



## THE DEPARTMENT OF COMMERCE

Created in 1903, the U.S. Department of Commerce (originally called the Department of Commerce and Labor) recently celebrated the passage of more than 100 years in existence. Its mission today is to “promote job creation, economic growth, sustainable development and improved standards of living for all Americans by working in partnership with businesses, universities, communities and our nation’s workers.”<sup>1</sup> The activities of the department in carrying out this mission are diverse, but among its core functions are:

1. Monitoring and projecting national weather trends;
2. Promoting U.S. companies abroad to facilitate export opportunities abroad;
3. Administering the decennial Census and various other surveys;
4. Regulating open-sea fishing;
5. Subsidizing high-risk technological research;
6. Funding broadband development in underserved areas; and
7. Awarding patents to American businesses.

The Commerce Department is home to a number of agencies and bureaus that perform these tasks, including: the Census Bureau, the Economic Development Administration (EDA), the Patent and Trademark Office (USPTO), the National Institute for Standards and Technology (NIST), the National Oceanic and Atmospheric Administration (NOAA) which includes the National Weather Service, the National Telecommunications and Information Administration (NTIA), the International Trade Administration, and the Minority Business Development Agency.<sup>2</sup>

In Fiscal Year 2010, total appropriations for DOC were \$14.1 billion, including a large once-a-decade appropriation for the decennial Census, as well as additional funding provided through the American Recovery and Reinvestment Act (stimulus).<sup>3</sup> If these additional expenditures were not present, as in a typical year when Census appropriations are much smaller, the total appropriation for 2010 would otherwise have been \$7.86 billion.<sup>4</sup>

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<sup>1</sup> Department of Commerce website, “About the Department of Commerce,” <http://www.commerce.gov/about-department-commerce>, accessed July 14, 2011.

<sup>2</sup> Department of Commerce website, Organizational Chart, <http://www.commerce.gov/sites/default/files/documents/migrated/Department%20Organization%20Chart.pdf>, accessed July 16, 2011.

<sup>3</sup> Office of Management and Budget, Department of Commerce Fact Sheet, [http://www.whitehouse.gov/omb/factsheet\\_department\\_commerce/](http://www.whitehouse.gov/omb/factsheet_department_commerce/), accessed July 16, 2011.

<sup>4</sup> Department of Commerce website, Press Release, “Commerce Department 2012 Budget Cuts Spending, Invests in Priorities to Help America Win the Future,” February 14, 2011, <http://www.commerce.gov/news/press-releases/2011/02/14/commerce-department-2012-budget-cuts-spending-invests-priorities-help>.

More than 60 percent of DOC's budget is used for managing and regulating oceans and the fishing industry as well as for monitoring national weather patterns through the National Oceanic and Atmospheric Administration (NOAA). The next biggest components of the budget are the Census Bureau (15 percent), the NIST (10 percent), the International Trade Administration (6 percent) and EDA (less than 4 percent). The remaining agencies account for approximately five percent of the Commerce budget. USPTO's budget is approximately \$2 billion, but the agency is self-funded through fees charged for patents.<sup>5</sup>

This proposal would transfer more than 90 percent of DOC functions to other federal agencies, consolidate many of these functions into others with which they overlap and wind down the Department of Commerce. The total savings realized from consolidating duplicative programs and eliminating low-priority initiatives is at least \$26.84 billion over ten years.

### **Transferring and Consolidating Department of Commerce Programs**

#### *National Oceanic and Atmospheric Administration*

NOAA was created under President Nixon and provides scientific, technical, and management expertise to (1) promote safe and efficient marine and air navigation; (2) assess the health of coastal and marine resources; (3) monitor and predict the coastal, ocean, and global environments (including weather forecasting); and (4) protect and manage the nation's coastal resources.<sup>6</sup>

In his most recent State of the Union Address, however, President Obama mentioned the work of NOAA to highlight a larger problem related to duplication within the federal government. In his now famous example, the President spoke of salmon regulation: "Then there's my favorite example: the Interior Department is in charge of salmon while they're in fresh water, but the Commerce Department handles them in when they're in saltwater. And I hear it gets even more complicated once they're smoked."<sup>7</sup> One



of the programs he referred to is administered by NOAA. While NOAA's wildlife component mirrors and sometimes duplicates programs within the Department of Interior, NOAA also administers numerous commercial fishery programs, which mirror programs within the Department of Agriculture (USDA).

NOAA's existence outside of the Department of the Interior, as it turns out, is more an accident of history than the result of thoughtful planning. It was supposed to be combined with the Fish and Wildlife Service at Interior when it was created in 1970. But, because President Nixon, who

<sup>5</sup> President's FY 2012 Budget request for the USPTO, February 14, 2011, <http://www.uspto.gov/about/stratplan/budget/fy12pbr.pdf>.

<sup>6</sup> CRS Report: R41161, "Commerce, Justice, Science, and Related Agencies: FY2011 Appropriations," Congressional Research Service, July 14, 2011, <http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41161&Source=search>.

<sup>7</sup> Negrin, Matt, "3 decent jokes in Obama's speech," *Politico 44*, January 26, 2011, [http://www.politico.com/politico44/perm/0111/fun\\_house\\_a9b9dac6-c043-4bba-92f5-9e66195eb23b.html](http://www.politico.com/politico44/perm/0111/fun_house_a9b9dac6-c043-4bba-92f5-9e66195eb23b.html).

created the agency by executive order, was in a spat with Secretary of the Interior Wally Hickel over the handling of Vietnam, he “temporarily” housed NOAA within DOC.<sup>8</sup> The environmental component of NOAA should be transferred to the Department of Interior (DOI), which regulates wildlife everywhere else.

Plans to move NOAA’s functions to Interior have had broad support for several decades. As far back as 1992, the *New York Times* editorial board advocated for a similar policy, calling it “an eminently sound idea” and something that “would bring coherence to environmental policy.”<sup>9</sup>

In addition to its environmental functions, NOAA also has a large climate and weather research component. Most of this funding is directed to the National Environmental Satellite, Data, and Information Service (NESDIS) and the National Weather Service (NWS).<sup>10</sup> In order to provide coverage for weather forecasts and climate measurements it funds an expensive weather satellite program, which itself is comprised of two different satellite systems. NOAA’s management of its satellite program, however, has been highly ineffective.<sup>11</sup> In part, this has arisen from NOAA’s lack of experience with such complex technology, leading the agency to contract with NASA to build NOAA’s satellites and then reimburse NASA for all of the costs. NOAA rather than NASA, however, operates the satellites.

Not surprisingly, these two duplicative and overlapping satellite systems have experienced significant cost overruns, delays, and performance failures. Known as the National Polar-Orbiting Operational Environmental Satellite System (NPOESS), it was initially expected to cost \$6.5, but its current \$14 billion cost is expected to increase even further.<sup>12</sup> This, despite a reduction to four satellites instead of the original six NOAA intended to purchase.<sup>13</sup>

The other satellite system, Geostationary Operational Environmental Satellite-R Series (GOES-R), initially carried a \$6.2 billion cost estimate, but despite also decreasing the number of satellites to be purchased from four to two, the system’s cost still increased by \$1.5 billion to a total of \$7.7 billion.<sup>14</sup>

<sup>8</sup> Palmer, Brian, “One Fish, Two Fish, Who Regulates You, Fish?” *Slate*, January 26, 2011, <http://www.slate.com/id/2282622/>.

<sup>9</sup> Editorial, “Cleaning Up Environmental Policy,” *New York Times*, November 27, 1992, <http://www.nytimes.com/1992/11/27/opinion/cleaning-up-environmental-policy.html>.

<sup>10</sup> National Environmental Satellite, Data, and Information Service website, <http://www.nesdis.noaa.gov/>; National Weather Service website, <http://www.weather.gov/>.

<sup>11</sup> United States Department of Commerce Office of Inspector General, “Top Management Challenges Facing the Department of Commerce”, December 20, 2010, <http://www.oig.doc.gov/Pages/Top%20Management%20Challenges,%20December%202010.aspx>.

<sup>12</sup> United States Department of Commerce Office of Inspector General, “Top Management Challenges Facing the Department of Commerce”, December 20, 2010, <http://www.oig.doc.gov/Pages/Top%20Management%20Challenges,%20December%202010.aspx>.

<sup>13</sup> United States Department of Commerce Office of Inspector General, “Top Management Challenges Facing the Department of Commerce”, December 20, 2010, <http://www.oig.doc.gov/Pages/Top%20Management%20Challenges,%20December%202010.aspx>.

<sup>14</sup> United States Department of Commerce Office of Inspector General, “Top Management Challenges Facing the Department of Commerce”, December 20, 2010, <http://www.oig.doc.gov/Pages/Top%20Management%20Challenges,%20December%202010.aspx>.

The Inspector General found that “the Department does not have coherent policies to guide systems acquisition or effective oversight mechanisms.”<sup>15</sup> In a 2008 report, the Inspector General found that “related government spending has ballooned in recent years... Over the next 2 years, the Department of Commerce will spend an average of approximately \$3 billion annually on goods and services. The 2010 decennial census and two critical NOAA satellite systems will account for roughly a third of these annual expenditures. All three of these programs have already suffered significant cost overruns and schedule delays because of poor acquisition management.”<sup>16</sup>

In 2010, Congress spent more than \$1.1 billion for both satellite systems, constituting more than 23 percent of NOAA’s entire budget.<sup>17</sup> Instead of operating these satellites, Congress should remove this responsibility from NOAA outright and require NASA to administer this program. This proposal would achieve savings of 20 percent, or \$220 million, to the federal government in 2012, and \$2.44 billion over ten years, through reducing administrative costs. It would also limit additional cost overruns, and help NOAA to focus on its core responsibilities.

NOAA also spends \$367 million annually on climate change research. This came as part of an overall \$2.163 billion that the government spent on climate research in 2010.<sup>18</sup> It is in addition, however, to \$12.6 billion for energy efficiency and climate change technology research. While NOAA claims the mantle of lead climate research agency, and would like to create a “Climate Service,” it is not actually the top federal funder of climate research. NOAA is one of thirteen departments and agencies conducting this type of research, and is dwarfed by National Aeronautics and Space Administration (NASA).

In 2010, the following agencies provided funding for climate research:<sup>19</sup>

- NASA spent \$1.075 billion on research “to improve the ability to forecast global and regional climate change and natural disasters” – research also conducted by NOAA. NOAA and NASA also fund satellites used to monitor the earth’s climate;
- The National Science Foundation (NSF) spent \$287 million on climate change research last year – primarily non-biomedical academic research;
- The Department of Energy (DOE) spent \$235 million for biological and environmental research;
- The Department of the Interior (DOI) is planning to create eight regional climate science centers “to address current and future impacts of climate change on our land, water, wildlife, cultural heritage and tribal resources.” While these efforts will be done in cooperation with NOAA, NOAA is also planning to create six regional climate centers of

<sup>15</sup> United States Department of Commerce Office of Inspector General, “Top Management Challenges Facing the Department of Commerce”, December 20, 2010,

<http://www.oig.doc.gov/Pages/Top%20Management%20Challenges.%20December%202010.aspx>.

<sup>16</sup> OIG-19384, “Top Management Challenges Facing the Department of Commerce,” United States Department of Commerce Office of Inspector General, November 18, 2008, <http://www.oig.doc.gov/OIGPublications/OIG-19384.pdf>.

<sup>17</sup> “FY2011 Budget Summary: Chapter 7, NOAA Special Exhibits,” National Oceanic and Atmospheric Administration, [http://www.corporateservices.noaa.gov/~nbo/fy11\\_bluebook/Chapter\\_7\\_Special%20Exhibits.pdf](http://www.corporateservices.noaa.gov/~nbo/fy11_bluebook/Chapter_7_Special%20Exhibits.pdf).

<sup>18</sup> Report to Congress, “Federal Climate Change Expenditures Report to Congress,” President Barack Obama, June 2010, [http://www.whitehouse.gov/sites/default/files/omb/assets/legislative\\_reports/FY2011\\_Climate\\_Change.pdf](http://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/FY2011_Climate_Change.pdf).

<sup>19</sup> Report to Congress, “Federal Climate Change Expenditures Report to Congress,” President Barack Obama, June 2010, [http://www.whitehouse.gov/sites/default/files/omb/assets/legislative\\_reports/FY2011\\_Climate\\_Change.pdf](http://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/FY2011_Climate_Change.pdf).

its own.<sup>20</sup> These programs, most in their infant stages, received at least \$61 million in 2010 for research, and have been targeted for further expansion;

- The Department of Agriculture (USDA) received \$103 million for climate change research, including \$50 million for the National Institute of Food and Agriculture;
- The Environmental Protection Agency (EPA) spent \$21 million last year;
- The U.S. Agency for International Aid and Development (USAID) spent \$36 million last year climate change research;
- The Office of Science and Technology Policy (OSTP) received funds to work with NOAA, NASA, NSF, USGS, the DOE, and other federal agencies to coordinate the various climate observations, climate change adaptations, and civil and military environmental observation systems;<sup>21</sup>
- The Smithsonian spent \$7 million on salaries for climate change researchers;
- The Department of Health and Human Services' (HHS) National Institutes of Health (NIH) spent \$4 million on climate change research;
- The Centers of Disease and Control (CDC) appropriated \$7.5 million on environmental health research on climate change;
- The Department of Transportation (DOT) spent \$1 million on climate change research; and
- \$13 million was given to the International Panel on Climate Change (IPCC) and the United Nation's Framework Convention on Climate Change.<sup>22</sup> The IPCC has come under scrutiny in recent times as some have questioned the scientific accuracy of its report, claiming that it contains political bias.<sup>23</sup>

Congress should consolidate these various funding programs into a new office dedicated to weather research within the National Science Foundation (NSF) and reduce overall expenditures for this research. Within this entity, there would be a division in charge of all climate change research and serve as one-stop shop for other agencies to address their climate change concerns. Congress would also reduce annual appropriations to \$1 billion for this research as result of eliminating duplicative and overhead expenses. Streamlining these programs would enable more effective and focused research. Savings to the government in 2012 would be \$1.163 billion, \$170 million within NOAA; and \$11.63 billion over ten years, \$1.7 billion within NOAA.

NOAA's National Marine Fisheries Service (NMFS) funds a variety of programs for the fishing and aquaculture industries.<sup>24</sup> While most of the NMFS budget is for general science, it also promotes exports, gives operating assistance, and provides other direct benefits to businesses:

**Fisheries Finance Program** – This program provides direct government loans for the “cost of construction or reconstruction of fishing vessels, fisheries facilities, aquacultural facilities and

<sup>20</sup> Reilly, Sean, “NOAA readies request to create new climate service agency,” *Federal Times*, September 23, 2010, <http://www.federaltimes.com/article/20100923/AGENCY01/9230303/1001>.

<sup>21</sup> Conference Report to Accompany H.R. 3288: Report 111-366, [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111\\_cong\\_reports&docid=f:hr366.111.pdf](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_reports&docid=f:hr366.111.pdf).

<sup>22</sup> Conference Report to Accompany H.R. 3288: Report 111-366, [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111\\_cong\\_reports&docid=f:hr366.111.pdf](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_reports&docid=f:hr366.111.pdf).

<sup>23</sup> Report to Congress, “Federal Climate Change Expenditures Report to Congress,” President Barack Obama, June 2010, [http://www.whitehouse.gov/sites/default/files/omb/assets/legislative\\_reports/FY2011\\_Climate\\_Change.pdf](http://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/FY2011_Climate_Change.pdf).

<sup>24</sup> National Marine Fisheries Service website, “About Us”, <http://www.nmfs.noaa.gov/aboutus.htm>.

individual fishing quota in the Northwest Halibut/Sablefish Fishery.”<sup>25</sup> \$69 million was obligated for this program in 2009.<sup>26</sup>

**Capital Construction Fund Program** – This program helps replace or improve their fishing vessels by enabling fishermen to construct, reconstruct, or acquire fishing vessels with before-tax, rather than after-tax dollars.<sup>27</sup> The amount accumulated by deferring tax on fishing income, when used to help pay for a vessel project amounts an interest-free loan from the Government.<sup>28</sup> Created in 1936 and used to build up the U.S. marine fleet, this benefit contributed to the overcapitalization of the U.S. fleet.<sup>29</sup> Consequently, this program is no longer necessary and barely used. This budget recommends eliminating this program.

**National Marine Aquaculture Initiative Sea Grants** – This grant program funds research intended to aid the domestic marine aquaculture industry. It awards funds almost exclusively for university research on a variety of topics, including offshore aquaculture, recirculating aquaculture systems, shellfish farming, alternative feeds for aquaculture, and new species research.<sup>30</sup> While the program has funded some worthwhile efforts, other funding sources exist for similar research, including USDA’s Cooperative State Research, Education, and Extension Service (CSREES),<sup>31</sup> as well as other NOAA programs such as habitat conservation grants,<sup>32</sup> U.S. Fish and Wildlife’s National Fish Hatchery system,<sup>33</sup> state and regional funding opportunities and industry-led efforts. Roughly \$10.8 million was appropriated for this program in FY10.<sup>34</sup> Eliminating this grant program would save \$10.8 million in 2012 and \$120 million over the next decade.<sup>35</sup>

**Fisheries Disaster Assistance** – This program provides grants to fishing communities (including boat owners, operators, crew, and fish processors) that are affected by hurricanes, algae blooms, fishing restrictions, and other commercial fishery failures.<sup>36</sup> Since 1994, federal fishery failures have been declared on 27 occasions and nearly \$827 million in federal funding has been

<sup>25</sup> NOAA Fisheries Office of Management & Budget Website, “Fisheries Finance Program,” [http://www.nmfs.noaa.gov/mb/financial\\_services/ffp.htm](http://www.nmfs.noaa.gov/mb/financial_services/ffp.htm), accessed July 14, 2011.

<sup>26</sup> Catalog of Federal Domestic Assistance, Fisheries Finance Program, <https://www.cfda.gov/index?s=program&mode=form&tab=step1&id=37c280c1acf556c255dba16df4086eb8>.

<sup>27</sup> NOAA Fisheries Office of Management and Budget, “Capital Construction Fund Program,” [http://www.nmfs.noaa.gov/mb/financial\\_services/ccf.htm](http://www.nmfs.noaa.gov/mb/financial_services/ccf.htm), accessed July 14, 2011.

<sup>28</sup> NOAA Fisheries Office of Management and Budget, “Capital Construction Fund Program,” [http://www.nmfs.noaa.gov/mb/financial\\_services/ccf.htm](http://www.nmfs.noaa.gov/mb/financial_services/ccf.htm), accessed July 14, 2011.

<sup>29</sup> Press Release of Sen. Ron Wyden, “Wyden, Murkowski Bill Would Lift Restrictions on Fishermen’s Use of Capital Construction Accounts,” April 28, 2010, <http://wyden.senate.gov/newsroom/press/release/?id=55db7a30-8ecc-4221-a20f-e03e7bc794b2>.

<sup>30</sup> National Oceanic and Atmospheric Administration website, “National Marine Aquaculture Initiative,” <http://aquaculture.noaa.gov/funding/grants.html>, accessed July 16, 2011.

<sup>31</sup> CSREES sponsors regional aquaculture centers like the Northeastern Regional Aquaculture Center, <http://www.nrac.umd.edu/>

<sup>32</sup> NOAA Habitat Conservation National Marine Fisheries Service, “Northeast Region Funding Opportunities,” <http://www.habitat.noaa.gov/funding/northeast.html>, accessed July 14, 2011.

<sup>33</sup> U.S. Fish & Wildlife Service National Fish Hatchery System, “National Fish Hatchery System,” <http://www.fws.gov/fisheries/nfhs/>, accessed July 14, 2011.

<sup>34</sup> National Marine Fisheries Service Website, “2010 National Marine Aquaculture Initiative Grants,” [http://aquaculture.noaa.gov/pdf/2010\\_NMAI\\_project\\_blurbs\\_for\\_website.pdf](http://aquaculture.noaa.gov/pdf/2010_NMAI_project_blurbs_for_website.pdf), accessed July 14, 2011

<sup>35</sup> National Marine Fisheries Service Website, “2010 National Marine Aquaculture Initiative Grants,” [http://aquaculture.noaa.gov/pdf/2010\\_NMAI\\_project\\_blurbs\\_for\\_website.pdf](http://aquaculture.noaa.gov/pdf/2010_NMAI_project_blurbs_for_website.pdf), accessed July 14, 2011

<sup>36</sup> Office of Sustainable Fisheries, “Fishery Disaster Assistance,” <http://www.nmfs.noaa.gov/sfa/sf3/disaster.htm> accessed July 16, 2011.

appropriated for fishery disaster relief (\$257 million in 2008).<sup>37</sup> Direct federal financial assistance has been provided to fishermen and fishing communities in the form of grants, job retraining, employment, and low interest loans. Assistance has also included fishery data collection, resource restoration, research, and fishing capacity reduction programs to prevent or lessen the effects of future disruptions to fisheries.<sup>38</sup> In one case, \$13.4 million was earmarked by Congress for fishermen to provide business and health care relief in Massachusetts in 2007 because the previous Administration wouldn't approve emergency funds.<sup>39</sup>

**Fishing Capacity Reduction Program** – This program enables federal funds to be used to buy back vessels and/or fishing permits in order to eliminate overfishing. This program can be enacted during normal or disaster times.<sup>40</sup> Because of overcapitalization within the American fishing industry, caused in part by federal incentives such as the Capital Construction Fund program, there is a need to reduce the fleet in certain areas. As an example, it is likely that a \$23.5 million subsidized loan<sup>41</sup> will be awarded for this program for a capacity reduction initiative in Alaska.<sup>42</sup> This budget recommends eliminating this program.

**Saltonstall-Kennedy Grant Program** – Created in 1954, this program takes a percentage of tariffs levied on fishery product imports in large part to pay to assist the domestic fishery industry. This program funds research into aspects of U.S. fisheries,<sup>43</sup> such as a continuous study to develop marketing strategies for Great Lakes cod.<sup>44</sup> Recently, the Congressional Research Service found that NOAA was using these funds to cover operating expenses instead of providing it to businesses. These funds have also been subject to congressional earmarks, including a \$10 million earmark to a fisheries marketing board chaired by the son of a member of Congress.<sup>45</sup> While some have questioned the need for taxpayers to subsidize business marketing strategies, this program has been primarily been used to supplement NOAA funding. This budget recommends using the funds raised for NOAA only for deficit reduction, resulting in savings of \$104.6 million in FY12, and \$1.16 billion over ten years.

<sup>37</sup> Congressional Research Service Report: RL34209, "Commercial Fishery Disaster Assistance," Congressional Research Service, February 22, 2011, [http://www.crs.gov/Pages/Reports.aspx?ProdCode=RL34209#\\_Toc235866209](http://www.crs.gov/Pages/Reports.aspx?ProdCode=RL34209#_Toc235866209).

<sup>38</sup> Congressional Research Service Report: RL34209, "Commercial Fishery Disaster Assistance," Congressional Research Service, February 22, 2011, [http://www.crs.gov/Pages/Reports.aspx?ProdCode=RL34209#\\_Toc235866209](http://www.crs.gov/Pages/Reports.aspx?ProdCode=RL34209#_Toc235866209).

<sup>39</sup> "Governor Patrick Announces \$13.4 Million in Relief Funds for Fishing Industry," Governor Deval Patrick, [http://www.mass.gov/?pageID=gov3pressrelease&L=1&L0=Home&sid=Agov3&b=pressrelease&f=080509\\_fishing\\_industry&sid=Agov3](http://www.mass.gov/?pageID=gov3pressrelease&L=1&L0=Home&sid=Agov3&b=pressrelease&f=080509_fishing_industry&sid=Agov3), accessed July 14, 2011.

<sup>40</sup> NOAA Fisheries Office of Management & Budget Website, "Fishing Capacity Reduction Programs," [http://www.nmfs.noaa.gov/mb/financial\\_services/buyback.htm](http://www.nmfs.noaa.gov/mb/financial_services/buyback.htm), accessed July 14, 2011.

<sup>41</sup> 50 CFR Part 600, Docket No. 100825389-1276-01, "Fishing Capacity Reduction Program for the Southeast Alaska Purse Seine Salmon Fishery," National Marine Fisheries Service, May 23, 2011, [http://www.nmfs.noaa.gov/mb/financial\\_services/docs/se\\_ak\\_purse\\_seine\\_salmon\\_buyback\\_pr\\_05\\_23\\_11.pdf](http://www.nmfs.noaa.gov/mb/financial_services/docs/se_ak_purse_seine_salmon_buyback_pr_05_23_11.pdf).

<sup>42</sup> "Capacity Reduction Program for the Southeast Alaska Purse Seine Salmon Fishery," Southeast Revitalization Association, February 2010, [http://www.peggywilson.com/wp-content/uploads/2011/02/HB\\_365-Capacity\\_Reduction\\_Summary-SE\\_Revitalization\\_Assn1.pdf](http://www.peggywilson.com/wp-content/uploads/2011/02/HB_365-Capacity_Reduction_Summary-SE_Revitalization_Assn1.pdf)

<sup>43</sup> NOAA Fisheries Office of Management & Budget Website, "Saltonstall-Kennedy Grant Program," [http://www.nmfs.noaa.gov/mb/financial\\_services/skhome.htm](http://www.nmfs.noaa.gov/mb/financial_services/skhome.htm), accessed July 14, 2011.

<sup>44</sup> "The Saltonstall-Kennedy Grant: Fisheries Research and Development," Department of Commerce National Oceanic and Atmospheric Administration National Marine Fisheries Service, August 1, 2008, [http://www.nmfs.noaa.gov/mb/financial\\_services/skpdfs/s-k\\_annual\\_report08.pdf](http://www.nmfs.noaa.gov/mb/financial_services/skpdfs/s-k_annual_report08.pdf).

<sup>45</sup> Gaines, Richard, "Report: Congress ate away at seafood promo dollars," *Gloucester Times*, March 29, 2011, <http://www.gloucestertimes.com/local/x106231105/Report-Congress-ate-away-at-seafood-promo-dollars>.

Many of these programs duplicate the work performed by the others on the list as well as additional federal programs such as federal Economic Injury Disaster Loans (within the Federal Emergency Management Agency), which provide working capital at low interest rates to assist in the recovery of businesses harmed by a disaster.<sup>46</sup> More importantly, USDA also regulates and subsidizes much of the aquaculture industry. Under this proposal, NOAA's commercial programs would be consolidated within USDA's Aquaculture program and the disaster assistance program would be consolidated within FEMA.

Other programs funded by NMFS include:

**Pacific Coast Salmon Recovery Fund (PCSRF)** – This program, established by Congress in fiscal year 2000, provides nearly \$70 million a year to select state governments to protect, restore, and conserve Pacific salmon and steelhead populations.<sup>47</sup> It was highlighted as duplicative by the President in his 2011 State of the Union address as the U.S. Fish and Wildlife Service within DOI also operates a program to protect endangered species of salmon.<sup>48</sup> This budget recommends consolidating this program with duplicative efforts and reducing appropriations by \$40 million in fiscal year 2012, and \$444 million over ten years.

**Habitat Restoration** – Several NMFS programs in this category are aimed at improving the conditions of coastal and marine habitat to ensure its health and sustainability. These efforts foster clean coastal waters and rebuild productive commercial and recreational fisheries, recover protected species, support tourism worth billions of dollars annually, and protect coastal communities from storms and flooding.<sup>49</sup> In 2010, \$202 million was appropriated for this function.<sup>50</sup>

**Law Enforcement** – NOAA's Office of Law Enforcement enforces environmental and fishing laws aimed at conserving and protecting marine resources and their natural habitat. This includes protecting fish stocks from depletion and marine mammals from extinction.<sup>51</sup> In FY10, \$107 million was appropriated for this function.<sup>52</sup>

<sup>46</sup> Small Business Administration Website, "Disaster Loans,"

<http://www.sba.gov/financialassistance/borrowers/guaranteed/dalp/index.html>, accessed July 14, 2011.

<sup>47</sup> 2010 Report to Congress, "Pacific Coastal Salmon Recovery Fund FY 2000-2009," NOAA Fisheries Service, <http://www.nwr.noaa.gov/Salmon-Recovery-Planning/PCSRF/upload/PCSRF-Rpt-2010.pdf>.

<sup>48</sup> U.S. Fish & Wildlife Service Website, "What is the U.S. Fish and Wildlife Service doing about salmon?" <http://www.fws.gov/salmonofthewest/fws.htm>, accessed July 14, 2011.

<sup>49</sup> National Oceanic and Atmospheric Administration Website, "Habitat Conservation: About Us," <http://www.habitat.noaa.gov/aboutus/index.html>, accessed July 14, 2011.

<sup>50</sup> CRS Report: R41613, "Fishery, Aquaculture, and Marine Mammal Issues in the 112<sup>th</sup> Congress," Congressional Research Service, July 1, 2011, [http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41613&Source=search#\\_Toc297297665](http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41613&Source=search#_Toc297297665).

<sup>51</sup> National Oceanic and Atmospheric Administration Office of Law Enforcement, "Top Stories," <http://www.nmfs.noaa.gov/ole/>, accessed July 14, 2011.

<sup>52</sup> CRS Report: R41613, "Fishery, Aquaculture, and Marine Mammal Issues in the 112<sup>th</sup> Congress," Congressional Research Service, July 1, 2011, [http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41613&Source=search#\\_Toc297297665](http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41613&Source=search#_Toc297297665).



While more than \$5 million in NOAA funds have been awarded since FY2000 to the National Aquarium Institute, which administers the National Aquarium housed at the Herbert Hoover, NOAA does not manage the aquarium.

Consolidating NOAA programs with existing programs already in place at DOI, USDA, NASA, FEMA and a national research agency would lead to a reduction in overhead costs and increased efficiency and effectiveness. As a result of consolidation and other reforms eliminating duplicative and low priority spending taxpayers will save more than \$1.168 billion in 2012 and \$11.68 billion over ten years within DOC.

### **Total Estimated Savings at NOAA: \$11.68 billion**

#### **International Trade Administration & Bureau of Industry and Security**

The International Trade Administration (ITA) seeks to develop the export potential of U.S. firms and to improve the trade performance of U.S. industry.<sup>53</sup> The Bureau of Industry and Security (BIS) enforces U.S. export laws consistent with national security, foreign policy, and short-supply objectives.<sup>54</sup>

These two agencies comprise approximately seven percent of DOC's budget. There are, however, numerous trade-related federal programs in several different federal agencies that overlap with its functions. Transferring these programs, including ITA and BIS to the U.S. Trade Representative (USTR) would enable a unified, pro-export approach that is more helpful for American businesses while also reducing overhead expenses.

The Obama Administration and the Center for American Progress have both endorsed similar recommendations to consolidate the various trade-related programs as well as for streamlining their administration.<sup>55</sup> President Obama also announced his National Export Initiative (NEI) in

<sup>53</sup> International Trade Administration, "About ITA", <http://trade.gov/about.asp>.

<sup>54</sup> Bureau of Industry and Security, "About Us", <http://www.bis.doc.gov/about/index.htm>.

<sup>55</sup> Center for American Progress, A Focus on Competitiveness: Restructuring Policymaking for Results, December 1, 2010, [http://www.americanprogress.org/issues/2010/12/focus\\_on\\_competitiveness.html](http://www.americanprogress.org/issues/2010/12/focus_on_competitiveness.html).

his 2010 State of the Union address (formalized by Executive Order 13534), which seeks to double U.S. exports by 2015 to help generate 2 million new U.S. jobs.<sup>56</sup>

Consolidating all of the following programs under one agency and removing restrictions on what type of businesses are eligible for assistance would remove special interest provisions within these current programs and ensure businesses looking to expand to foreign markets know where to go for assistance. Consolidating programs would also enable more funds to be spent on trade enforcement – a major need for many businesses already serving foreign markets.

The following programs would be consolidated into a single entity that focuses entirely on coordinating trade policy, coordinating trade enforcement and dispute resolution, expanding market access for U.S. businesses through trade promotion, market research and other methods:

1. The Office of the U.S. Trade Representative (USTR), receives about \$50 million a year to develop and coordinate trade policy, resolve disagreements, oversee negotiations with other countries, and frame issues for presidential decision.<sup>57</sup> USTR also seeks to expand market access for American goods and services, oversee trade infringements (including WTO and IPO issues). USTR includes an Office of Economic Affairs, which supports trade negotiating and related activities with economic statistical and analytical inputs, and an Office of Market Access and Industrial Competitiveness (MAIC), which seeks to remove trade barriers through enforcement and other measures.
2. Many of the same tasks are also performed by the International Trade Administration (ITA). This \$447 million agency is known as the primary trade promotion agency.<sup>58</sup> As mentioned earlier, ITA's mission is to create prosperity by strengthening the competitiveness of U.S. industry, promoting trade and investment, and ensuring fair trade and compliance with trade laws and agreements.<sup>59</sup> Within ITA, there is the Manufacturing and Services (MAS) office which is "dedicated to enhancing the global competitiveness of U.S. industry, expanding its market access, and increasing its exports."<sup>60</sup> ITA also has the U.S. Commercial Service, which promotes trade/exports through its trade specialists in 107 U.S. cities and in more than 80 countries by helping companies access global markets. This help includes market research and counseling through the export process.<sup>61</sup> ITA even has an Import Administration to enforce trade laws to prevent "unfair foreign pricing and government subsidies."<sup>62</sup>

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<sup>56</sup> International Trade Administration website, "National Export Initiative Looks to Increase Exports and Create Jobs", [http://trade.gov/press/publications/newsletters/ita\\_0210/nei\\_0210.asp](http://trade.gov/press/publications/newsletters/ita_0210/nei_0210.asp) accessed July 16, 2011.

<sup>57</sup> USTR website, "About Us", <http://www.ustr.gov/about-us>.

<sup>58</sup> President's FY 2012 Budget request for the Department of Commerce, <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/com.pdf>.

<sup>59</sup> International Trade Administration, "About ITA", <http://trade.gov/about.asp>.

<sup>60</sup> International Trade Administration Website, "Manufacturing and Services," <http://www.trade.gov/mas/index.asp>, accessed July 14, 2011.

<sup>61</sup> International Trade Administration Website, "U.S. Commercial Service," <http://www.trade.gov/cs/>, accessed July 14, 2011.

<sup>62</sup> International Trade Administration Website, "Import Administration," <http://trade.gov/ia/>, accessed July 14, 2011.

3. USDA's Foreign Agricultural Service (FAS), "works to improve foreign market access for U.S. products, build new markets, [and] improve the competitive position of U.S. agriculture in the global marketplace"<sup>63</sup> among other things, and received \$180 million in 2010.
4. USDA's Market Access Program (MAP) uses funds from the Commodity Credit Corporation to help U.S. producers, exporters, private companies, and other trade organizations finance promotional activities for U.S. agricultural products. Activities financed include consumer promotions, market research, technical assistance, and trade servicing.<sup>64</sup> This program was funded at \$200 million for FY10.<sup>65</sup> President Obama suggested in his FY2011 budget reducing funding for MAP because "it overlaps with other Department of Agriculture trade promotion programs and its economic impact is unclear."<sup>66</sup>
5. In the Small Business Jobs Act (P.L. 111-240) last year, a new trade promotion office was created within Small Business Administration. The Office of International Trade's mission is to enhance the ability of small businesses to compete in the global marketplace.<sup>67</sup> Additionally, a three-year trade and export promotion pilot program, known as the State Trade and Export Promotion (STEP) Grant Program, to make grants to carry out export programs that assist eligible small business concerns was created.<sup>68</sup> More than \$30 million is appropriated annually for these programs for the next two years.
6. As mentioned earlier, BIS's mission is to advance U.S. national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and promoting continued U.S. strategic technology leadership.<sup>69</sup> It received \$100 million in FY10.<sup>70</sup>
7. The Export-Import Bank provides direct loans, guarantees, and insurance to help finance U.S. exports when the private sector is unable or unwilling to do so, with the goal of contributing to U.S. employment.<sup>71</sup> Congress, as part of its legislative responsibilities, approves annual funding for an upper limit on the Export-Import Bank's administrative and program expenses. While this entity is intended to be self-sustaining, using offsetting collections generated from fees charged for their services and other sources to operate, it relies on the government's backing to insure its loans. The Export-Import Bank has put

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<sup>63</sup> USDA Foreign Agricultural Service Website, "About the Foreign Agricultural Service," <http://www.fas.usda.gov/aboutfas.asp>, accessed July 14, 2011.

<sup>64</sup> USDA Foreign Agricultural Service Website, "Market Access Program (MAP)," <http://www.fas.usda.gov/mos/programs/map.asp>, accessed July 14, 2011.

<sup>65</sup> Terminations, Reductions, and Savings: Budget of the U.S. Government Fiscal Year 2011," President Barack Obama, <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2011/assets/trs.pdf>.

<sup>66</sup> Terminations, Reductions, and Savings: Budget of the U.S. Government Fiscal Year 2011," President Barack Obama, <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2011/assets/trs.pdf>.

<sup>67</sup> Small Business Administration Website," Office of International Trade," <http://www.sba.gov/about-offices-content/1/2889>, accessed July 14, 2011.

<sup>68</sup> Grants.Gov Website, "Office of International Trade – Small Business Jobs Act of 2010," <http://www.grants.gov/search/search.do?mode=VIEW&oppId=75293>, accessed July 14, 2011.

<sup>69</sup> Bureau of Industry and Security U.S. Department of Commerce Website, "About the Bureau of Industry and Security," <http://www.bis.doc.gov/about/index.htm>, accessed July 14, 2011.

<sup>70</sup> President's FY 2012 Budget request for the Department of Commerce, <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/com.pdf>.

<sup>71</sup> The Export-Import Bank website, <http://www.exim.gov/about/index.cfm>.

taxpayers at risk of having to pay off tens of billions of dollars in debt should some of their investments default.<sup>72</sup> The Export-Import Bank claims to fund only “credit and country risks that the private sector is unable or unwilling to accept,”<sup>73</sup> yet, taxpayers are not supposed to be concerned that some of these investments will default.

8. The Overseas Private Investment Corporation (OPIC) provides political risk insurance and finance to support U.S. investment in developing countries.<sup>74</sup> OPIC is also self-sustaining, using offsetting collections generated from fees charged for their services and other sources to operate, while relying on the federal government to back its loan guarantees. Congress, as part of its legislative responsibilities, approves an annual appropriation that sets an upper limit on OPIC’s administrative and program expenses.
9. The United States Trade and Development Agency (USTDA) is an independent federal agency intended to help spur economic growth in developing countries by facilitating the export of U.S. goods and services to those countries.<sup>75</sup> It funds project planning activities, pilot projects, and reverse trade missions (e.g. paying for foreign procurement officials to visit the U.S. to encourage them to contract with U.S. companies)<sup>76</sup> in an attempt to increase exports while creating sustainable economic growth in emerging markets.<sup>77</sup> USTDA also provides grant funding to overseas project sponsors for the planning of projects that support the development of modern infrastructure and an open trading system. USTDA also works with industry trade associations and private industry to expand sales opportunities overseas. This agency is duplicative of other independent agencies, U.S. foreign aid efforts, and private venture capitalism and investment. This entity received \$55.2 million in 2010.

Under the most recent appropriations, more than \$1 billion is appropriated for these trade/export assistance programs across 6 different federal entities annually. By consolidating these programs and concentrating federal efforts on trade policy development, trade enforcement and dispute resolution and trade promotion, businesses would benefit. This proposal also recommends eliminating government-backing and funding for the Export-Import bank, OPIC, and USTDA, resulting in additional savings of at least \$55 million 2012 and \$552 million over ten years.

If taxpayers are to fund federal programs on trade promotion for American businesses, they should at least be protected from funding a fragmented, wasteful approach that prioritizes special interest groups and isn’t readily accessible to the average businessman. This proposal aims to achieve this goal and save \$455.2 million in FY12 and \$4.552 billion over ten years. Within DOC, \$221.3 million would be saved in 2012 and \$2.46 billion over ten years.

<sup>72</sup> James, Sallie, “Time to X Out the Ex-Im Bank,” The CATO Institute, July 6, 2011, <http://www.cato.org/pubs/tpa/tpa-047.pdf>.

<sup>73</sup> Export-Import Bank of the United States Website, “Mission,” <http://www.exim.gov/about/mission.cfm>, accessed July 14, 2011.

<sup>74</sup> Overseas Private Investment Corporation, “Doing Business with Us,” <http://www.opic.gov/doing-business-us>.

<sup>75</sup> United States Trade and Development Agency Website, “USTDA At-a-Glance,” <http://www.ustda.gov/about/ata glance.asp>, accessed July 16, 2011.

<sup>76</sup> United States Trade and Development Agency Website, “USTDA At-a-Glance,” <http://www.ustda.gov/about/ata glance.asp>, accessed July 14, 2011.

<sup>77</sup> United States Trade and Development Agency Website, “USTDA At-a-Glance,” <http://www.ustda.gov/about/ata glance.asp>, accessed July 14, 2011.

## Total Ten-Year Savings Within ITA and BIS: \$2.64 billion

### Economic and Statistics Administration & Bureau of the Census

The Economic and Statistics Administration (ESA) provides information on the state of the economy and analytical support to department officials in meeting their policy responsibilities. The Bureau of the Census, within ESA, collects, compiles, and publishes a broad range of economic, demographic, and social data. These two entities typically make up 16.5 percent of the total DOC budget.

The U.S. Census Bureau has one of the oldest missions in our nation's history: conducting the once-a-decade population count that is used to apportion the House of Representatives. While this is by far its most prominent function, the agency also boasts being the world's largest statistical agency. As such, its goals extend far beyond the decennial census and are: "to provide timely, relevant, and accurate current and benchmark measures of the U.S. population, economy, and governments in order to facilitate this mission."<sup>78</sup>

The nature of the Census Bureau's work means that its budget is highly cyclical, rising steadily throughout a given decade, and then falling sharply following the decennial census. In recent years, however, annual budgets for the Census have remained close to \$1 billion, with \$1.15 billion in funding provided for FY2011.<sup>79</sup> Much of this money goes toward planning for the decennial, but significant portions remain for the bureau's many other programs as well.

Some of the other programs include the American Community Survey, the Census of Governments, the Economic Census, the Population and Housing Census, 35 different demographic surveys,<sup>80</sup> and dozens of economic surveys.<sup>81</sup> After the decennial, the next most expensive survey the bureau conducts is the American Community Survey (ACS), costing taxpayers approximately \$247.5 million per year.<sup>82</sup>

Statisticians and marketing executives are quick to praise the surveys for the data they provide, but many Americans feel uncomfortable with the intrusiveness of the agency's compulsory questionnaires, especially the ACS.<sup>83</sup> Concern about personal privacy is such a frequent complaint, in fact, that the bureau established a webpage dedicated to explaining in detail "why we ask" each ACS question.<sup>84</sup> A sample of the questions include details on an individual's marital status, health insurance coverage, mortgage or rent amount, and even whether a person

<sup>78</sup> "Budget Estimates, Fiscal Year 2012, As Presented to Congress," U.S. Census Bureau, February 2011, [http://www.osec.doc.gov/bmi/budget/12CJ/Census\\_Bureau\\_FY\\_2012\\_Congressional\\_Submission.pdf](http://www.osec.doc.gov/bmi/budget/12CJ/Census_Bureau_FY_2012_Congressional_Submission.pdf).

<sup>79</sup> CRS Report: 41721, "Commerce, Justice Science, and Related Agencies: FY2012 Appropriations," Congressional Research Service, May 12, 2011, <http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41721&Source=search>.

<sup>80</sup> "Survey Abstracts," U.S. Census Bureau Demographic Surveys Division, March 2010, <http://www.census.gov/aboutus/surveyabstracts.pdf>.

<sup>81</sup> U.S. Census Bureau Website, "Review of Economic Statistical Programs," <http://www.census.gov/econ/overview/#multisector>, accessed July 12, 2011.

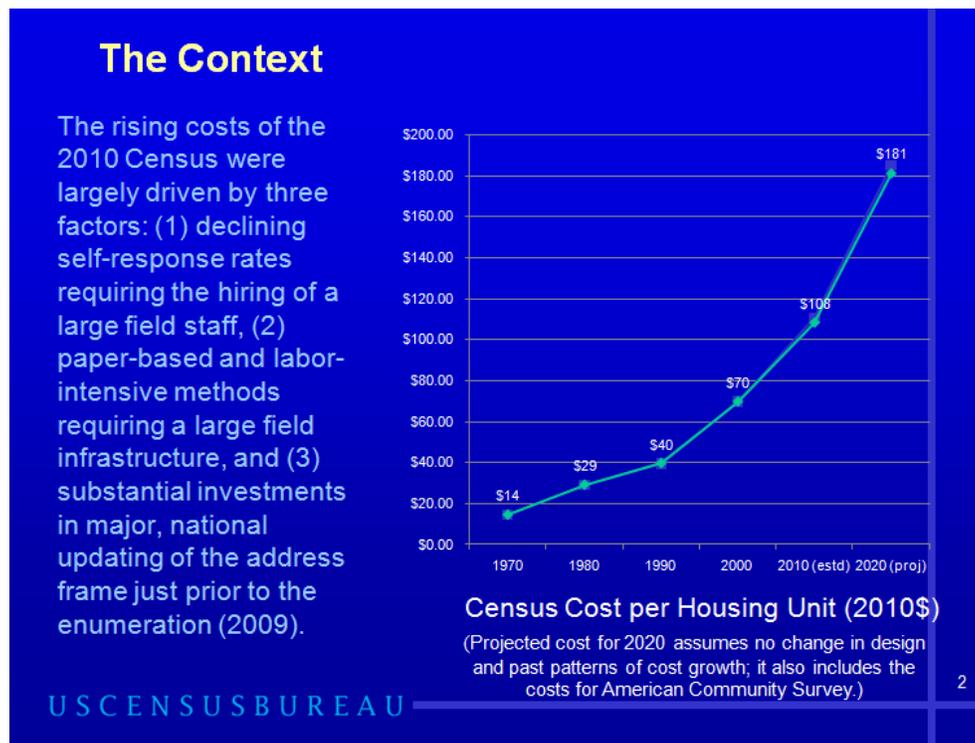
<sup>82</sup> U.S. Census Bureau, "Budget Estimates, Fiscal Year 2012, As Presented to Congress," February 2011, [http://www.osec.doc.gov/bmi/budget/12CJ/Census\\_Bureau\\_FY\\_2012\\_Congressional\\_Submission.pdf](http://www.osec.doc.gov/bmi/budget/12CJ/Census_Bureau_FY_2012_Congressional_Submission.pdf).

<sup>83</sup> OIG-11-0303-I, "Census 2010: Final Report to Congress," U.S. Department of Commerce, Office of Inspector General, Census Bureau, June 27, 2011, [www.oig.doc.gov/OIGPublications/OIG-11-030-I.pdf](http://www.oig.doc.gov/OIGPublications/OIG-11-030-I.pdf).

<sup>84</sup> U.S. Census Bureau American Community Survey Website, "Questions on the form and why we ask," [http://www.census.gov/acs/www/about\\_the\\_survey/questions\\_and\\_why\\_we\\_ask/](http://www.census.gov/acs/www/about_the_survey/questions_and_why_we_ask/), accessed July 12, 2011.

has “serious difficulty walking or climbing stairs” or “dressing or bathing.”<sup>85</sup> Failure to answer even a single question, results in aggressive follow-up from the agency and a possible \$5,000 fine.

One of the biggest problems facing the Census Bureau is poor financial management, which has led in recent years to billions of dollars being wasted. The cost of the 2010 Census was the highest in history, topping out at \$14.7 billion, more than twice the \$6.5 billion cost in 2000. Agency officials are already estimating that the 2020 Census will cost as much as \$30 billion to complete.<sup>86</sup> As the following chart illustrates, whereas in 2000 it cost upwards of \$70 to count each household, it will cost at least \$181 in 2020.



Source: U.S. Census Bureau

Much of the cost increase is the fault of the agency’s poor planning, according to the inspector general. In its final report on the 2010 Census, the IG attributed the high cost to “to escalating IT costs and major flaws in the bureau’s cost assumptions.”<sup>87</sup> The “escalating IT costs” were largely attributable to bad decision-making at the Census Bureau. Despite the fact that warning signs arose early and oversight bodies issued sound advice for correction, the advice was both spurned and ignored, leading to an out-of-control cost spiral.

<sup>85</sup> U.S. Census Bureau Website, Sample form of the American Community Survey for 2011, <http://www.census.gov/acs/www/Downloads/questionnaires/2011/Quest11.pdf>.

<sup>86</sup> OIG-11-0303-I, “Census 2010: Final Report to Congress,” U.S. Department of Commerce, Office of Inspector General, Census Bureau, June 27, 2011, [www.oig.doc.gov/OIGPublications/OIG-11-030-I.pdf](http://www.oig.doc.gov/OIGPublications/OIG-11-030-I.pdf).

<sup>87</sup> OIG-11-0303-I, “Census 2010: Final Report to Congress,” Office of Inspector General, Census Bureau, June 27, 2011, [www.oig.doc.gov/OIGPublications/OIG-11-030-I.pdf](http://www.oig.doc.gov/OIGPublications/OIG-11-030-I.pdf).

At a Senate hearing in June 2006, the director of the Census, Louis Kincannon, engaged in the following back-and-forth, now in hindsight a sad demonstration of the agency's unpreparedness:

**Senator Coburn.** What happens if they do not work? What is your plan B?

**Mr. Kincannon.** They will work. They have worked. You might as well ask me what happens if the Postal Service refuses to deliver the census forms.

**Senator Coburn.** I am not asking it facetiously. I am asking you what happens if there is a computer glitch and these handheld devices do not work? What is the plan B?

**Mr. Kincannon.** The computer devices have been tested and proven to work.

**Senator Coburn.** All I want you to do is answer my question. What if they do not work?

**Mr. Kincannon.** We have a big problem then.

**Senator Coburn.** So are you going to have to hire more people to do the non-response?

**Mr. Kincannon.** I do not believe that condition will obtain, so I do not--

**Senator Coburn.** So there is no planning. So, as we have talked about planning for what-ifs and-

**Mr. Kincannon.** We could hire more people. Yes, we could hire more people, sir.

**Senator Coburn.** Is it not true that GAO has said that this handheld device is a huge risk in their testimony?

**Mr. Kincannon.** I do not know the precise formulation of words, but they say there is a risk associated with using handhelds.

**Senator Coburn.** So your testimony to me is that there is no alternative plan if that does not work?

**Mr. Kincannon.** We have no reason to believe that there is any systematic risk in all the handhelds. That system will work.

**Senator Coburn.** Your testimony today is if that does not work – if GAO's concerns happen to be borne out – there is no alternative plan if it does not work?

**Mr. Kincannon.** We would have to hire more people to conduct traditional pencil and paper non-response follow-up.

**Senator Coburn.** As we did in 2000?

**Mr. Kincannon.** Yes, and 1940.<sup>88</sup>

For the 2010 Census, officials hoped that technology would be the answer to bringing costs down, both through putting the survey online and by modernizing the door-to-door experience. Problems quickly developed, however, and largely centered on a \$600 million contract awarded to the Harris Corporation for developing handheld computers for use in collecting information door-to-door. It was this same contract that the Director of the Census repeatedly told Congress was the “key to leveraging technology to improve the quality of Census results and to control the costs.”<sup>89</sup> Finally moving beyond pen and paper, one former Director of the Census Bureau

<sup>88</sup> Transcript of a hearing of the Senate Subcommittee on Federal Financial Management, Government Information and International Security, *\$11 Billion and Counting: The 2010 Census*, June 6, 2006.

[http://coburn.senate.gov/ffm/index.cfm?FuseAction=Files.View&FileStore\\_id=87b412f7-a1ba-40ca-bfb0-be424f4026c3](http://coburn.senate.gov/ffm/index.cfm?FuseAction=Files.View&FileStore_id=87b412f7-a1ba-40ca-bfb0-be424f4026c3)

<sup>89</sup> Kincannon, Louis, “Testimony before the House Subcommittee on Information Policy, Census and National Archives in a hearing titled *A Review of the Census Bureau’s Risk Management Activities for IT Acquisitions*,” December 11, 2007.

called the modernization effort a “significant improvement” over the way data had been collected in the past.<sup>90</sup>

In the process, a second contract was awarded to Lockheed Martin for, among other things, the development of the online system.<sup>91</sup> Mismanagement forced the Census Bureau to abandon both the Internet (March 2006) and the handheld computers (April 2008)<sup>92</sup> as a means of collecting data, despite earlier assurances that such action was unlikely. In place of technology, the Bureau decided to revert back to an entirely paper-based system – exactly the same way census data was collected 200 years ago. According to the Census Bureau, the reason for abandoning technology and reverting to paper was its own failure to communicate what it wanted to the contractors.<sup>93</sup>

According to the Government Accountability Office (GAO), the Census Bureau was warned repeatedly that problems would mount if it failed to define what it wanted the contractor to do.<sup>94</sup> Instead of taking action, the Bureau kept changing its mind about what it wanted. As late as January 16, 2008 – nearly two years after the contract was awarded – the Census Bureau made 400 changes to the contract for handheld computers.<sup>95</sup>

Poor management by the Bureau has diminished the role that technology played in the 2010 census to the point of embarrassment. Americans ultimately took their Census by paper at the same time that more than 100 million people filed their federal taxes online.<sup>96</sup> Even as of 2008 the Pew Internet and American Life Project reported that 75 percent of all adults were actively online. That percentage increased to between 85-90 percent for adults under the age of 50.

The impact of abandoning technology in the 2010 Census was a \$3 billion overrun.<sup>97</sup> This brought the total price tag of the 2010 Census to roughly \$14.7 billion – more than double the cost of the 2000 census.

With the recent completion of the 2010 Census, though, many of the same problems remain. An April 2011 GAO report, while finding that some problems had been addressed, warned that “while 2020 might seem distant, several issues suggest that it is not too early for stakeholders to start considering the improvements necessary to make the next national headcount as cost-effective as possible.”<sup>98</sup>

<sup>90</sup> Kincannon, Louis, “Testimony before the Subcommittee on Federal Financial Management, Government Information and International Security in hearing titled *Offline and Off Budget: The High Cost of Low-Tech Counting*,” June 6, 2006, <http://hsgac.senate.gov/public/files/060606Kincannon.pdf>.

<sup>91</sup> U.S. Census Bureau Website, “2010 Decennial Response Integration System (DRIS) Contract,” October 5, 2005, <http://www.census.gov/procur/www/2010driis/index.html>.

<sup>92</sup> Secretary Carlos Gutierrez, “Testimony before the Committee on Homeland Security and Governmental Affairs,” April 15, 2008, <http://hsgac.senate.gov/public/files/041508Gutierrez.pdf>.

<sup>93</sup> Secretary Carlos Gutierrez, “Testimony before the Committee on Homeland Security and Governmental Affairs,” April 15, 2008, <http://hsgac.senate.gov/public/files/041508Gutierrez.pdf>.

<sup>94</sup> GAO-08-685T, “2010 Census: Census at Critical Juncture for Implementing Risk Reduction Strategies,” Government Accountability Office, April 15, 2008, <http://www.gao.gov/new.items/d08685t.pdf>.

<sup>95</sup> Nagesh, Gautham, “Census Bureau facing huge cost increase, possible delays in 2010 effort,” *Government Executive*, March 5, 2008, <http://www.govexec.com/dailyfed/0308/030508n1.htm>.

<sup>96</sup> Internal Revenue Service Website, “Information for e-file,” <http://www.irs.gov/efile/>, accessed July 14, 2011.

<sup>97</sup> Nagesh, Gautham, “Mismanagement, Not Technology, Caused Census Handheld Trouble, Auditors Say,” *Government Executive*, April 9, 2008. [http://governmentexecutive.com/story\\_page.cfm?filepath=/dailyfed/0408/040908n1.htm](http://governmentexecutive.com/story_page.cfm?filepath=/dailyfed/0408/040908n1.htm).

<sup>98</sup> GAO-11-496T, “2010 Census: Preliminary Lessons Learned Highlight the Need for Fundamental Reforms,” Government Accountability Office, April 6, 2011, <http://www.gao.gov/new.items/d11496t.pdf>.

In light of these issues, this proposal recommends the following:

*Spin Off the Census Bureau as an Independent Agency.* In 1902, President Theodore Roosevelt oversaw the opening of the independent Census Bureau.<sup>99</sup> While it was eventually moved underneath of the modern Commerce Department, it should once again be made independent, answerable directly to the President. At the same times, across the federal government there are dozens of statistical programs in various different agencies. This proposal seeks to consolidate ESA and the Census with the Bureau of Labor Statistics and other Statistical agencies into one “Census” department in charge of collecting all and dispensing all statistical information for the federal government. Consolidating these statistical entities should enable a cut of at least 20 percent in reduced administrative and duplication costs and promote more effective gathering and utilization of statistics across the federal government and for Americans. Estimated savings government-wide would be 20 percent of total spending on statistical agencies and departments and \$199.4 million within DOC in FY12, \$1.994 billion over ten years.

*Conduct the 2020 Census Online.* The Census Bureau should develop the means of conducting its 2020 decennial census online. In its final report on lessons learned from the 2010 Census, the inspector general stated, “By not using the Internet and administrative records as key decennial data collection methods for 2010, the Census Bureau turned aside promising cost reductions and data quality improvements. Cost savings from Internet use could potentially have accrued from reducing paperwork and associated data capture costs—for the 2010 decennial, the bureau processed over 164 million paper forms—and less expensive field work, with a smaller temporary work force. Quality could likely have improved through easier access to foreign-language Internet questionnaires and automated checks of census responses for consistency and completeness.”<sup>100</sup> While cost estimates vary, the reduction in paper, office space and staff required for a paper-based census has previously resulted in savings of \$1.3 billion.<sup>101</sup> The estimated ten-year savings for implementing this reform is \$2 billion.

*Put the American Community Survey Online and Make it Voluntary.* The American Community Survey should be put online and should no longer be considered compulsory. Significant savings could be achieved, as with the decennial, in putting the survey online and drastically reducing its need for paper. In fiscal year 2011, the ACS received \$247.5 million.<sup>102</sup> Making these reforms would save an estimated 20 percent in administrative cost, or \$50 million in FY12, and \$500 million over ten years.

These reforms would save American taxpayers \$449.4 million in FY10 and \$4.494 billion over ten years within DOC and millions more across all agencies.

### **Estimated Ten-Year Savings Within ESA: \$4.49 billion**

<sup>99</sup> U.S. Census Bureau website, “History”, [http://www.census.gov/history/www/census\\_then\\_now/1902\\_census\\_act/](http://www.census.gov/history/www/census_then_now/1902_census_act/).

<sup>100</sup> OIG-11-0303-I, “Census 2010: Final Report to Congress,” U.S. Department of Commerce, Office of Inspector General, Census Bureau, June 27, 2011, [www.oig.doc.gov/OIGPublications/OIG-11-030-I.pdf](http://www.oig.doc.gov/OIGPublications/OIG-11-030-I.pdf).

<sup>101</sup> Letter from Census Director Louis Kincannon to Sen. Tom Coburn, August 31, 2006.

<sup>102</sup> [http://www.osec.doc.gov/bmi/budget/12CJ/Census\\_Bureau\\_FY\\_2012\\_Congressional\\_Submission.pdf](http://www.osec.doc.gov/bmi/budget/12CJ/Census_Bureau_FY_2012_Congressional_Submission.pdf).

### **United States Patent and Trademark Office**

The United States Patent and Trademark Office (USPTO) examines and approves applications for patents claimed for inventions and registration of trademarks.<sup>103</sup> It operates as a self-sustaining entity, relying on application fees to fund its operation. Because the operations of USPTO are already highly independent of the Commerce Department, it is not necessary that it remain under DOC. Instead, it should become a separate, self-sustaining entity with continued Congressional oversight.

The two major operational problems at the USPTO are 1) the growing number of unexamined patent applications, or “backlog,” and 2) the increased time it takes for a an examiner to review a patent application, or “pendency.” Currently, the USPTO has a backlog of over 706,000 applications waiting for a patent examiner to take his first action. In addition, total overall pendency (from filing to final action) is approximately 33 months.<sup>104</sup> One of the primary reasons for these long waiting periods is lack of resources at the PTO. Since 1992, Congress has expended revenue collected from patent application fees and spent it on unrelated government purposes. In total \$800 million has been siphoned away from USPTO for unrelated federal spending.<sup>105</sup>

One of the keys to patent reform is allowing the USPTO to keep all of its fees in order to effectively budget for its operations. The Senate recently passed the America Invents Act, which contained a provision that would allow the USPTO to retain and use its application fees to address these problems immediately.<sup>106</sup> Because USPTO will be able to keep their fees, no additional Congressional appropriations will be necessary for USPTO. Additionally, addressing the delay in application review and low-quality patents will increase technological and economic development.

### **National Telecommunications and Information Administration**

National Telecommunications and Information Administration (NTIA) advises the President on domestic and international communications policy, manages the federal government's use of the radio frequency spectrum, and performs research in telecommunications sciences.<sup>107</sup> NTIA historically makes up less than one percent of the DOC budget and received \$40 million in appropriations in 2010.<sup>108</sup>

Half of NTIA’s annual budget goes to the Public Telecom Facilities Grant Program (PTFP). PTFP is intended to help public broadcasting stations, state and local governments, Indian Tribes, and nonprofit organizations construct telecom facilities. Since 2000, this grant program

<sup>103</sup> United States Patent and Trademark Office, “About Us”, <http://www.uspto.gov/about/index.jsp>

<sup>104</sup> United States Patent and Trademark Office Website, “Data Visualization Center Patents Dashboard,” <http://www.uspto.gov/dashboards/patents/main.dashxml>, accessed June 10, 2011.

<sup>105</sup> Scott Shane, *Bloomberg Businessweek*, “Let the Patent Office Keep Its Money”, July 5, 2011.

<http://www.businessweek.com/small-business/let-the-patent-office-keep-its-money-07052011.html>

<sup>106</sup> America Invents Act, S. 23, 112<sup>th</sup> Cong. § 20 (2011)

<sup>107</sup> National Telecommunications and Information Administration, <http://www.ntia.doc.gov/>

<sup>108</sup> President’s FY2012 Budget request for the Department of Commerce, <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/com.pdf>.

has primarily funded public television stations' conversion to digital broadcasting. The President has twice<sup>109</sup> recommended eliminating PTFP because its primary purpose has become obsolete and funding public broadcasting would be duplicative.<sup>110</sup> In FY2010, PTFP received \$20 million in appropriations anyway.<sup>111</sup> NTIA and USDA's Rural Development agency were recently both tasked with administering the same \$8 billion broadband grant program. This program was authorized in the stimulus and was panned by critics as potential "cyberbridge to nowhere"<sup>112</sup> and "Broadband to Nowhere."<sup>113</sup> While this program is expiring, this budget recommends transferring the remaining programs within NTIA and USDA Rural Development's Telecommunications Loans and Grants programs (which received \$28.96 million for its Rural Broadband Access Loan and Loan Guarantee Program and \$17.976 million for the Community Connect Grant Program,<sup>114</sup> and \$37.755 million for the telemedicine and distance learning grants and loans<sup>115</sup>) to the Federal Communications Commission (FCC), which is focused on regulating and promoting telecommunications development.<sup>116</sup> Including the recommended program cut, these reforms would result in savings of \$41 million in FY12, \$24 million within DOC. Over ten years these reforms would save taxpayers \$455 million and \$266.4 million within DOC.

### **Estimated Ten-Year Savings Within NTIA: \$266.4 million**

#### **National Institute of Standards and Technology**

The National Institute of Standards and Technology (NIST) was created in 1988 to increase the competitiveness of the U.S. industry. It is comprised of various research programs as well as two commercial welfare programs supporting business development and high-risk research. NIST makes up approximately 10 percent of funding in DOC and received \$856.6 million in 2010.<sup>117</sup>

Two programs within NIST that would be eliminated are the Hollings Manufacturing Extension Partnership Program (HMEP) and the Technology Innovation Program (TIP). Both programs provide subsidies to businesses that do not require public assistance to compete in the marketplace. HMEP, through non-profit extension centers throughout America, provides consulting services for manufacturers. According to its website, "As a result [of MEP's consulting], our clients achieve higher profits, save time and money, invest in physical and

<sup>109</sup> "Terminations, Reductions, and Savings: Budget of the U.S. Government Fiscal Year 2010," President Barack Obama, <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2010/assets/trs.pdf>.

<sup>110</sup> "Terminations, Reductions, and Savings: Budget of the U.S. Government Fiscal Year 2011," President Barack Obama, <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2011/assets/trs.pdf>.

<sup>111</sup> "Terminations, Reductions, and Savings: Budget of the U.S. Government Fiscal Year 2010," President Barack Obama, <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2010/assets/trs.pdf>.

<sup>112</sup> David M. Herzenhorn, "Internet Money in Fiscal Plan: Wise or Waste?," February 3, 2009, New York Times, [http://www.nytimes.com/2009/02/03/us/politics/03broadband.html?\\_r=2&ref=todayspaper](http://www.nytimes.com/2009/02/03/us/politics/03broadband.html?_r=2&ref=todayspaper)

<sup>113</sup> L. Gordon Crovitz, "Congress Approves Broadband to Nowhere: Why the U.S. lags in Internet speed." February 1, 2009, The Wall Street Journal, [http://online.wsj.com/article/SB123353476246637693.html?mod=todays\\_us\\_opinion](http://online.wsj.com/article/SB123353476246637693.html?mod=todays_us_opinion).

<sup>114</sup> CRS Report: RL33816, "Broadband Loan and Grant Programs in the USDA's Rural Utilities Service," Congressional Research Service, June 17, 2011,

[http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL33816&Source=search#\\_Toc296334686](http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL33816&Source=search#_Toc296334686).

<sup>115</sup> Congressional Research Service e-mail to the Office of Senator Tom Coburn, July 12, 2011.

<sup>116</sup> Federal Communications Commission Website, "What We Do," <http://www.fcc.gov/what-we-do>, accessed July 14, 2011.

<sup>117</sup> President's FY2012 Budget request for the Department of Commerce, <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/com.pdf>.

human capital, and create and retain thousands of jobs.”<sup>118</sup> While these services are also offered through private consulting firms, entities can get the same services for free as a result of HMEP and federal taxpayers.

In 2007, the Office of Management and Budget found that “the program only serves a small percentage of small manufacturers each year”<sup>119</sup> and that one-fifth of all companies aided by HMEP had more than 250 employees. HMEP centers were intended to become self-sustaining but have received a steady stream of federal funding topping \$1.5 billion. The Office of Management and Budget (OMB) also found that survey results from the Modernization Forum indicate that about half of the partnership’s clients believe the services they obtained from HMEP are available other places, although at a higher cost.”<sup>120</sup> The Congressional Budget Office lists this termination as a potential source of savings for taxpayers.<sup>121</sup> This program received \$125 million in the Appropriations Bill for FY2010.<sup>122</sup> It also duplicates the Small Business Development Centers (SBDC’s), which are meant to service small businesses in achieving economic success with consulting advice they may not be able to afford.<sup>123</sup>

TIP, formerly known as the Advanced Technology Program (ATP), is a grant program that funds “high-risk, high-reward research in areas of critical national need.”<sup>124</sup> Funding is awarded to both commercial and non-profit private entities.<sup>125</sup> Entities receiving funds often have been unable to attract private sources of funding, raising questions about the appropriateness of putting public capital at risk for the same projects. ATP assisted dozens of Fortune 500 companies, including hundreds of millions in funding to IBM, General Electric, General Motors, 3M, and Motorola, and others.<sup>126</sup> Once it was discovered, Congress changed the program’s name. In total, \$2.87 billion has been appropriated for ATP and TIP, including \$69.9 million in 2010. While TIP is not supposed to fund these large companies, it still subsidizes corporate research and duplicates private venture capitalism funding. An analysis by the Office of Management and Budget in 2007 concluded that “there is little need for” this program.<sup>127</sup> TIP is also duplicative of:

<sup>118</sup> National Institute of Standards and Technology, Hollings Manufacturing Extension Partnership Website, “About the Manufacturing Extension Partnership,” <http://www.nist.gov/mep/about.cfm>, accessed on July 14, 2011.

<sup>119</sup> ExpectMore.gov, “Program Assessment,” Office of Management and Budget, <http://www.whitehouse.gov/omb/expectmore/summary/10000040.2002.html>, accessed July 14, 2011.

<sup>120</sup> Pub. No. 3191, “Budget Options Volume 2,” Congressional Budget Office, August 2009 <http://cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf>.

<sup>121</sup> Pub. No. 3191, “Budget Options Volume 2,” Congressional Budget Office, August 2009 <http://cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf>.

<sup>122</sup> Conference Report to Accompany H.R. 3288: Report 111-366, [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111\\_cong\\_reports&docid=f:hr366.111.pdf](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_reports&docid=f:hr366.111.pdf).

<sup>123</sup> Small Business Administration Website, “Office of Small Business Development Centers New,” <http://www.sba.gov/aboutsba/sbaprograms/sbdc/index.html>, accessed July 14, 2011.

<sup>124</sup> National Institute of Standards and Technology, Technology Innovation Program Website, “Welcome,” <http://www.nist.gov/tip/>, accessed July 14, 2011.

<sup>125</sup> DeHaven, Tad and Chris Edwards, “Downsizing the Federal Government: Business Subsidies,” *Cato Institute*, February 2009 <http://www.downsizinggovernment.org/commerce/subsidies>.

<sup>126</sup> Riedl, Brian, “Corporate Welfare at Its Worst: Advanced Technology Program,” *Capitalism Magazine*, August 12, 2005, <http://www.capitalismmagazine.com/politics/welfare/4347-corporate-welfare-at-it-s-worst-advanced-technology-program.html>.

<sup>127</sup> ExpectMore.gov, “Program Assessment,” Office of Management and Budget, <http://www.whitehouse.gov/omb/expectmore/summary/10000040.2002.html>, accessed July 14, 2011.

- The Small Business Innovative and Research Program (SBIR), which requires that the eleven federal agencies with significant research and development budgets above \$100 million set aside 2.5% of R&D funds for small businesses. Funding is made available under this program for high-technology research.
- The Research and Technology Development grant program is funded through the Department of Defense “to support and stimulate basic research, applied research and technology development at educational institutions, nonprofit organizations, and commercial firms, which may have military or dual-use application.”<sup>128</sup>
- Office of Experimental Program to Stimulate Competitive Research within the National Science Foundation funds research and product development.<sup>129</sup>
- Venture capitalism firms flourish by identifying and investing in high risk or emerging technologies with great potential and a chance for success. If Congress wants to encourage more investment in emerging technologies, it should lower the high corporate tax rate and encourage more private investment.

This budget recommends transferring the remaining programs within NIST to a national research agency, to be created along with other federal research agencies. Including program eliminations within NIST, this budget recommends consolidating NIST with a federal research agency for savings of \$375 million in 2012 and \$4.16 billion over ten years.

### **Estimated Ten-Year Savings Within NIST: \$4.16 billion**

#### **Economic Development Administration**

EDA provides grants for economic development projects in economically distressed communities and regions. It comprises four percent of DOC’s budget (\$293 million in FY10). EDA was created as part of President Lyndon Johnson’s War on Poverty in 1965. While EDA’s stated purpose is to help economically distressed communities<sup>130</sup> attract jobs and business, this program has become a Congressional favorite, often seen as a source for congressional earmarks. Orson Swindle, a former Director of the EDA, called the program a “congressional cookie jar,” and former Democrat Senator and wasteful spending critic William Proxmire argued that the EDA “deserves to die.”<sup>131</sup> President Reagan recommended eliminating EDA,<sup>132</sup> listing three specific reasons: 1) Lack of focus; 2) Lack of effectiveness; and 3) Increased market inefficiency due to political meddling.<sup>133</sup> Unfortunately, these arguments also apply today.

<sup>128</sup> Federal Grants Wire Website, “Research and Technology Development (12.910),” <http://www.federalgrantswire.com/research-and-technology-development.html>, accessed July 14, 2011.]

<sup>129</sup> National Science Foundation Office of Integrative Activities Website, “About EPSCoR,” <http://www.nsf.gov/od/oia/programs/epscor/about.jsp>, accessed July 14, 2011.

<sup>130</sup> Economically distressed communities are defined as areas with an unemployment rate at least one percentage point greater than the national average; per capita income that is 80 percent or less of the national average; or a special need, as determined by EDA; 13 CFR 301.3

<sup>131</sup> DeHaven, Tad, “EDA’s Delusions of Grandeur,” *Cato Institute*, January 22, 2010, <http://www.cato-at-liberty.org/edas-delusions-of-grandeur/>.

<sup>132</sup> DeHaven, Tad, “Downsizing the Federal Government: Economic Development Administration,” *Cato Institute*, February, 2009, [http://www.downsizinggovernment.org/commerce/eda#\\_edn32](http://www.downsizinggovernment.org/commerce/eda#_edn32).

<sup>133</sup> Palmer, John Logan, “The Reagan Experiment,” Pg. 264, [http://books.google.com/books?id=clik4pH4vGQC&pg=PA264&lpg=PA264&dq=Reagan+EDA&source=bl&ots=Ch3IDam26j&sig=IVA2HRGzbr5mBTUMuQ8AZK2X0cs&hl=en&ei=C4TuTduFCOjaOQGw4cjeAw&sa=X&oi=book\\_result&ct=result&resnum=1&ved=0CBgQ6AEwAA#v=onepage&q&f=false](http://books.google.com/books?id=clik4pH4vGQC&pg=PA264&lpg=PA264&dq=Reagan+EDA&source=bl&ots=Ch3IDam26j&sig=IVA2HRGzbr5mBTUMuQ8AZK2X0cs&hl=en&ei=C4TuTduFCOjaOQGw4cjeAw&sa=X&oi=book_result&ct=result&resnum=1&ved=0CBgQ6AEwAA#v=onepage&q&f=false).

GAO has repeatedly reviewed this program and found that EDA relies on “self-reported data to assess the effectiveness of its grants.” GAO concluded this self-reporting may lead to “inaccurate claims about program results, such as jobs created.” Despite having already highlighted this problem in 1999 and 2005, GAO found EDA still rarely verifies self-reported data.

In a March 2011 GAO report on duplication within the entire federal government, auditors found are at least 80 federal economic development programs at four agencies: DOC, HUD, USDA, and SBA. GAO found that each one of these programs appears to overlap with at least one other program in funding certain economic development activities. These programs are administered in a fragmented and duplicative manner that discourages the maximum efficiency and fails to ensure constituents can easily find and apply for assistance. In total, between \$6.2 and \$6.5 billion was appropriated on these 80 programs, with \$2.9 billion going to economic development efforts.<sup>134</sup> In a previous 2005 study, at least 180 economic development programs were identified within more than a dozen different agencies costing taxpayers about \$17.9 billion annually on community development, regional development, and other economic development (\$188 billion if including various infrastructure, educational, housing, and research programs intended to promote economic development).<sup>135</sup>

Several think tanks have suggested eliminating or reducing spending for EDA, including the Democrat Leadership Council<sup>136</sup> and the Center for American Progress.<sup>137</sup> This proposal eliminates EDA. This elimination would save taxpayers \$293 million in FY12 and \$3.25 billion over ten years.

### **Estimated Ten-Year Savings Within EDA: \$3.25 billion**

#### **Minority Business Development Agency**

The Minority Business Development Agency (MBDA) seeks to promote private and public sector investment in minority businesses. MBDA is dedicated to advancing the establishment and growth of minority-owned firms in the United States through a network of minority business centers and strategic partners.<sup>138</sup> It comprises less than one percent of DOC’s budget. The need

<sup>134</sup> GAO-11-651T, “Economic Development: Efficiency and Effectiveness of Fragmented Programs Are Unclear,” Government Accountability Office, May 25, 2011, <http://www.gao.gov/new.items/d11651t.pdf>.

<sup>135</sup> Drabenstott, Mark, “A Review of the Federal Role in Regional Economic Development,” Center for the Study of Rural America & Federal Reserve Bank of Kansas City, May 2005, <ftp://urban.csuohio.edu/utility/ledebur/622-722/Nov%206%20%20Federal%20Policy/Supplemental%20Resources/drabenstott%20federalreview.pdf>.

<sup>136</sup> Weinstein Jr., Paul and Campbell, Katie, “Return to Fiscal Responsibility II,” Progressive Policy Institute, April 2007, [http://www.dlc.org/documents/Fiscal\\_Responsibility\\_04302007.pdf](http://www.dlc.org/documents/Fiscal_Responsibility_04302007.pdf).

<sup>137</sup> Ettlinger, Michael, and Linden, Michael, “A Thousand Cuts: What Reducing the Federal Budget Deficit Through Large Spending Cuts Could Really Look Like,” Center for American Progress, September 2010, <http://www.americanprogress.org/issues/2010/09/pdf/athousandcuts.pdf>.

<sup>138</sup> Minority Business Development Agency Website, “About Minority Business Development Agency,” [http://www.mbda.gov/?section\\_id=2](http://www.mbda.gov/?section_id=2), accessed July 14, 2011.

for MBDA is unclear in light of the many similar programs operated in other federal agencies. These include:<sup>139</sup>

- SBA’s Section 8(a) Business Development Program, which is intended to assist small businesses owned and operated by racial and ethnic minorities with training, technical assistance, and contracting opportunities in the form of set-asides and sole-source awards.
- SBA Small Business Development Centers for women, Native Americans, Veterans, and all other small business;
- SBA’s Office of Native American Affairs and Native American Outreach to encourage Native Americans to create their own businesses.
- Numerous minority outreach programs within federal agencies, including within DOT.<sup>140</sup>

Additionally, of the total budget in 2010 of \$31.5 million, just \$12 million went toward grants.<sup>141</sup> These funds are also earmarked, such as \$200,000 earmark to create “a Native American business enterprise” for one particular tribe.<sup>142</sup> A 2005 Department of Commerce Inspector General report also found that the MBDA’s claims of running successful programs that helped businesses were generally not substantiated because of unreliable performance data.<sup>143</sup> Eliminating the MBDA would save \$31.5 million in FY12 and \$350 million over ten years.

### **Estimated Ten-Year Savings Within MBDA: \$350 million**

#### **DEPARTMENT OF COMMERCE TEN YEAR SAVINGS**

Discretionary: \$26.84 billion

Total: \$26.84 billion

<sup>139</sup> Small Business Administration website, <http://www.sba.gov/>.

<sup>140</sup> Examples include the Minority Business Resource Center Program (loans for disadvantaged, racial minorities, and women businesses for transportation-related projects) and the Minority Business Outreach (funds may be used for business opportunities related to any mode of transportation).

<sup>141</sup> “USAspending.gov,”

[http://usaspending.gov/explore?tab=By%20Agency&major\\_contracting\\_agency=13&mod\\_agency=1352&comingfrom=searchresults&fromfiscal=yes&carryfilters=on&fiscal\\_year=2010](http://usaspending.gov/explore?tab=By%20Agency&major_contracting_agency=13&mod_agency=1352&comingfrom=searchresults&fromfiscal=yes&carryfilters=on&fiscal_year=2010), accessed July 14, 2011.

<sup>142</sup> Consolidated Appropriations Act, 2010, P.L. 111-117, <http://origin.www.gpo.gov/fdsys/pkg/CRPT-111/hrpt366/pdf/CRPT-111hrpt366.pdf>.

<sup>143</sup> FSD-17252, “Value of MBDA Performance Measures Undermined by Inappropriate Combining of Program Results and Unreliable Performance Data From MBOC Program,” Department of Commerce Inspector General, October 7, 2005, <http://www.oig.doc.gov/Pages/ValueofMBDAPerformanceMeasuresUnderminedbyInappropriateCombiningofProgramResultsandUnreliablePerform.aspx>.