BIS) Office of Export Enforcement will step up its efforts to prevent illegal exports of sensitive dual-use goods and technologies that could endanger the nation. Enhancements included within a \$10 million increase will strengthen counter proliferation, counterterrorism, and other national security programs and investigations. These funds will allow BIS to expand its field presence and increase coordination and liaison with the intelligence community as well.

The Budget includes \$286 million for the Economic Development Administration (EDA), since competitive, high-performing regional economies are the building blocks of sustainable growth. As part of the Administration's place-based initiative, the Budget targets \$75 million toward planning and matching grants within EDA to support the creation of Regional Innovation Clusters that leverage regions' competitive strengths to boost job creation and economic growth. For example, EDA and NIST's Hollings Manufacturing Extension Partnership are currently partnering with the Departments of Energy, Education, and Labor, as well as the National Science Foundation and Small Business Administration on a joint Federal opportunity announcement for the Energy Regional Innovation Cluster. These agencies have issued a unique joint funding opportunity encouraging consortia from regions across the country to compete for a combined investment of up to \$129 million to accelerate the development of a Regional Innovation Cluster specializing in energy-efficient building technologies.

The \$32 million requested for the Minority Business Development Agency (MBDA) will further implement the Department's responsibilities under the Native American Business Development, Trade Promotion, and Tourism Act of 2000 and the Indian Tribal Regulatory Reform and Business Development Act of 2000. These funds will increase the activities and outreach of MBDA's Office of Native American Business Development and support research on Native American trade promotion and economic disparities.

The Budget provides \$84 million for Departmental Management, including \$17.5 million towards renovation of the Herbert C. Hoover Building, the Department's 73-year-old headquarters in downtown Washington, D.C. This long-term project, developed in coordination with the General Services Administration, addresses major deficiencies in the building's antiquated mechanical, electrical, plumbing, fire safety and security systems. The Subcommittee's continued support for this project will yield great benefits for our working conditions. Also within the Departmental Management account, the Budget provides small increases to improve cyber security by protecting sensitive information from increased malicious activities, and to strengthen our acquisition management workforce that is responsible for oversight of Department-wide activities. We are also requesting \$29 million for the Office of Inspector General, including additional funds to increase its oversight of Departmental acquisitions and contracts, and to support the Council of the Inspectors General on Integrity and Efficiency (established by the Inspector General Reform Act of 2008).

As part of the Administration's line-by-line review of the Budget to identify programs that are outdated, ineffective, or duplicative, we are proposing to terminate the Public

Telecommunications Facilities Program and consolidate support for public broadcasters in the Corporation for Public Broadcasting. The Budget also proposes to eliminate a yearly subsidy to a small number of firms in the worsted wool manufacturing industry that have already received about \$25 million over the past five years. Finally, we would rescind \$43 million of unobligated balances for the Emergency Steel Guaranteed Loan Program, which currently has no active loans, but leave \$5 million in the account in case there are future guarantee requirements.

In closing, the Department of Commerce has a broad mandate to advance economic growth, jobs and opportunities for the American people. While we are currently facing challenging economic times, this Budget provides a blueprint for us to carry out that mandate and help the Nation rise to the challenge and forge ahead. Thank you for the opportunity to come before you today, and for your continuing support of the Department of Commerce and its programs. I look forward to your questions.