



MEMORANDUM

June 4, 2021

To: Subcommittee on Consumer Protection and Commerce Members and Staff

Fr: Committee on Energy and Commerce Staff

Re: Hearing on “The Fiscal Year 2022 Department of Commerce Budget”

On **Tuesday, June 8, 2021, at 2 p.m. (EDT) via Cisco Webex online video conferencing**, the Subcommittee on Consumer Protection and Commerce will hold a hearing entitled, “The Fiscal Year 2022 Department of Commerce Budget.”

I. DEPARTMENT OF COMMERCE

The Department of Commerce (DOC) promotes job creation and economic growth by “ensuring fair trade, providing the data necessary to support commerce and constitutional democracy, and fostering innovation by setting standards and conducting foundational research and development.”¹ DOC has over 46,000 employees located in all 50 states and more than 86 countries.² In carrying out its mission, DOC has launched several initiatives to promote domestic manufacturing and U.S. competitiveness.³ These initiatives help DOC achieve its strategic goals, including accelerating U.S. leadership, enhancing job creation, and strengthening U.S. economic and national security.⁴

II. THE PRESIDENT’S BUDGET REQUEST FOR FISCAL YEAR 2022

President Biden’s budget request includes \$11.5 billion for DOC, a 29 percent increase over fiscal year (FY) 2021 enacted levels.⁵ The Administration proposes allocating over \$89 million to the National Telecommunications and Information Administration (NTIA), a 97

¹ Department of Commerce, *About Commerce* (www.commerce.gov/about) (accessed June 1, 2021).

² *Id.*

³ Manufacturing.gov, *Programs* (www.manufacturing.gov/programs) (accessed June 1, 2021).

⁴ *See* note 1.

⁵ Department of Commerce, *Discretionary FY 2022 – President’s Budget* (May 28, 2021).

percent increase over FY 2021 enacted levels.⁶ The proposed budget also provides funding for President Biden’s American Jobs Plan, which includes policies and programs to boost U.S. manufacturing.⁷ The Administration proposes investing \$50 billion to create a new office within DOC dedicated to monitoring domestic industrial capacity and funding investments to support the production of critical goods.⁸ The President also seeks \$37.5 billion in federal funding for semiconductor manufacturing and research over the next five years.⁹

III. MANUFACTURING

Manufacturing is the fourth largest industrial sector in the United States, employing 15.6 million Americans and representing 11 percent of Gross Domestic Product (GDP).¹⁰ The average salary for an employee in the manufacturing sector was \$72,735 in 2019, nearly \$6,000 higher than the average salaries of employees in all other sectors.¹¹ The Department of Defense (DOD) relies on the domestic manufacturing sector to support its warfighting capabilities.¹²

In recent decades, the U.S. manufacturing sector has lost market share to foreign competitors. The U.S. share of global manufacturing activity declined from 28 percent in 2002 to just over 18 percent in 2016.¹³ Since the 1960s, the manufacturing sector’s share of U.S. economic production decreased from 40 percent of GDP to under 12 percent of GDP.¹⁴ The domestic manufacturing base lost more than five million jobs between 2000 and 2015.¹⁵ China superseded the United States as the world’s largest manufacturing country in 2010, while the

⁶ *Id.*

⁷ The White House, *Budget of the U.S. Government* (May 28, 2021).

⁸ *Id.*; The White House, Briefing Room (www.whitehouse.gov/briefing-room/statements-releases/2021/03/31/fact-sheet-the-american-jobs-plan/) (accessed Apr. 23, 2021).

⁹ *Id.*

¹⁰ Advanced Manufacturing National Program Office, *Manufacturing Day 2020: Staying Safer in 2020* (Oct. 2020).

¹¹ Bureau of Economic Analysis, National Income and Product Accounts, Table 6.6D. Wages and Salaries Per Full-time Equivalent Employee by Industry (July 2020) (apps.bea.gov/iTable/iTable.cfm?reqid=19&step=2&isuri=1&1921=survey#reqid=19&step=2&isuri=1&1921=survey).

¹² Department of Defense, *Fiscal Year 2020 Industrial Capabilities Report to Congress* (Jan. 2021); Congressional Research Service, *Defense Primer: U.S. Defense Industrial Base* (Jan. 2021).

¹³ Congressional Research Service, *U.S. Manufacturing in International Perspective* (Feb. 2018).

¹⁴ Department of Defense Industrial Policy, *Fiscal Year 2020 Industrial Capabilities Report to Congress* (Jan. 2021).

¹⁵ *Id.*

manufacturing outputs of China, South Korea, Germany, and Mexico are growing faster than U.S. manufacturing output.¹⁶

The coronavirus diseases of 2019 (COVID-19) pandemic has exposed gaps in domestic manufacturing capacity in the United States and vulnerabilities in global supply chains. According to surveys administered by the Federal Reserve Bank of Cleveland, over 70 percent of U.S. firms experienced supply chain disruptions in each quarter of 2020.¹⁷ Volatile demand, manufacturing disruptions, the lack of surge capacity, and insufficient domestic production capacity contributed to shortages of critical medical equipment, products, and drugs needed to combat the COVID-19 pandemic.¹⁸ Steel shortages in the winter threatened to shut down or reduce production of steel-intensive manufactured goods, such as automobiles.¹⁹ A critical shortage in semiconductors—chips critical for the fabrication of electronic devices—has forced several automobile and other manufactures to idle or significantly reduce production.²⁰

IV. FEDERAL ACTIONS TO SUPPORT DOMESTIC MANUFACTURING

A. Executive Order on U.S. Supply Chains

In February, President Biden issued Executive Order (EO)14017 to improve the resilience and security of supply chains for critical and essential goods. The EO launches a comprehensive review of U.S. supply chains and directs federal departments and agencies to identify ways to secure U.S. supply chains against a wide range of risks and vulnerabilities.²¹

B. The CHIPS for America Act

In December 2020, Congress passed the Creating Helpful Incentives to Produce Semiconductors for America Act (CHIPS for America Act) as part of the National Defense Authorization Act.²² The CHIPS for America Act authorizes DOC to provide federal incentives

¹⁶ See note 13.

¹⁷ Federal Reserve Bank of Cleveland, District Data Brief, *COVID-19 and Supply Chains: A Year of Evolving Disruption* (Feb. 2021).

¹⁸ Johns Hopkins Bloomberg School of Public Health, *The Pandemic and The Supply Chain: Addressing Gaps in Pharmaceutical Production and Distribution* (Nov. 2020); Healthcare Anchor Network, *Reimagining Personal Protective Equipment (PPE) Supply Chains* (Nov. 2020).

¹⁹ *U.S. Auto Manufacturers and Other Facing Steel Shortage*, S&P Global Platts (Nov. 20, 2020).

²⁰ *A Tiny Part's Big Ripple: Global Chip Shortage Hobbles the Auto Industry*, New York Times (Apr. 23, 2021).

²¹ The White House, Briefing Room (www.whitehouse.gov/briefing-room/presidential-actions/2021/02/24/executive-order-on-americas-supply-chains/) (accessed Apr. 23, 2021).

²² Public Law No. 116-283.

to promote semiconductor manufacturing and federal investments in semiconductor research.²³ According to a study by the Semiconductor Industry Association, robust federal incentives for domestic semiconductor manufacturing would reverse a decades-long decline of chip production in the United States, create as many as 19 major semiconductor manufacturing facilities in the United States, and support 70,000 high-paying jobs over the next 10 years.²⁴

C. The American COMPETE Act

Congress passed the American Competitiveness Of a More Productive Emerging Tech Economy Act (American COMPETE Act) as part of the Consolidated Appropriations Act, 2021.²⁵ This law directs DOC and the Federal Trade Commission to study and report to Congress on the state of the artificial intelligence, quantum computing, blockchain, and the new and advanced materials industries in the United States. DOC is also required to study and report to Congress on the state of the Internet of Things (IoT), IoT manufacturing industries, and the three-dimensional printing industry.

V. WITNESS

Gina M. Raimondo
Secretary
United States Department of Commerce

²³ *Id.*

²⁴ Semiconductor Industry Association, *Semiconductor Industry Applauds NDAA Enactment, Urges Full Funding for Semiconductor Manufacturing and Research Provisions* (Jan. 2021).

²⁵ Public Law No. 116-260.