

**WRITTEN TESTIMONY BY SECRETARY PENNY PRITZKER  
U.S. DEPARTMENT OF COMMERCE  
FISCAL YEAR 2017 BUDGET REQUEST**

Chairman Culberson, Ranking Member Honda, and members of the Subcommittee, thank you for this opportunity to discuss President Obama's Fiscal Year 2017 (FY17) Budget Request for the U.S. Department of Commerce. The priorities included in the FY17 Budget request build upon the important investments you enacted in FY16 and I am grateful for your support.

As the Secretary of the Commerce, it is my responsibility to ensure that the Department's resources are allocated to the highest priority programs and projects that provide the largest benefits for businesses, communities, and workers across the United States. With the \$9.7 billion in discretionary funding requested for Commerce in the FY17 Budget, I believe we can make significant progress in all of our key mission areas that we carry out on behalf of the American people.

I'm proud that my Department has played such an integral role in creating 14 million jobs and helping to set the Nation on a fiscally responsible course, but I am cognizant of the immense challenges that remain in front of us. The funding in the FY17 Budget is designed to address those challenges by making critical investments in the following key areas: promoting exports and foreign investment; increasing research and development opportunities to foster technological innovations and the digital economy; strengthening entrepreneurship and the U.S. economy; fueling a data-driven economy; and supporting the environment and natural resources.

At the same time, the FY17 Budget also reflects the difficult tradeoffs that were made to capitalize on ways to operate more efficiently and reduce costs.

Our FY17 Budget request directly aligns with the Department's "Open for Business" Agenda, which reflects Commerce's unique role as the voice of business and the Administration's focus on economic growth and job creation. Through the "Open for Business" Agenda, successful initiatives have been launched to help American businesses prosper in foreign markets, improve market access to make sure American companies are on equal footing when competing abroad, and leverage public-private partnerships to enable businesses and communities to make better use of government data.

None of our achievements would be possible without the support of the Congress and especially the members of this Committee. I look forward to working with you so that we can continue to build on our economic momentum and accelerate our growth both in the United States and around the world.

Outlined below in greater detail are specific investments that we have prioritized in the FY17 Department of Commerce Budget:

**Promoting Trade and Investment:**

The United States is the world's largest exporter and importer of goods and services, and the world's largest recipient of foreign direct investment. Increasing trade and investment is critical to growing our economy as nearly 10 million U.S. jobs are now supported by exports. In 2015, the United States exported \$2.23 trillion in goods and services and our exports are flourishing in worldwide markets from China to Brazil to Mexico.

The FY17 President's Budget requests \$521 million for the International Trade Administration (ITA), which is nearly an 8 percent increase over the FY 2016 enacted amount. This funding level will allow ITA to expand the presence of its foreign trade specialists, both overseas and domestically, as well as strengthen ITA's trade enforcement team.

Within its topline, the Budget includes \$20 million for ITA to expand SelectUSA, which seeks to recruit foreign businesses to invest and create new jobs in the United States. Moreover, the Department of Commerce will serve as the host for the Select USA Investment Summit, an annual event that attracts thousands of international and national leaders from businesses, economic development organizations, government, and other industry stakeholders. This year's Summit is scheduled for June 19-21 in Washington, DC.

Other funds will support ITA's efforts to make it easier for U.S. companies of all sizes to reach consumers who live beyond our borders. ITA is educating companies about markets opened by Free Trade Agreements and working with industries so they can overcome obstacles in foreign markets and take advantage of export financing options. At the same time, this budget will support ITA's efforts to vigorously enforce our trade laws, and protect American jobs by ensuring a level playing field for American companies.

The President's Budget also provides \$127 million for the Bureau of Industry and Security (BIS), a \$14 million increase over the FY 2016 enacted level. These resources will augment BIS' ongoing domestic and international efforts to curtail illegal exports while facilitating secure trade with U.S. allies and close partners. The FY17 request enables BIS to proactively engage with U.S. industries and foreign governments and companies and help them better understand and comply with complex regulations that govern U.S. trade and enforcement policies (such as the Export Administration Regulations).

### **Spurring Innovation and Technology:**

The Budget increases investment in some of the Department's most effective programs to spur innovation and economic growth in the manufacturing sector.

Launched in 2012, the Federal government spearheaded a national effort to create public-private institutes focused on manufacturing innovation. The National Network for Manufacturing Innovation (NNMI) was established as a way to accelerate development and adoption of cutting-edge manufacturing technologies for new products that can compete in international markets. Each NNMI has a unique focus, but a common goal to create, showcase, and deploy new capabilities and new manufacturing processes.

The \$1 billion request in the Budget for the National Institute of Standards and Technology (NIST) builds on this initiative. Specifically, \$42 million is provided to sustain the first Commerce-led institute and launch two new institutes (in total, the President's Budget request funds five new manufacturing institutes).

Funding in FY17 further supports NIST's efforts to accelerate research and development at its national laboratories to expand labs-to-market transfers of innovations in manufacturing and other technologies. In a separate-but-related effort, the Budget invests \$50 million in mandatory spending for a new competitive grant program within the Economic Development Administration (EDA) to incentivize partnerships between Federal Labs, academia, and regional economic development organizations enabling the transfer of knowledge and technologies from Labs to private industry for commercialization.

An additional \$141 million investment is proposed for the Hollings Manufacturing Extension Partnership (MEP), which focuses on expanding technology and supply chain capabilities to support technology adoption by smaller manufacturers to improve their competitiveness.

The FY17 Budget request is responsive to pressing issues that require innovative and thoughtful solutions.

Recognizing that the national and economic security of the United States depends on the reliable functioning of critical infrastructure, the Budget focuses on improving the Nation's cybersecurity posture. This is an area of increased emphasis throughout the Federal government. As more and more sensitive data is stored online, the consequences of attacks grow more significant each year.

The President is establishing the Commission on Enhancing National Cybersecurity, comprised of top strategic, business, and technical thinkers from outside of Government – including members to be designated by the bi-partisan Congressional leadership. The National Institute of Standards and Technology (NIST) will provide the Commission with support to allow it to carry out its mission.

In addition, the National Telecommunications and Information Administration's (NTIA) FY17 Budget of \$51 million will enable the agency to develop and implement policies to meet challenges related to Internet openness, privacy, security, and the digital economy. These resources will enable NTIA's BroadbandUSA to work with State and local governments, nonprofits, and researchers to overcome obstacles to increase broadband access and adoption in communities looking to expand their communications infrastructure.

The FY17 Budget request demonstrates the Administration's continued commitment to broadband telecommunications as a driver of economic development, job creation, technological innovation, and enhanced public safety. The President's broadband vision of freeing up 500MHz of spectrum (band) for commercial use, promoting broadband competition in communities throughout the country and connecting over 99 percent of schools to high-speed broadband connections through the ConnectED initiative will create thousands of jobs and ensure that students have access to the best educational tools available.

### **Strengthening U.S. Entrepreneurship and the Economy:**

Entrepreneurship is a key driver of the economy and a pathway for millions of hard-working Americans to provide for their families. In support of that goal, the FY17 Budget provides for key investments in the U.S. Patent and Trademark Office (USPTO), the Minority Business Development Agency (MBDA), and the

Economic Development Administration (EDA).

The \$3.2 billion request in FY17 for the USPTO will help American entrepreneurs and businesses bring their innovations to the marketplace. Funded entirely by fees from their users, USPTO continues to lead America's innovation community by making it easier for American entrepreneurs and businesses to develop, protect, and scale their inventions. These breakthroughs help pave the way for new technologies and jobs.

As the USPTO carries out its mandates under the America Invents Act, it remains focused on adopting policies and programs that embolden and strengthen the Nation's intellectual property system. USPTO recently opened four permanent regional offices across the Nation and will hire subject matter experts to reduce the backlog of unexamined patents while ensuring pending applications are reviewed expeditiously. USPTO also will implement administrative actions proposed by the President's Task Force on High-Tech Patent Issues and build an intellectual property system outfitted for the 21<sup>st</sup> Century.

Another critical priority in FY17 is to continue supporting the national growth of minority-owned U.S. businesses. The President's Budget requests \$36 million for the Minority Business Development Agency (MBDA), a \$4 million increase from the FY 2016 enacted level.

Minority-owned firms make a significant and valuable contribution to our economy and export at a higher rate compared to all U.S. firms. Additionally, with an eye on developing future leaders of America, \$3.6 million is targeted for a new MBDA Business Innovation for Young Entrepreneurs program. This program will create a coordinated approach to engage, educate and build capacity among young minority entrepreneurs through competitive grants in regions of the U.S. with high concentrations of minorities, youth, and unemployment.

Finally, the Budget focuses resources on supporting economic growth in American communities. The FY17 request provides \$258 million for the Economic Development Administration (EDA) to support innovative economic development planning, regional capacity building, and capital projects. Within this amount, \$20 million is included for the Regional Innovation Strategies Program to promote economic development projects that spur entrepreneurship and innovation at the regional level.

EDA's Budget includes a variety of assistance programs, such as: \$35 million for

Partnership Planning to support local organizations with their long-term economic development planning efforts and outreach; \$50 million for Economic Adjustment Assistance aimed at critical investments such as economic diversification planning, and implementation, technical assistance, and access to business start-up facilities and equipment; and \$85 million for Public Works infrastructure.

### **Fueling a Data-Driven Economy:**

Data powers the 21<sup>st</sup> Century economy, and Commerce Department data touches every American and informs countless business decisions every day. The Census Bureau is committed to achieving a 2020 Census that delivers on the core mission to be as accurate as possible while keeping costs at or below the per-household cost of the 2010 decennial census. Streamlining, modernizing, and automating operations in preparation of the 2020 Decennial Census will potentially save the American taxpayer more than \$5 billion when compared to the cost of repeating the 2010 Census design without sacrificing quality.

The Budget provides \$1.6 billion to support key development and implementation of innovative design methods necessary to achieve these goals for the 2020 Decennial Census. This includes \$103 million for the Census Enterprise Data Collection and Processing (CEDCaP) IT system that will provide a necessary foundation for newly-automated 2020 data collection and processing operations.

In accordance with the Federal Digital Strategy, the Census Bureau has set a goal to unlock the potential of our data and products to better meet the needs of its users. This Budget includes funding to enable users such as businesses, policy makers, and the American public to make better data-driven decisions based on enhanced statistics, easy-to-use tools, and standardized data elements.

The Budget provides for a planned cyclical increase for the Economic Census, which is the official five-year measure of American business and the economy. In addition, \$115 million is requested for the Economics and Statistics Administration (ESA) and the Bureau of Economic Analysis (BEA) to leverage data to forge enhanced collaboration and expertise across the Federal government as well as provide timely, accurate, and relevant economic statistics in an objective and cost-effective manner. Included in this budget request is a proposal that will create a county level GDP measure to help policy makers at all levels of government and businesses better target investments to areas of need and measure the impact of these investments.

## **Supporting the Environment and Natural Resources:**

The Department's commitment to supporting the environment and natural resources is demonstrated through its request of \$5.8 billion for the National Oceanic and Atmospheric Administration (NOAA). The Budget, which is a \$77 million increase over the FY 2016 enacted level, focuses on supporting NOAA's core missions, including deploying the next generation of weather satellites and observational infrastructure, fostering healthy marine resources, strengthening resiliency, and improving forecasting accuracy and lead times for severe weather.

To ensure the robustness of NOAA's observational infrastructure, the Budget provides \$2.3 billion to fully fund the next generation of weather satellites. This includes \$393 million for the Polar Follow-On satellite program enabling NOAA to maintain an optimal launch schedule to help minimize the risk of any potential gap in weather data in a cost-effective manner. The Department recently released its Commercial Space Policy and is exploring the viability of buying more weather data from the private sector.

The Budget invests \$1 billion for the National Marine Fisheries Service and \$570 million for the National Ocean Service, including \$20 million for an expanded competitive Regional Coastal Resilience Grants Program to help reduce the risks and impacts associated with extreme weather events and changing ocean conditions and uses. The Budget further provides \$9 million to help fishing communities, which face significant climate challenges, become more resilient to the impacts of fisheries disasters. These competitive funds will assist communities that have sustained a disaster to become more environmentally and economically resilient through activities such as ecosystem restoration, research, and adaptation.

An additional \$12 million is requested for a new Integrated Water Prediction (IWP) initiative that will leverage the National Water Center in Tuscaloosa, Alabama. The IWP will link current expertise around the country to promote innovation in water prediction capability and services, such as providing high-resolution water information and critical water forecast information to local decision makers, emergency managers, and members of the public.

FY17 funding also supports maintaining research facilities, such as \$4.6 million to begin prep work, planning, and design to replace the Northwest Fisheries Science Center facility in Mukilteo, Washington (on Puget Sound). The facility has deteriorated to a point that it poses a near-term safety risk and threatens NOAA's mission and operations in the region. NOAA conducts important multidisciplinary research at this facility which supports the commercial and recreational fisheries in the Northwest.

To better understand the impacts of increasing levels of atmospheric carbon dioxide on ocean chemistry and marine resources, the Budget includes \$22 million for an expanded ocean acidification research program at NOAA.

Building a Weather-Ready Nation and evolving the National Weather Service (NWS) to become a more agile decision support organization capable of providing timely responses and increasingly accurate weather forecasts is a continuing area of emphasis for the Department. The Budget invests more than \$1.1 billion for NWS, which includes funding to make the United States a Weather-Ready Nation (WRN). The Department focuses on continuing to evolve NWS into a fully integrated field structure issuing consistent products and services. To support a Weather-Ready Nation, the Budget requests a \$5 million increase from the FY 2016 enacted level for the Advanced Weather Interactive Processing System Cyclical Refreshment, which is the telecommunications systems and cornerstone of NWS' field operations.

The Budget provides \$24 million to complete design, acquisition, and construction of a multi-mission regional survey vessel (RSV), which will support fishery surveys critical to species management, habitat and hydrographic surveys, and disaster response. The FY 2017 funding, combined with the \$80 million Congress provided in FY 2016, will help NOAA begin to recapitalize its fleet. Without further investment, NOAA's fleet is projected to decline by 50 percent (from 16 to 8 vessels) in the next 10 to 12 years.

Separately, the Budget includes \$100 million in mandatory funds to begin construction on a second RSV as part of a multi-year NOAA fleet recapitalization initiative.

### **Modernization Initiatives:**

Commerce is in the process of modernizing its infrastructure to protect the safety of employees and provide quality service to citizens. Many of these efforts will ultimately result in future savings. Commerce is requesting \$12 million for the ongoing renovation and modernization of its headquarters, the Herbert C. Hoover Building (HCHB). This funding is critical to the completion of Phase 5 of an 8-phase project. Phase 5 is tentatively scheduled to begin in June 2017 and end in April 2019.

This renovation provides the solutions to replace major building systems (mechanical, electrical, plumbing, heating, ventilation, air conditioning, and life safety systems) that are beyond their useful life and deteriorating. Systems being replaced will be more energy efficient and cost effective to run. It also includes the Department's effort to improve upon space utilization, decrease reliance on leased space, and reduce the government's footprint.

The Budget supports \$45 million for the Shared Services initiative that will enable bureaus to modernize mission support functions by leveraging information and services in the core areas of Human Resources (HR), Acquisition, Financial Management, and Information Technology (IT). The objective is to establish a new, customer-focused shared service model that will provide internal Department of Commerce customers with easier access to information. This includes high quality service, an improved customer experience, performance (management) measurement, external provider support, shared service independence, standardization, continuous process improvement and process transparency.

The upfront investment of establishing a shared service model is projected to generate significant cost savings by creating economies of scale and allowing bureaus and offices to pay only for the services they need rather than building their own infrastructure. Although actual cost savings are not known at this time, shared services initiatives tend to save organizations 20 to 40 percent by the end of the third year of their existence.

### **Integrating Innovative Best Practices into Core Agency Operations:**

To further the President's goals of improving customer service and enhancing the efficiency of government, Commerce requests \$6 million to support a Commerce Digital Services team, which will focus on two goals: 1) managing high priority projects to deploy digital solutions quickly across

Commerce bureaus, and 2) improving Commerce's systems to provide end users state-of-the-art technological tools.

## **Conclusion**

The FY17 Budget continues investments in those priority programs that have a strong return on investment for our Nation's taxpayers and make a tangible difference in the lives of millions of Americans. During my tenure at Commerce, we have shown that, by working together, we can make significant strides toward setting a stable foundation for economic growth; providing U.S. businesses with the necessary tools and resources to succeed; and to ensuring that America continues to lead the global economy in the 21<sup>st</sup> century. With this budget, I am confident that we will keep America "Open for Business." I look forward to working with this Committee and the rest of the Congress to achieve these important goals.