*****As Prepared for Delivery*****
Bureau of Industry and Security
Under Secretary of Commerce for Industry and Security Jeffrey I. Kessler
House Foreign Affairs Committee
"FY27 BIS Budget: the AI Arms Race and the ICTS Office"
July 14, 2026

Chairman Mast, Ranking Member Meeks, and distinguished Members of the House Foreign Affairs Committee, thank you for inviting me to testify on the Fiscal Year (FY) 2027 President's Budget request for the Department of Commerce's Bureau of Industry and Security (BIS).

BIS's mission is to safeguard the crown jewels of the American economy: our critical technology and supply chains. Under the leadership of President Trump and Secretary Lutnick, BIS is fulfilling this mission more strongly than ever.

Consider the enforcement of our export laws. Before the Trump Administration, penalties for export violations were anemic. Licenses were being rubber-stamped, even for sensitive technologies and Entity Listed companies. Too many in the business community viewed export controls as a cost of doing business – not a reason to change behavior.

All of that has changed dramatically under this Administration. From 2024 to 2025, the total monetary penalties imposed by BIS increased more than 18-fold, from $16 million in 2024 to $324 million in 2025. And, in 2026, we have already doubled the amount of administrative penalties imposed compared to 2025. And BIS's enforcement unit has closed out several landmark cases. Within the past year, BIS announced a $252 million settlement agreement with Applied Materials on a case involving the illegal transshipment of semiconductor manufacturing equipment, a $95 million administrative penalty on Cadence Design Systems on a case involving the illegal export of semiconductor design software, and a settlement agreement totaling $36 million in penalties on a Bosch case involving the diversion of micro-electronics and automotive software to a company on the Entity List. In addition to these civil resolutions, our agents helped obtain an indictment charging three individuals in a multi-billion dollar scheme to divert servers containing advanced semiconductors through Southeast Asia.

The problem now is that our enforcement resources are spread too thin.

Our enforcement officials are overburdened, with more cases and leads than they can handle, and more than their counterparts at peer law enforcement agencies. BIS's enforcement unit should be orders of magnitude larger to safeguard critical technologies more effectively. That is why the President's Budget requests an increase for BIS's enforcement unit, from $122 million in FY26 to $301 million in FY27 – a 147% increase. This would enable the enforcement unit to increase from 299 positions to 669 positions. It would also enable BIS to increase the number of enforcement officials stationed overseas from 25 to 65. This appropriation would be a historic step toward transforming the agency to handle our national security mission more effectively.

The President's Budget also seeks smaller but important increases in appropriations for BIS's Export Administration unit, which handles licensing and supply chain investigations. This includes an increase of $11.7 million and 38 positions to add specialized engineers and technical experts to support enforcement by performing the technical assessments and licensing determinations that form the basis for enforcement actions.

It also includes an additional $20 million to support BIS's Section 232 program to revitalize industries that are critical to our national security. President Trump has revolutionized Section 232. In his first term, the President utilized this authority to address the security threats posed by foreign steel and aluminum imports.

Now in the second term, BIS is using Section 232 more aggressively than ever, resulting in a manufacturing renaissance that is rebuilding our domestic industrial base, hiring American workers, and strengthening our national security. BIS has launched more than a dozen investigations, and the President imposed tariffs on steel, aluminum, copper, pharmaceuticals, semiconductors, autos, trucks, and lumber, with other sectors under active investigation.

Though we've instituted these tariffs to address national security threats, the benefits to the American people are enormous. And the Administration has leveraged the authority to spur hundreds of billions of dollars of new investment in these critical supply chains. New factories are springing up all across the country – including new crude steelmaking capacity, new aluminum plants, reshored auto factories, and massive new investments in semiconductor and pharmaceutical production. Investing an additional $20 million in the group at BIS that administers the Section 232 program is well worth the investment.

Let me now turn to the Office of Information and Communications Technology and Services, or OICTS. This Office is responsible for mitigating foreign adversary threats in the supply chain. OICTS is implementing an industry-wide regulation to limit foreign adversary presence in supply chains – specifically, the Connected Vehicles Rule. This rule prohibits foreign adversary software in U.S. passenger vehicles starting in Model Year 2027. It also prohibits foreign adversary connected hardware in U.S. passenger vehicles starting in Model Year 2030. BIS's enforcement of this rule has already made Americans safer. Following discussions with BIS, several auto companies have decided to excise foreign adversary technology from their U.S. product offerings. These companies understand that BIS will not tolerate a risk of sabotage or data exfiltration in the cars that everyday Americans drive, and they have changed their business plans accordingly.

OICTS is currently heavily focused on implementing the Connected Vehicles Rule correctly. In the future, we expect the administration of this rule to become more routinized, and BIS will consider creating new regimes for other sectors that have risks to technology supply chains. Overall, we expect the volume of work at OICTS to remain steady, and therefore the President's Budget does not request an increase for OICTS.

I look forward to continuing our great work with this Committee to ensure that BIS has the tools and staff it needs to keep America safe and to sustain our long-term national and economic security. Thank you and I welcome your questions.