



MEMORANDUM

June 24, 2024

TO: Members, Subcommittee on Innovation, Data, and Commerce
FROM: Committee Majority Staff
RE: Hearing Titled “The Fiscal Year 2025 Department of Commerce Budget.”

I. Introduction

The Subcommittee on Innovation, Data, and Commerce has scheduled a hearing on Wednesday, June 26, 2024, at 10:00 a.m. (ET) in 2123 Rayburn House Office Building. The title of the hearing is “The Fiscal Year 2025 Department of Commerce Budget.”

II. Witness

- The Honorable Gina Raimondo, Secretary of Commerce

III. Department of Commerce

The Department of Commerce’s mission is to create the conditions for economic growth and opportunity for all communities. Through its 13 bureaus, the Department works to drive U.S. economic competitiveness, strengthen domestic industry, and spur the growth of quality jobs in all communities across the country. The Department serves as the voice of business in the Federal Government.¹

Building on its mission statement, the Department of Commerce’s 2022–2026 Strategic Plan includes Strategic Objective 1.2, “Accelerate the development, commercialization, and deployment of critical and emerging technologies.”² The objective states that “[t]o maintain its global leadership, the Nation must innovate more and innovate faster than the rest of the world” and that “[t]he Department will also work closely with industry to create the necessary conditions for innovation in the public and private sectors.”³

IV. The President’s Budget Request for Fiscal Year 2025

¹U.S. Department of Commerce, About Commerce, <https://www.commerce.gov/about>.

² U.S. Department of Commerce, “Strategic Plan 2022–2026,” <https://www.commerce.gov/sites/default/files/2022-03/DOC-Strategic-Plan-2022%E2%80%932026.pdf>.

³ U.S. Department of Commerce, “Strategic Plan 2022–2026,” <https://www.commerce.gov/sites/default/files/2022-03/DOC-Strategic-Plan-2022%E2%80%932026.pdf>.

In President Biden’s Fiscal Year 2025 budget request, the Department of Commerce requests \$11.4 billion in discretionary budgetary authority for 2025, a \$287 million or 2.4 percent increase above the 2023 level.⁴ The budget request includes \$65 million for Commerce to safeguard, regulate, and promote artificial intelligence (AI), including protecting the American public against its societal risks. Such funds would be used to establish the U.S. AI Safety Institute which would be responsible for creating guidelines, tools, benchmarks, and best practices for evaluating and mitigating dangerous capabilities and conducting evaluations, including red-teaming to identify and mitigate AI risk.

V. Supply Chain

During the COVID–19 pandemic, many Americans were unable to secure essential goods like personal protective equipment, cleaning materials, furniture, and appliances.⁵ This inaccessibility of products was exacerbated by supply chain constraints for critical components, like semiconductors, used in many consumer products.⁶ The pandemic also shined a light on the vulnerabilities of U.S. supply chains, particularly how [re]liant the U.S. is on adversaries, like China, for critical goods and components of such goods.⁷ The Biden administration and Congress are examining how to map and monitor critical supply chains while protecting information voluntarily provided by the private sector, to understand better where exactly vulnerabilities exist within such supply chains, and subsequently decrease reliance on foreign adversaries like China for critical goods.

In executing goals outlined in the Committee’s work to enact the American COMPETE Act,⁸ the Department of Commerce is developing strategies to increase American competitiveness in the advancement and deployment of emerging technologies. This law reflects the importance of promoting the advancement and deployment of emerging technologies that are critical to help secure American economic and national security in the 21st century. Failure to reduce barriers and support and promote innovation and deployment of emerging technologies can cause the U.S. to cede leadership to countries like China, which could have negative economic and national security implications.

In building off this work, on May 15, 2024, the House overwhelmingly passed H.R. 6571, the Promoting Resilient Supply Chains Act of 2023, to develop a more secure supply chain for the United States with dedicated personnel focused on this mission.

VI. Blockchain

⁴ The White House, Office of Management and Budget, “Budget of the U.S. Government Fiscal Year 2025,” (March 2024), https://www.whitehouse.gov/wp-content/uploads/2024/03/budget_fy2025.pdf.

⁵ Peter Goodman and Moraj Chokshi, “How the World Ran Out of Everything,” New York Times, (June 2021), <https://www.nytimes.com/2021/06/01/business/coronavirus-global-shortages.html>.

⁶ Peter Goodman and Moraj Chokshi, “How the World Ran Out of Everything,” New York Times, (June 2021), <https://www.nytimes.com/2021/06/01/business/coronavirus-global-shortages.html>.

⁷ The White House, “Executive Order on America’s Supply Chains: A Year of Action and Progress,” (February 2022), <https://www.whitehouse.gov/wp-content/uploads/2022/02/Capstone-Report-Biden.pdf>.

⁸ H.R. 8132, American Competitiveness of a More Productive Emerging Tech Economy Act (116th Congress), <https://www.congress.gov/bill/116th-congress/house-bill/8132>.

Today, many of the challenges facing the United States are digital and technological, with the leading countries writing technical standards for those lagging behind. It is critical that America—not China—set the rules of the road for the technologies of tomorrow. In a March 2023 report titled “The New American Foreign Policy of Technology,” the German Marshall Fund stated that “US leadership is needed to ensure that nationalist and authoritarian forces do not fill the resulting structural vacuum in an increasingly digital world.”⁹

Supporting the competitiveness of the United States is also important relative to blockchain technology, in order to ensure China does not control the world’s rights to access the internet. Despite the dominance of Silicon Valley during the early days of the internet, recent reports show that the United States is losing market share amongst blockchain developers.¹⁰ Meaningful support for American technological leadership depends on open dialogue and collaboration among the Federal government, industry, academia, civil society, and other engaged stakeholders. The mission of the Department of Commerce is to promote American leadership and global competitiveness, making it well-positioned to promote the use of blockchains technology in interstate commerce.

On May 15, 2024, the House voted overwhelmingly to pass H.R. 6572, the Deploying American Blockchains Act. Building on the American COMPETE Act reports issued in August 2023,¹¹ H.R. 6572 ensures that the Secretary of Commerce is taking actions necessary and appropriate to promote the competitiveness of the U.S. relating to blockchain technologies.

VII. CHIPS Act

In August 2022, President Biden signed into law the CHIPS and Science Act (P. L. 117-167). The Act appropriated \$39 billion to expand domestic semiconductor manufacturing capacity and \$11 billion for research and development of next-generation semiconductor technologies.¹²

The CHIPS Program Office (CPO) has announced preliminary memorandum of terms (PMT) to provide \$29.556 billion in grant awards and up to \$25.1 billion in loans to 10 companies across 19 projects in 12 states.¹³ Examples of CPO proposed grants include \$6.14

⁹ The German Marshall Fund of the United States, Karen Kornbluh and Julia Trehu, “The New American Foreign Policy of Technology,” (March 13, 2023), <https://www.gmfus.org/news/new-american-foreign-policy-technology>.

¹⁰ Electric Capital, Developer Report (October 1, 2023), <https://www.developerreport.com/developer-report-geography>.

¹¹ National Institute of Standards and Technology, Updates, “NIST Delivers Report on American Competitiveness in Critical High-Tech Industries,” (August 17, 2023), <https://www.nist.gov/news-events/news/2023/08/nist-delivers-report-american-competitiveness-critical-high-tech-industries>.

¹² Congressional Research Service, “Semiconductors and Artificial Intelligence,” (September 18, 2023), <https://www.crs.gov/Reports/IF12497>.

¹³ Semiconductor Industry Association, CHIPS Incentives Awards, “Commerce Department Announces First CHIPS Grant Recipients,” (June 12, 2024), <https://www.semiconductors.org/chips-incentives-awards/>.

billion to Micron,¹⁴ \$6.4 billion to Samsung, and \$8.5 billion to Intel.¹⁵ See Appendix 1 for additional information on CPO allocations.

VIII. Data Privacy

Trans-Atlantic data flows underpin more than \$1 trillion in cross-border trade and investment per year and create greater economic opportunities for companies and citizens on both sides of the Atlantic. Such international commerce is currently fostered with the European Union (EU) under an adequacy decision published by the European Commission on July 10, 2023, via the European Union-U.S. Data Privacy Framework (DPF). The decision concluded that the DPF ensures an adequate level of protection for transferring personal data from the European Union to the U.S. A similar agreement with the United Kingdom followed in the form of the UK-US Data Bridge. The DPF will be an important tool for small- and medium-size businesses wishing to participate in the transatlantic economy, providing an affordable and straightforward means of transferring personal data consistent with EU law.¹⁶

IX. Artificial Intelligence Executive Order

On October 30, 2023, the Biden administration issued an Executive Order (EO) on the “Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence,” which outlines key administration policies and principles for overseeing and deploying AI, as well as the responsibilities and duties of various executive agencies.¹⁷ The EO directs the Secretary of Commerce to:¹⁸

- Establish guidelines and best practices, with the aim of promoting consensus industry standards, for developing and deploying safe, secure, and trustworthy AI systems;
- Establish appropriate guidelines (except for AI used as a component of a national security system), including appropriate procedures and processes, to enable developers of AI, especially of dual-use foundation models, to conduct AI red-teaming tests to enable deployment of safe, secure, and trustworthy systems;

¹⁴ National Institute of Standards and Technology, Updates, “Biden-Harris Administration Announces Preliminary Terms with Micron to Onshore Leading-Edge Memory Chip Production in U.S. for First Time in Decades,” (April 25, 2024), <https://www.nist.gov/news-events/news/2024/04/biden-harris-administration-announces-preliminary-terms-micron-onshore/>.

¹⁵ Intel, “Intel Arizona: The Silicon Desert,” <https://download.intel.com/newsroom/2024/corporate/Intel-Arizona-The-Silicon-desert.pdf>.

¹⁶ U.S. Department of Commerce, Press Releases, Office of Public Affairs, “Statement from U.S. Secretary of Commerce Gina Raimondo on the European Union-U.S. Data Privacy Framework,” (July 10, 2023), <https://www.commerce.gov/news/press-releases/2023/07/statement-us-secretary-commerce-gina-raimondo-european-union-us-data-0>.

¹⁷ Exec. Order No. 14110, Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence, 88 Federal Register 75191, (November 1, 2023), <https://www.whitehouse.gov/briefing-room/presidential-actions/2023/10/30/executive-order-on-the-safe-secure-and-trustworthy-development-and-use-of-artificial-intelligence/>.

¹⁸ The White House, Briefing Room, Presidential Actions, “Executive Order on the Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence,” (October 30, 2023), <https://www.whitehouse.gov/briefing-room/presidential-actions/2023/10/30/executive-order-on-the-safe-secure-and-trustworthy-development-and-use-of-artificial-intelligence/>.

- Require companies developing or demonstrating an intent to develop potential dual-use foundation models to provide the Federal Government, on an ongoing basis, with information, reports, or records;
- Require companies, individuals, or other organizations or entities that acquire, develop, or possess a potential large-scale computing cluster to report any such acquisition, development, or possession, including the existence and location of these clusters and the amount of total computing power available in each cluster;
- Define and update, as needed on a regular basis, the set of technical conditions for models and computing clusters that would be subject to certain reporting requirements;
- Propose regulations that require U.S. infrastructure-as-a-service providers (IaaS), such as Amazon Web Services or Microsoft Azure, to report transactions and conduct identity verification when a foreign person uses their services to train a large AI model;
- Conduct a study, issue a report, and issue guidance on identifying the existing standards, tools, methods, and practices to identify and label AI-generated content; and
- Submit a report to the President on the potential risks, benefits, and implications of dual-use foundational AI models.

X. Travel and Tourism

The Department of Commerce is home of the United States Travel and Tourism Advisory Board (TTAB), a congressionally mandated federal advisory board established under the Visit America Act, which was authorized by the Committee and enacted as part of the Consolidated Appropriations Act, 2023. The TTAB serves as the advisory body to the Secretary of Commerce on matters relating to the travel and tourism industry in the United States. The TTAB is comprised of up to thirty-two members appointed by the Secretary of Commerce and advises the Secretary on policies and programs that affect the U.S. travel and tourism industry, offers counsel on current and emerging issues, and provides a forum for discussing solutions to industry-related problems.¹⁹

Since it was established in 2023, the TTAB has met five times.²⁰ In September of 2023, the TTAB released 23 recommendations to the Secretary of Commerce, under the categories of Communicating the Welcome, Accessibility, Infrastructure, Sustainability, and Workforce.²¹ In December of 2023, the TTAB was tasked with developing additional recommendations in early 2024 to further inform the implementation of the National Travel and Tourism Strategy.²²

¹⁹ International Trade Administration, U.S. Travel and Tourism Advisory Board, “About the TTAB.” <https://www.trade.gov/us-travel-and-tourism-advisory-board>.

²⁰ International Trade Administration, About the Travel and Tourism Advisory Board, “Meetings,” <https://www.trade.gov/us-travel-and-tourism-advisory-board>.

²¹ International Trade Administration, About the Travel and Tourism Advisory Board, “Recommendations,” <https://www.trade.gov/us-travel-and-tourism-advisory-board>.

²² U.S. Department of Commerce, Press Releases, Office of Public Affairs, “Readout of Secretary Raimondo’s Meeting with the U.S. Travel and Tourism Advisory Board,” (December 15, 2023), <https://www.commerce.gov/news/press-releases/2023/12/readout-secretary-raimondos-meeting-us-travel-and-tourism-advisory>.

The National Travel and Tourism Strategy was introduced by the Department of Commerce in June of 2022. It took a four-point approach to outline its goals and strategies: Promoting the United States as a Travel Destination; Facilitating Travel To and Within the United States; Ensuring Diverse, Inclusive, and Accessible Tourism Experiences; and Fostering Resilient and Sustainable Travel and Tourism.²³ The strategy also lays out a five-year goal of increasing American jobs by attracting and welcoming 90 million international visitors, who they estimate will spend \$279 billion, annually by 2027.²⁴

XI. Relevant Committee Action

Letter:

- [“Chairs Rodgers and Bilirakis Press China-Based Online Marketplaces on Potential Data Privacy and Human Rights Violations” – December 20, 2023](#)

Full Committee Hearing:

- “Legislation To Protect American Data And National Security From Foreign Adversaries” – March 7, 2024

Subcommittee Hearings:

- “Promoting U.S. Innovation And Individual Liberty Through A National Standard For Data Privacy” – March 1, 2023
- “Addressing America's Data Privacy Shortfalls: How A National Standard Fills Gaps To Protect Americans' Personal Information” – April 27, 2023
- “Building Blockchains: Exploring Web3 And Other Applications For Distributed Ledger Technologies” – June 7, 2023
- “Mapping America’s Supply Chains: Solutions To Unleash Innovation, Boost Economic Resilience, And Beat China” – September 20, 2023
- “Proposals To Enhance Product Safety And Transparency For Americans” – September 27, 2023
- “Safeguarding Data And Innovation: Setting The Foundation For The Use Of Artificial Intelligence” – October 18, 2023
- “Legislative Solutions To Protect Kids Online And Ensure Americans’ Data Privacy Rights” – April 17, 2024

XII. Previous Legislation

- H.R.1354 – Information and Communication Technology Strategy Act (Joyce)

²³ U.S. Department of Commerce, “National Travel and Tourism Strategy,” (June 2022), <https://www.commerce.gov/sites/default/files/2022-06/National-Travel-Tourism-Strategy.pdf>.

²⁴ U.S. Department of Commerce, “Fact Sheet: 2022 National Travel and Tourism Strategy,” (June 2022), <https://www.commerce.gov/news/fact-sheets/2022/06/fact-sheet-2022-national-travel-and-tourism-strategy>.

- H.R.5390 – Critical Infrastructure Manufacturing Feasibility Act (Miller-Meeks)
- H.R.5398 – Advancing Tech Startups Act (Johnson)
- H.R. 6571 – Promoting Resilient Supply Chains Act (Bucshon)
- H.R. 6572 – Deploying American Blockchains Act (Bucshon)

XIII. Issues

- What steps has the Department of Commerce taken to implement the Biden Executive Order on AI?
- How is the Department of Commerce ensuring CHIPS funding is being spent in the most effective way possible?
- What steps has the Secretary taken to promote American innovation and technological leadership on emerging technologies?
- What steps has the Secretary taken to improve transparency and resiliency in American supply chains?
- How important is establishing a national standard for data privacy and security for our international standing?

XIV. Staff Contacts

- Tim Kurth, Chief Counsel
- Teddy Tanzer, Senior Counsel
- Brannon Rains, Professional Staff Member
- Lacey Strahm, Professional Staff Member
- Alex Khlopin, Clerk

APPENDIX

Company	Location	Grant	Project Type	Date	Source
GlobalFoundries	Malta, NY	\$1.375 billion in grants and \$1.6 billion in loans	New fab, Expansion	Feb. 19	Source
GlobalFoundries	Essex Junction, VT	\$125 million	Revitalization	Feb. 19	Source
Microchip Technology	Colorado Springs	\$90 million	Modernization, Expansion	Jan. 4	Source
Microchip Technology	Gresham, OR	\$72 million	Modernization	Jan. 4	Source
BAE Systems	Nashua, NH	\$35 million	Modernization	Dec. 11	Source
Intel	Hillsboro, OR	\$8.5 billion grants & \$11 billion loans across all projects	Modernization, Expansion	Mar. 20	Source
Intel	Chandler, AZ	\$8.5 billion grants & \$11 billion loans across all projects	2 New fabs, Expansion	Mar. 20	Source
Intel	Rio Rancho, NM	\$8.5 billion grants & \$11 billion loans across all projects	2 Modernizations	Mar. 20	Source
Intel	New Albany, OH	\$8.5 billion grants & \$11 billion loans across all projects	2 New fabs	Mar. 20	Source
TSMC	Phoenix, AZ	\$6.6 billion in grants & \$5 billion in loans	3 New fabs	Apr. 8	Source
Samsung	Taylor, TX	\$6.4 billion (across all projects)	2 New fabs	Apr. 15	Source
Samsung	Taylor, TX	\$6.4 billion (across all projects)	New fab	Apr. 15	Source
Samsung	Taylor, TX	\$6.4 billion (across all projects)	New facility	Apr. 15	Source
Samsung	Austin, TX	\$6.4 billion (across all projects)	Expansion	Apr. 15	Source

Micron	Clay, NY	\$6.14 billion in grants & \$ 7.5 billion in loans across all projects	4 New fabs	Apr. 25	Source
Micron	Boise, ID	\$6.14 billion in grants & \$ 7.5 billion in loans across all projects	New fab	Apr. 25	Source
Polar	Bloomington, MN	\$120 million	Modernization, Expansion	May. 13	Source