Department of Commerce Budget Review

PHOTOCOPY
PRESERVATION

Draft

DATE: August 2, 1993
TO: Carol Rasco
FROM: Mike Schmidt
RE: OMB 1995 Budget Hearing for Department of Commerce

Last Thursday, I attended OMB's 1995 Budget Hearing for the Department of Commerce. I have attached a copy of the handouts for that meeting. Secretary Brown and senior Commerce officials outlined the Department's major goals and issues for 1995 and beyond:

- First and foremost, Secretary Brown stressed that questions of overall government resource allocation permeate everything that we do as an Administration as we think about the 1995 budget. He feels that we must determine what our priorities are and which agencies can best deliver on those priorities. Some agencies will lose funding and program authority, and some (i.e. Department of Commerce) will gain. For example, the Secretary pointed out that the ~~Administration~~ Pres has stated that ~~it~~ he expects Commerce to lead the charge in a number of policy areas -- civilian technology, export growth, defense conversion, etc. -- yet Commerce has the smallest budget of any Cabinet Department.

- Secretary Brown identified four crosscutting initiatives that the Department of Commerce will be focusing on: Civilian Technology, Export Growth, Environmental Stewardship and Assessment, and Defense Conversion/Economic Development.

Civilian Technology

- Currently, the Federal Government provides 45% of total technological research and development funding, of which 60% goes to defense research, 15% goes to health research, and only **.5%** goes to industrial development. The President has called for a 50/50 split between civilian and defense technology R&D spending by 1998, so we need to start rethinking funding decisions now to get ready for the 1995 budget submission. Commerce currently gets less than 4% of total government technology funding (the bulk goes to NASA, Energy, HHS, and DOD).

- Secretary Brown feels that the National Institute of Standards and Technology (NIST) is the best place to concentrate civilian technology spending. It has 90 years of experience in working with industry, and is well regarded by the private sector. Current plans call for NIST's budget to increase from $.5 billion in 1994 to $1.4 billion in 1998 (included in NIST funding is Commerce's Manufacturing Technology Center (MTC) initiative, which will fund up to 50 new

MTCs nationwide).

Export Promotion

- Commerce is also slated to take the lead in export promotion. Once again, however, ~~the current~~ funding proportions are badly out of sync. Currently, the Federal Government spends almost $3 billion on trade promotion, but only $52 million of that goes to Commerce. The rest (over 80%) goes to the Department of Agriculture to support agricultural exports (which make up only 20% of all exports).

- DOC calculates that every dollar spent in their export promotion program returns $2.88 to the Treasury in tax revenue, and they estimate that growth in exports has created over 200,000 jobs over the past three years. America's major trading partners spend more than twice as much as we do on export promotion.

- The Trade Promotion Coordinating Committee (TPCC) budget group is scheduled to submit a unified Administration trade budget proposal by September 15. This process gives us a great opportunity for budget consolidation and reevaluation of budgetary priorities in this area.

Environmental Stewardship and Assessment

- Lately, there has been much discussion over NOAA's role in environmental policymaking. Many people have suggested that NOAA overlaps EPA authority in a number of ways, and should therefore move out of the environmental arena altogether. Secretary Brown acknowledges these criticisms ~~as~~ are valid, but he feels that it is not worth four years of fighting on the Hill to try and move NOAA out of the environmental policy realm or out of Commerce. Instead, Secretary Brown proposes a redefinition of NOAAs mission. Commerce is the only Department that has both economic and environmental missions, and NOAA is the prime vehicle for demonstrating the "false choice" between economic growth and environmental goals.

- NOAA can provide leadership in environmental/economic impact assessment, environmental science expertise, and operational environmental technology development.

Defense Conversion/Economic Development

- This initiative, which is a Presidential priority, presents a ~~prefect~~ perfect theme for the renewal of the Economic Development Agency (EDA). EDA has been damaged by twelve years of declining resources -- morale is low and the agency has serious management problems. However, EDA has unique authority under Title IX to help communities adjust to economic dislocation caused by base closings and contract reductions. Therefore, EDA will be one of the focal points of this overall initiative.

- EDA currently has $90 million available to provide to communities for defense conversion projects -- **this is not even close to enough money to meet the overwhelming need. This issue promises to be a political hot-potato if we don't deal with it soon.** Secretary Brown emphasized that Commerce needs more funding to meet the President's commitments on this issue.

OMB-DOC Budget Review - 7-29-93

- 18 agencies have budget for export promotion

Trade Promotion Coord. Committee (TPPC) process requires unified budget proposal by Sept 15

great opportunity for budget consolidation

Reinventing Commerce Initiative

- 2000 Easy to implement, High-Impact suggestions for improvement (NPR) being implemented --all from Commerce workers

8000 suggestions in all
high enthusiasm

resource allocation question permeates everything -- what are our priorities?

EDA - management problems --10 years of ↓ resources have taken their toll

Bringing in really good managers for EDA

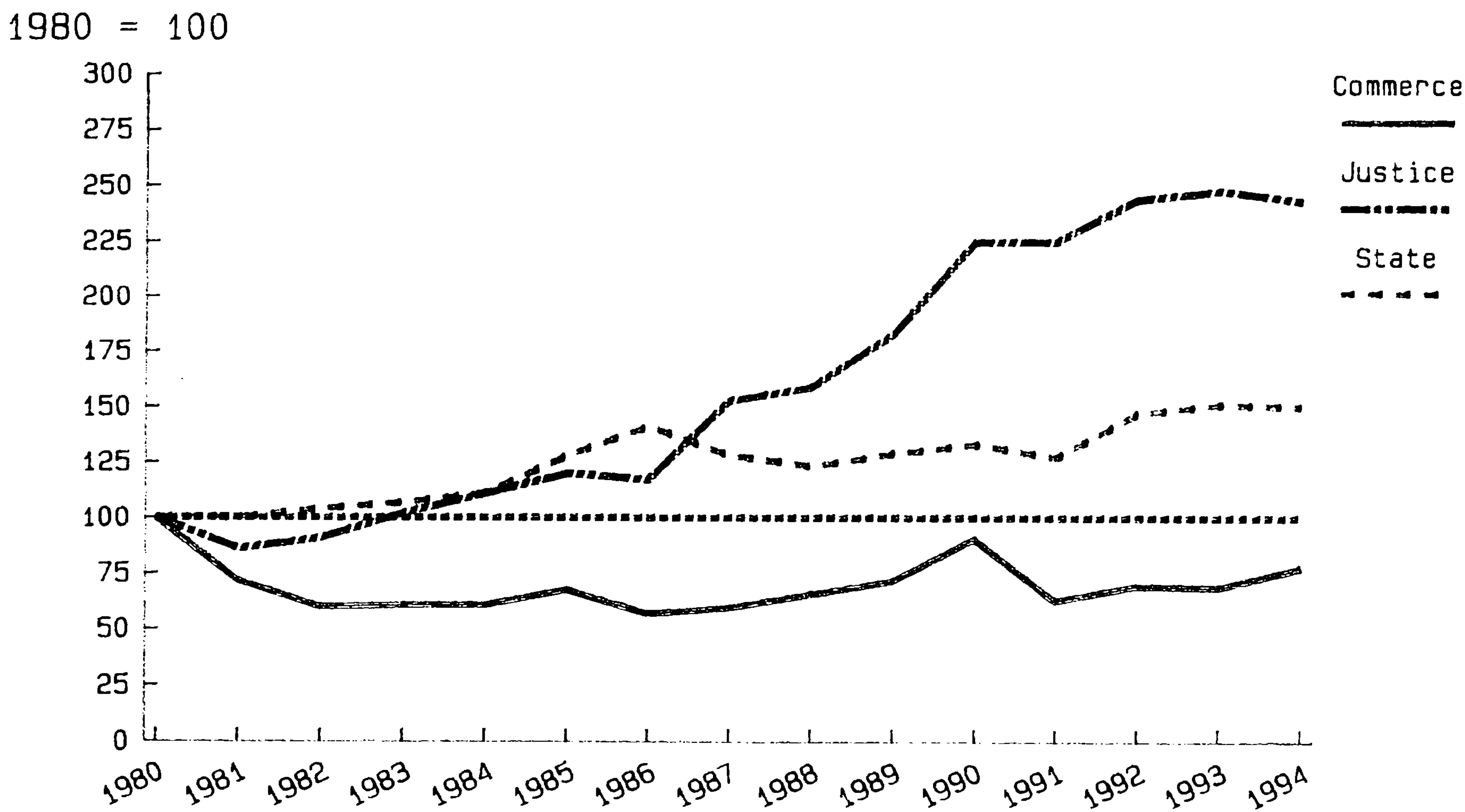
Department of Commerce

BRIEFING FOR OMB

FY 1995 PREVIEW

JULY 29, 1993

COMMERCE, JUSTICE, STATE & RELATED AGENCIES
Budget Authority
Change since 1980 (Constant Dollars)



COMMERCE, JUSTICE, STATE & RELATED AGENCIES
Budget Authority
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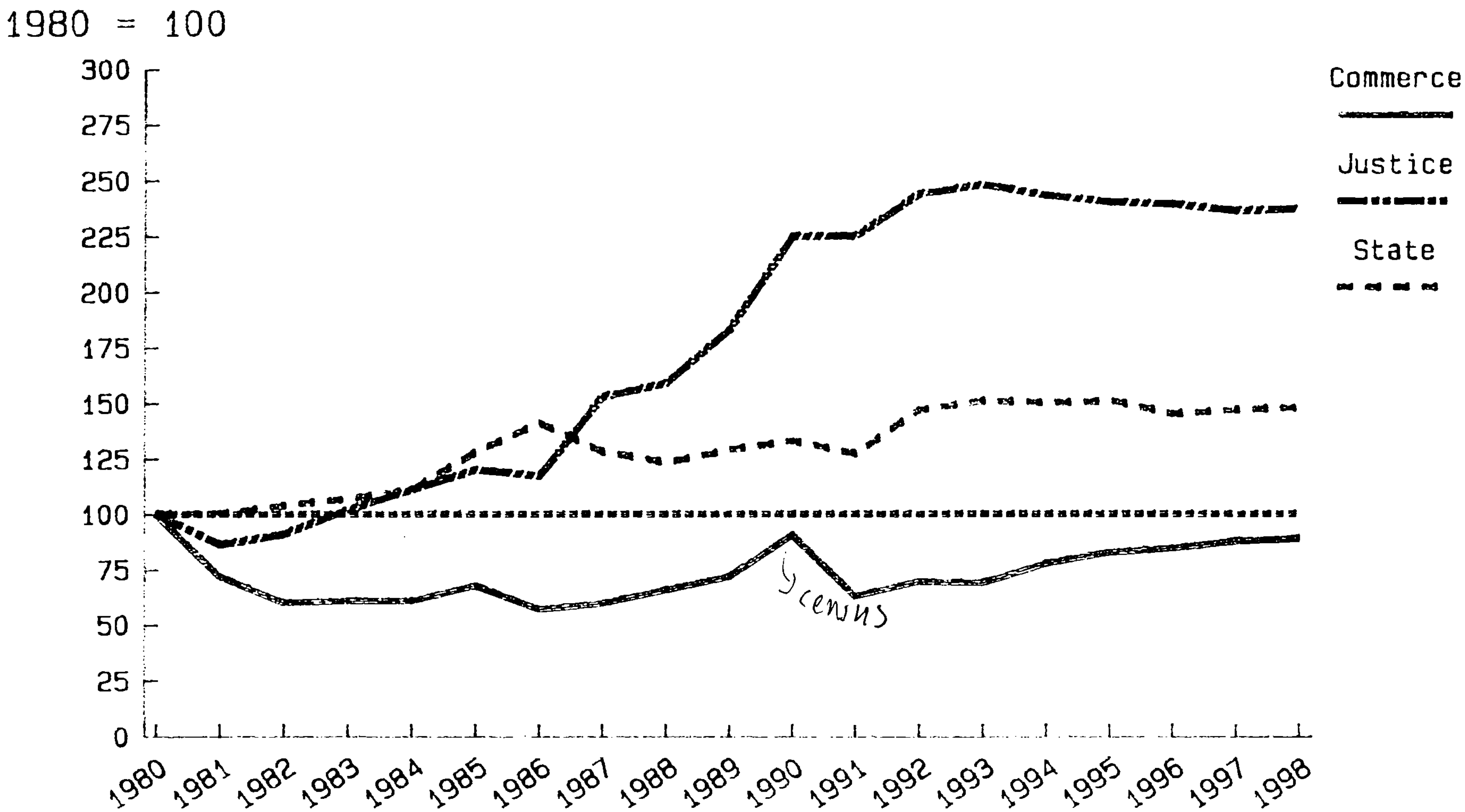


DEPARTMENT OF COMMERCE
Status of FY 1994 Investments
(Dollar Amounts in Millions)

Senator Hollings lead

Bureau/Item	1994 Budget	House Committee	House Floor	Senate Committee
Economic Development Administration:				
o Defense Conversion Readjustment	$33.0	$32.5	$0.0	$80.0
National Oceanic and Atmospheric Administration:				
o Weather Service Modernization	217.5	99.6	127.4	125.8
o FCCSET Initiatives in Climate and Global Change Research and High Performance Computing	25.6	21.0	21.0	6.1
National Institute of Standards and Technology:				
o Intramural Research	43.8	12.9	12.9	43.8
o Advanced Technology Program	132.0	61.5	0.0	132.0
o Manufacturing Extension Partnership	11.9	14.[illegible]	0.0	11.9
National Telecommunications and Information Adminsitration:				
o Spectrum Management and Telecommunications Research	3.0	0.0	0.0	2.0
o Information Infrastructure Grants	51.0	21.7	21.7	31.0
Total Investments, DOC	517.8	263.2	183.0	432.6

Points of order

DEPARTMENT OF COMMERCE
FY 1994 and FY 1995 Investments
(Dollar Amounts in Millions)

Bureau/Item	1994 Budget Increase	1995 Planning Ceiling Change
Economic Development Administration:		
o Defense Conversion Readjustment	$33.0	$22.0
National Oceanic and Atmospheric Administration:		
o Weather Service Modernization	217.5	(95.9)
o FCCSET Initiatives In Climate and Global Change Research and High Performance Computing	25.6	28.1
National Institute of Standards and Technology:		
o Intramural Research	43.8	78.2
o Advanced Technology Program	132.0	268.0
o Manufacturing Extension Partnership	11.9	19.1
National Telecommunications and Information Adminsitration:		
o Spectrum Management and Telecommunications Research	3.0	0.0
o Information Infrastructure Grants	51.0	99.0
Total Investments, DOC	517.8	418.5

FY 1995 CROSSCUTTING INITIATIVES

- o CIVILIAN TECHNOLOGY
- o EXPORT GROWTH
- o ENVIRONMENTAL STEWARDSHIP AND ASSESSMENT
- o DEFENSE CONVERSION/ECONOMIC DEVELOPMENT
- o INFORMATION (EI3)

BUDGET PROCESS

Commerce Criteria

- POLICY-DRIVEN
- MISSION-ORIENTED
- EXAMINATION OF BASE
- PERFORMANCE MEASURES
- TRADE-OFFS/FEES
- SERVICE/INFORMATION DELIVERY CROSS-CUT
- NATIONAL PERFORMANCE REVIEW
- MANAGEMENT ISSUES

Commerce Portion of Total Funding

(Dollars in Millions)

	1994		
		Total Funding	
	Commerce	Budget	Agencies Included
Export Promotion	$325.0	$4,135.0	USDA, Export/Import Bank, SBA
Civilian Technology	1,286.0	33,800.0	NSF, NASA, DOE, HHS
Environmental Stewardship	2,394.0	20,200.0	Agriculture, EPA, HHS, Interior

FY 1995 BUDGET REVIEW

CROSSCUTTING EFFICIENCIES

- USER CHARGES FOR SERVICES
  - -- NEW FEES CRITICAL FOR OMB CONSIDERATION
  - -- PTO PROVIDING ASSISTANCE
- INFORMATION DELIVERY
  - -- NPR REVIEW OF ELECTRONIC DELIVERY OF INFORMATION
- BUSINESS SERVICES FIELD DELIVERY — consolodate — one stop shopping
  - -- ADMIN. LEAD WITH SBA, ITA, EDA, MBDA, BXA, USTTA AND NIST
  - -- SEPARATE FIELD STUDY EFFORTS FOR ESA AND NOAA

- Prioritize ITA exposition responsibilities

(40% of export liscence applications from CA) potential(?)

COMMERCE USER FEES/SAVINGS

* FISHERIES FEES	$100 MILLION PLUS PER YEAR
* SATELLITE CONVERGENCE	$1.3 BILLION OVER 10 YEARS
* DECENNIAL CENSUS SAMPLING	$300-650 MILLION savings OVER NEXT 10 YEARS
* HARBOR MAINTENANCE TRUST FUNDS	$23 MILLION PLUS PER YEAR
* MARINE SANCTUARIES FEES	$10 MILLION ANNUALLY
* REDUCE PUBLIC TELECOMMUNICATIONS FACILITIES PROGRAM	$10 MILLION ANNUALLY
* INCREASE CENSUS FEES	$5 MILLION ANNUALLY

Civilian Technology

Goal => 50/50 split

Commercial/Resources

* Total U.S. R&D = $150B/year

* USG provides 45% of which

  * 60% -- Defense

  * 15% -- Health

  * 0.5% -- industrial development

need more resources

* What has changed?

  * President's commitment to 50/50 split on Civilian vs Defense Technology by 1998

  * Global competition

  * Post-Cold War drawdown and realignment

  * Essential now - systematic coordination of economic and technology policy initiatives

* NIST — Making the case for NIST

1. Only technology agency with the primary mission of working with industry for 90 years

2. Only technology agency charged with developing, and funding development of, generic, precompetitive technologies with broad commercial potential
   - collaborating directly with industry researchers;
   - tailoring its programs to meet industry needs;
   - working internationally to advance U.S. industry's interests in standards-related matters; and
   - anticipating the needs of the technology "infrastructure" by conducting measurement research needed for developing and commercializing the next generation of commercial technologies.

3. 7 MTCs in operation

4. ATP -- (60 awards)

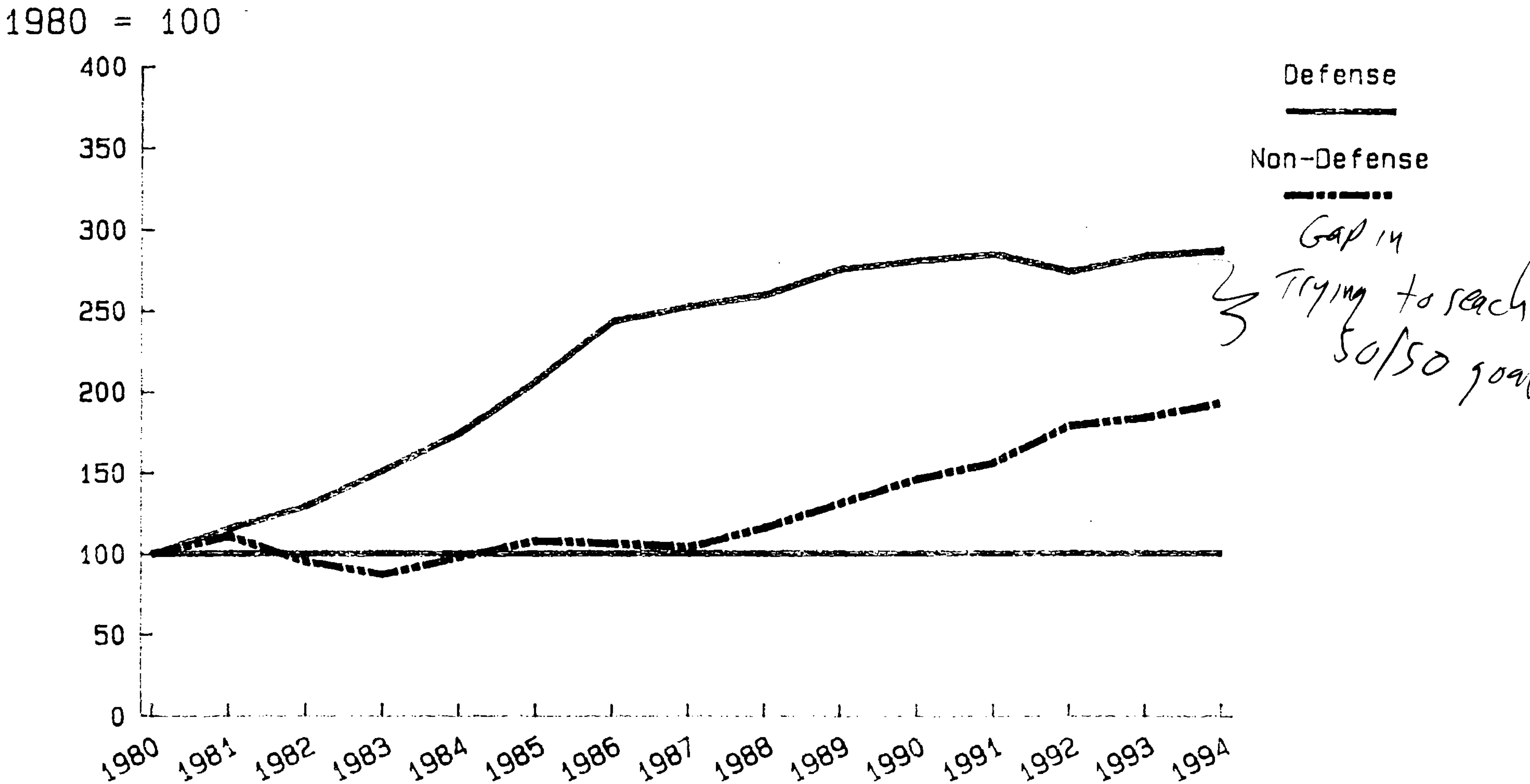
President's Plan

700 million ATP
– rest is MTC

NIST BUDGET 1994: $.5 BILLION 1998: $1.4 BILLION

– NIST is absolutely the way to go
– only gov't agency with legitimacy with private sector
– any focus we can give NIST is money well spent

FEDERAL RESEARCH AND DEVELOPMENT OUTLAYS
Defense vs. Non-Defense Activities
FY 1980 - FY 1994



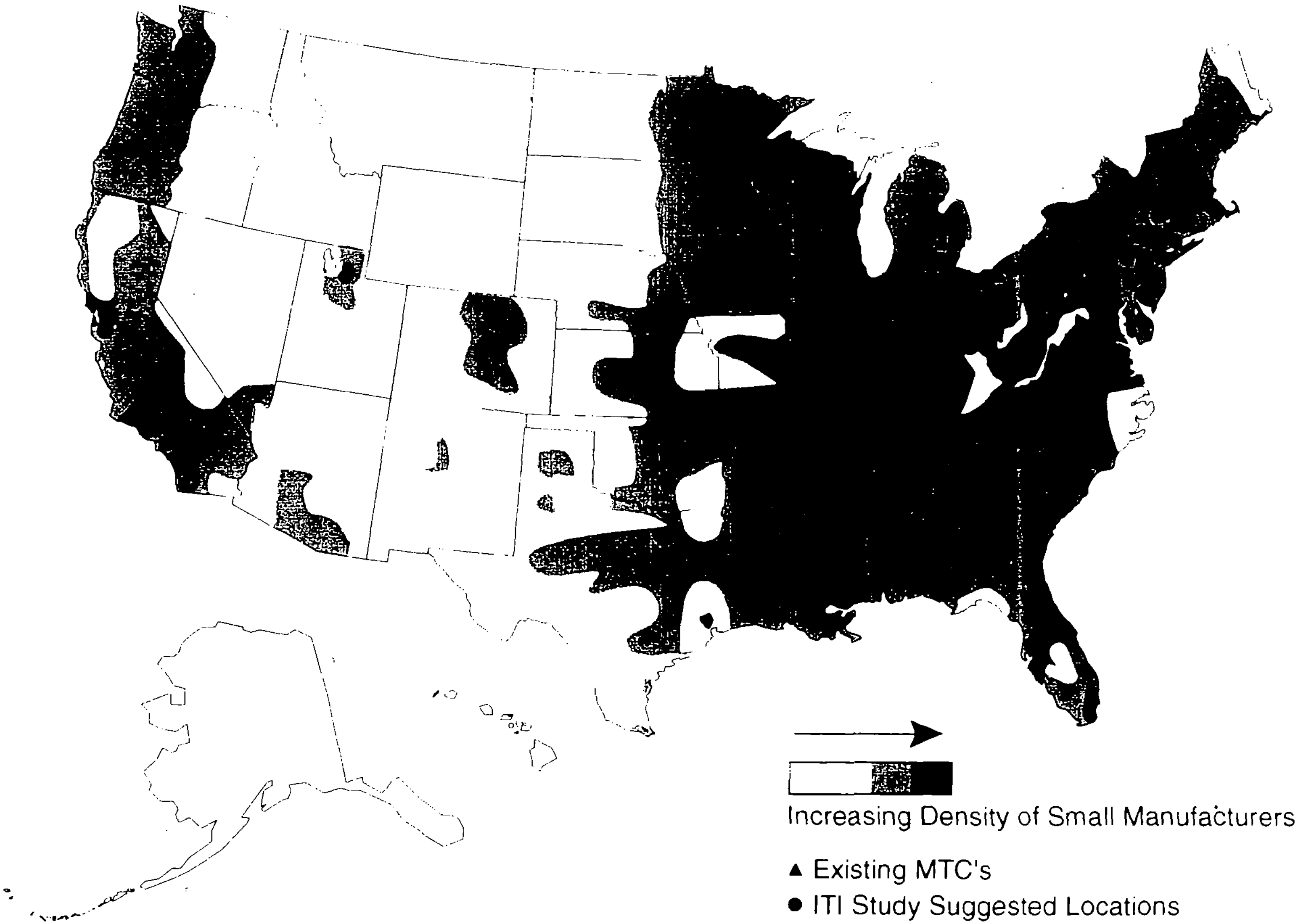
Gap in
Trying to reach
50/50 goal

Amounts shown are in actual dollars

National Institute of Standards and Technology
Manufacturing Extension Partnership

Density of Small Manufacturers in the U.S.

Michael Porter Cluster notion => guiding purpose



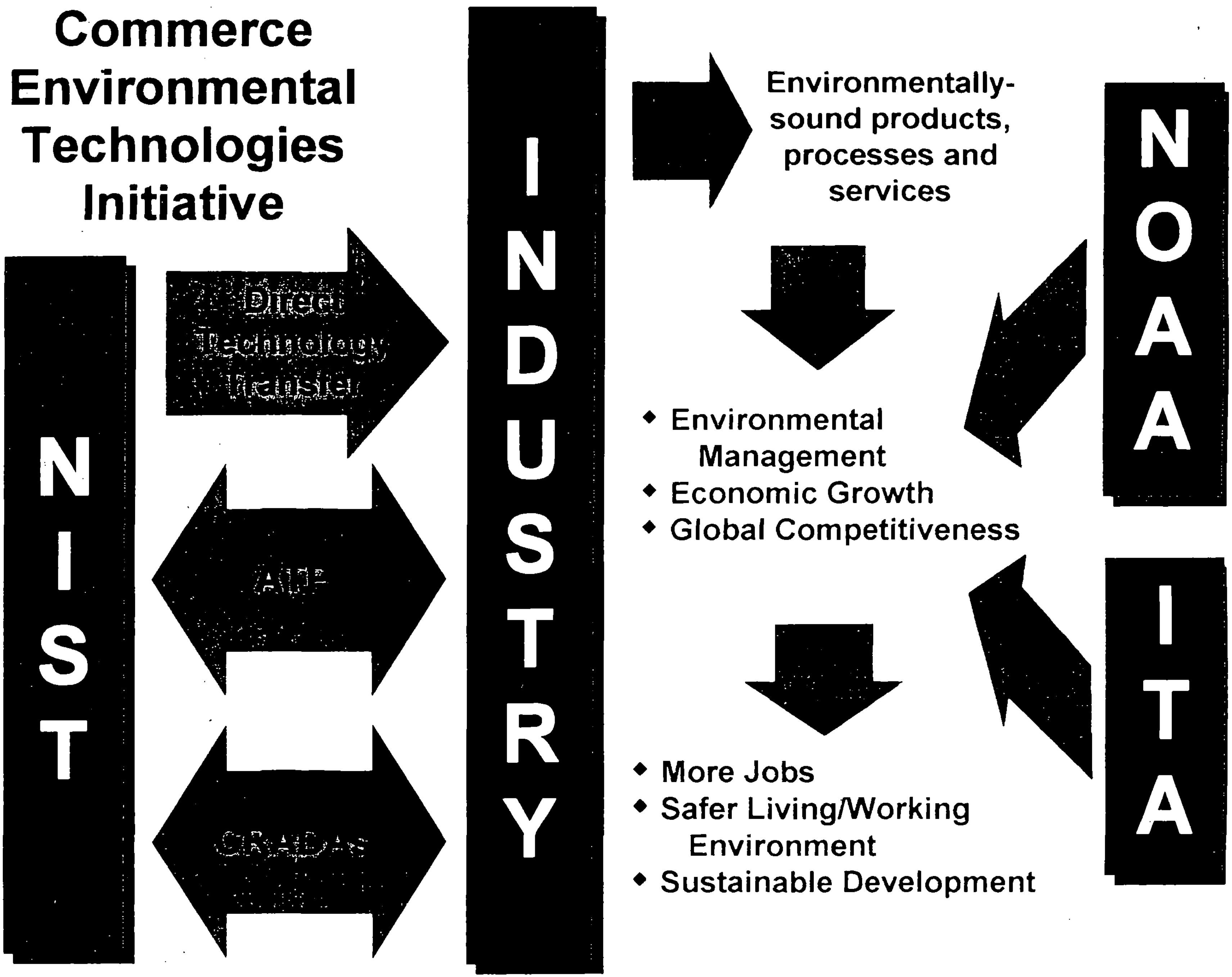
Manufacturing Extension Partnership Components

- MTCs
  - Serve a region with 6,000-8,000 manufacturers
  - Total budget $6 million, half Federal (declining to 1/3)
  - Substantial technical and management resources

- MOCs
  - Serve a region with 600-800 manufacturers
  - Total budget averages $1 million, half Federal
  - Draw on MTCs, partners, and network for technology and management

- STEP
  - Assist planning, implementation of state industrial extension infrastructure
  - Provide strong resource for regional integration
  - Support service to rural and low density areas

- LINKS
  - Networking, technology access, linkages for centers
  - Training for field agents
  - Uniform national evaluation systems
  - Linkages with other federal agencies


Commerce Environmental Technologies Initiative
NIST
Direct Technology Transfer
CRADAs
INDUSTRY
Environmentally-sound products, processes and services
NOAA
ITA
◆ Environmental Management
◆ Economic Growth
◆ Global Competitiveness
◆ More Jobs
◆ Safer Living/Working Environment
◆ Sustainable Development

irrational allocation of resources

Export Promotion

1. Federal government operates over 150 export promotion programs - spent 4.1 billion in 1991

2. 74% of federal export promotion dollars go to Agriculture, which is 10% of total exports

3. ITA received $195 million in 1991, less than one of USDA's export programs

4. Yet every dollar spent by US&FCS returns $2.88 to the Treasury in tax revenue. Estimate over 225,000 jobs created over the past three years

5. America's major trading partners (Canada, Japan, France, Germany, Italy, and the U.K.) export almost twice as much as the United States

6. Compared to our trading partners, the U.S. presence overseas is stretched thin

7. Current export controls are burdensome

8. TPCC budget group created to prepare "unified budget." We agreed with OMB "PADs" to develop criteria for crosscutting review.

Table 1: Levels of U.S. Export Promotion Activities, Fiscal Year 1991

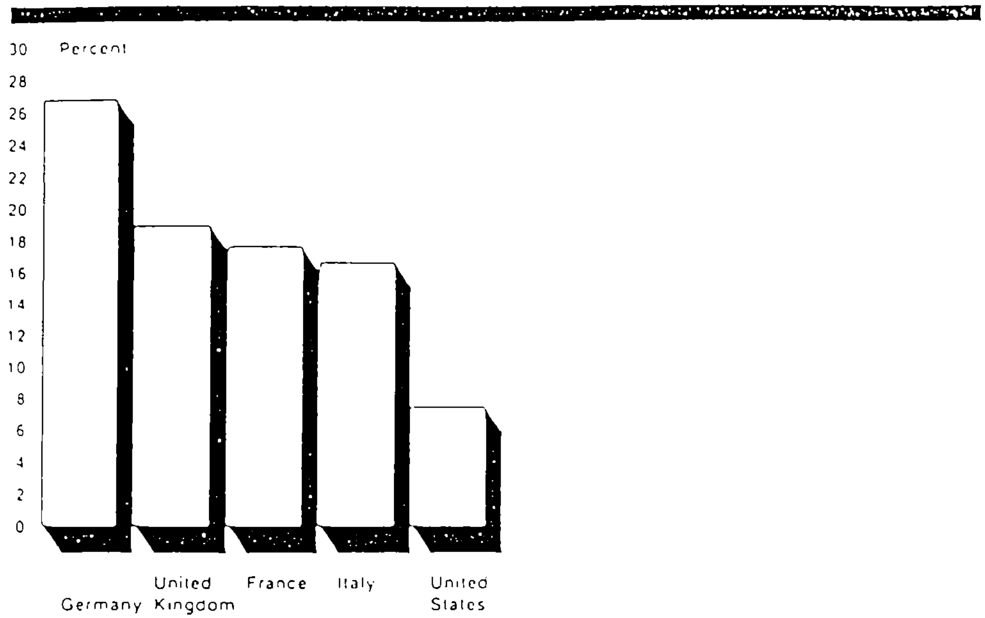
Dollars in millions

Agency	Outlays[a]	Loans and loan guarantees	Insurance
Agency for International Development	$106[b]	$0	$160
Agriculture Department	1,972[c]	5,700	0
Commerce Department	195[d]	0	0
Energy Department	3	0	0
Export-Import Bank	326[e]	6,638	4,554
Interior Department	*	0	0
National Aeronautics and Space Administration	*	0	0
Overseas Private Investment Corporation[f]	11	290	3,900
Small Business Administration[g]	4	123	0
U.S. Trade and Development Program	37	0	0
Totals[h]	**$2,655**	**$12,751**	**$8,614**

Competitors' Overseas Export Promotion Staffing, 1990

Country	Staff/$1 bil. of exports
U.K.	8.05
France	5.87
Italy	4.14
Germany	2.28
U.S.	1.56

Figure 1.1: Five Countries' Exports as a Percent of Gross Domestic Product, 1990



Source: Organization for Economic Cooperation and Development (OECD) Main Economic Indicators for Gross Domestic Product (May 1991)

Environmental Stewardship and Assessment

- How does NOAA fit?

* DOC is the only department that has both economic and environmental missions.

* Prime vehicle for demonstrating the "false choice" between economic growth and environmental goals. - NOAA can provide bridge between

* EPA - Regulatory role
  DOI - Natural resources management
  DOC - Environmental science, monitoring and assessment, prediction, regulation, natural resources management, and operational environmental technology

* Clinton Administration committed to moving away from litigation and conflict to one based on cooperative partnerships

* Nation spends $140 billion on the environment; Federal government spends $20 billion. (?) weather service modification ~~very~~ important

* Investments in NOAA science has great payoff in that private business, state and local governments can then invest their funds in a more effective way.

* No other agency has as clear a mandate in this area.

? - not worth 4 years of fighting to try and move NOAA out of env- business or out of commerce, so Brown instead ~~[illegible]~~ defined NOAA in mission - terms - NOAA can provide economic impact

* NOAA is an operational agency with direct economic benefits to the nation:

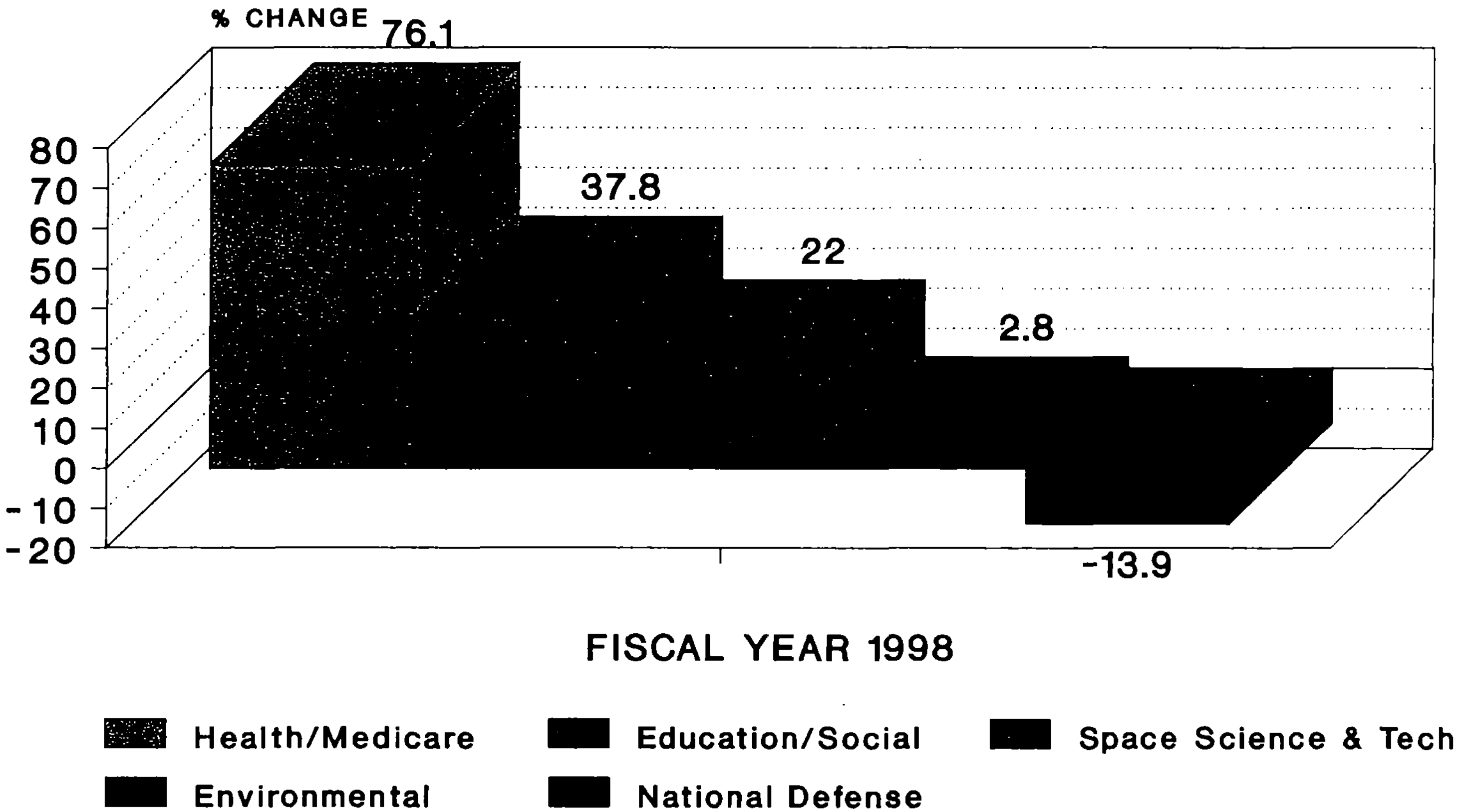
  - U.S. Fisheries would result in a net economic gain of $2.9 billion if they were well managed.

  - Modernization of the weather services results in benefits of $7 billion annually.

* NOAA's world-class scientific organization is unmatched by any other governmental agency (pioneering work on ozone depletion and El Nino phenomenon).

satellite issue — using DOD satellites for info sharing

PROJECTED CHANGE IN FEDERAL FUNDING
COMPARISON OF MAJOR PROGRAMS
FROM FY 1992



DATA: FY 1994 Budget Appendix A-5.

Defense Conversion/Economic Development

* Presidential priority -- and theme for agency renewal

* Office of Technology Assessment estimates by 1995 $1.4 million defense employment positions will be eliminated

* EDA has unique authority under Title IX to help communities adjust to economic dislocation caused by base closings and contract reductions

* Unlike DoD, focus is on continuing effects of base closure <u>and</u> defense contractor down-sizing

* EDA has approved in principle defense conversion projects totalling $88.8 million, and obligated $25.1 million – not enough $ to meet need
– Political hot-potato

* EDA staff continually monitoring progress of base reuse plans, environmental review process, and schedule of property transfer

* Pace of base closures and completion of reuse plans is increasing, EDA related activities will increase in 1994/1995 and maintain more uniform pace

* MBDA -- MEGA Centers (Los Angeles and Chicago)

– Flood recovery effort?

need more resources to meet president's commitments

need coordinated agency resources/response
resource allocation question

Information Services

* Electronic data collection, productions, and dissemination that is seamless among its stages and interwoven into the society it measures

* Planning the Census 2000 -- and fundamental change - cost-effective, improved accuracy and coverage

- Can't have 2 counts in 2000
- one number only to avoid litigation, controversy, etc.

SUMMARY

- DOC PROGRAMS ARE BEING EXAMINED
- CURRENT PROGRAMS LEAVE COMMERCE WITH NO REAL GROWTH
- CHANGE IN PRIORITIES REQUIRES REALLOCATION
- WILL DO MY PART WITH TRADE-OFFS, FEES AND REINVENTION
- BUT THE THEMES OF THE ADMINISTRATION ARE THE THEMES OF THIS DEPARTMENT
  - JOBS
  - GROWTH
  - TECHNOLOGY
  - TRADE
  - ENVIRONMENT

DATE: July 2, 1993
TO: Carol Rasco
FROM: Mike Schmidt
RE: OMB Budget Pre-Hearing for Department of Commerce

Just thought I would give you a brief summary of the OMB pre-hearing meeting on the Department of Commerce's 1995 budget that I attended yesterday morning. The meeting began by outlining the purpose of these budget hearings, and then progressed into a discussion of four major themes that play a key part in the Department's mission and budget: The Department's role in U.S. Competitiveness; defining/redefining the mission of the National Oceans & Atmospheric Administration (NOAA); the Department's role in trade promotion; and telecommunications policy. This memo will highlight the discussion on each of these issues -- I have attached a series of handouts from the meeting.

PURPOSE OF OMB BUDGET HEARINGS

Ms. Rivlin and Mr. Panetta pointed out that the purpose of these meetings is not to engage in a budget-cutting exercise. Rather, the purpose is twofold:

1. To get agencies to begin to think about and articulate what areas/initiatives they want to put more resources into;

2. To determine where the money will come from to pay for these initiatives.

Hopefully, by the end of this process the Administration and the Departments will have a better understanding of what the major themes are/should be and how they should be articulated.

MAJOR THEMES AT THE DEPARTMENT OF COMMERCE

According to OMB and officials at Commerce, there are four major themes that will have implications in the budget process for FY 1995.

1. Commerce's Role in U.S. Competitiveness The Department will play an important role in U.S. competitiveness policy, especially in the area of defense conversion. The feeling around the table was that the National Institute of Standards and Technology has a good track record of working with business and industry, but is underfunded. One strategy to fund new programs at NIST would be to shift R&D funds away from the Department of Energy, whose labs are entrenched in cold war research and increasingly disconnected from business interests. At some point in the process, we need to decide who does competitiveness issues better -- Energy or Commerce?

<u>Redefining NOAA's Mission</u> NOAA gets the lion's share of funding within the Department of Commerce. The key question that needs to be answered is -- what is NOAA doing that is distinctive from other agencies to justify this funding level? For example, does NOAA's environmental role complicate or duplicate functions of NASA, EPA, and DOL?

<u>Trade Promotion</u> Currently, the Federal Government spends almost $3 billion on trade promotion, but only $52 million of that goes to Commerce. The rest (over 80%) goes to the Department of Agriculture to support agricultural exports (which make up only 20% of all exports). Does this arrangement make sense, or should resources from Agriculture be transferred to Commerce (a difficult question when one considers that most of the money going to Agriculture for this purpose is paid out in the form of subsidies for exporters).

<u>Telecommunications Policy</u> Two issues will have to be addressed here: First, the Administration needs a policymaking/regulatory agenda for deregulation and innovation in telecommunications; second, the Administration's information highways initiative is too timid in terms of funding. If this initiative is going to work, it needs to be given more resources.

The group also briefly discussed the Census Bureau and statistical counting methods that could be used to keep costs down for Census 2000.

OMB Commerce Budget Review 6-1-93

- see handout/packet

- Commerce needs to better articulate its major themes

- Part of these OMB exercises is not cutting, but: what is it that Dept of Commerce wants to do?

  - not very clear.

- any attempt to redefine (clarify) NOAA Mission?

- any value coming out of DOC export promotion policy?

- DOC not good at reinvention aspect -- how are we gonna pay for this? Requires a lot of digging by Cabinet & sub-cabinet officers.

- Must get them to articulate (1) what they want to put more resources into (2) where will the $ come from/how to pay for it.

Sec Brown meets w/OMB (Panetta) on Budget Proposal(
For DOC -- July 14.

- Resources in DOEnergy Labs are entrenched, disassociated from industry -- NIST is more in touch with industry -- better relationships there.

Does $ come from DOE labs to NIST? Or can DOE make strong enough case to hold $?

Someone needs to decide who does competitiveness issue better?

Panetta - worried about taking $ from one agency & putting it ~~in~~ in another -- pitting agency vs. agency.

- Don't want to suggest to agencies that they can target $ in other agencies for their purposes & not make painful choices within agency.

- We must ~~do~~ make these choices -- just must be careful.

- Talk to DOE about taking $ away -- not DOC. - Force DOE to defend its funding & mission

Feeling is that NIST is better suited to run competitiveness program than DOE -- NIST has good track record to stand on -- just not much funding -- DOE is too imbedded in defence -- Labs too removed from industry.

Same issue with DO Ag Trade Promotion Funding -- does it make sense to spend 80% of fed resources for Trade promotion on Ag exports, which number only 20% of total exports.

Commerce offices overlap functions, but do better than Ag.

$3 billion total Trade promotion budget, Commerce only gets $54 million.

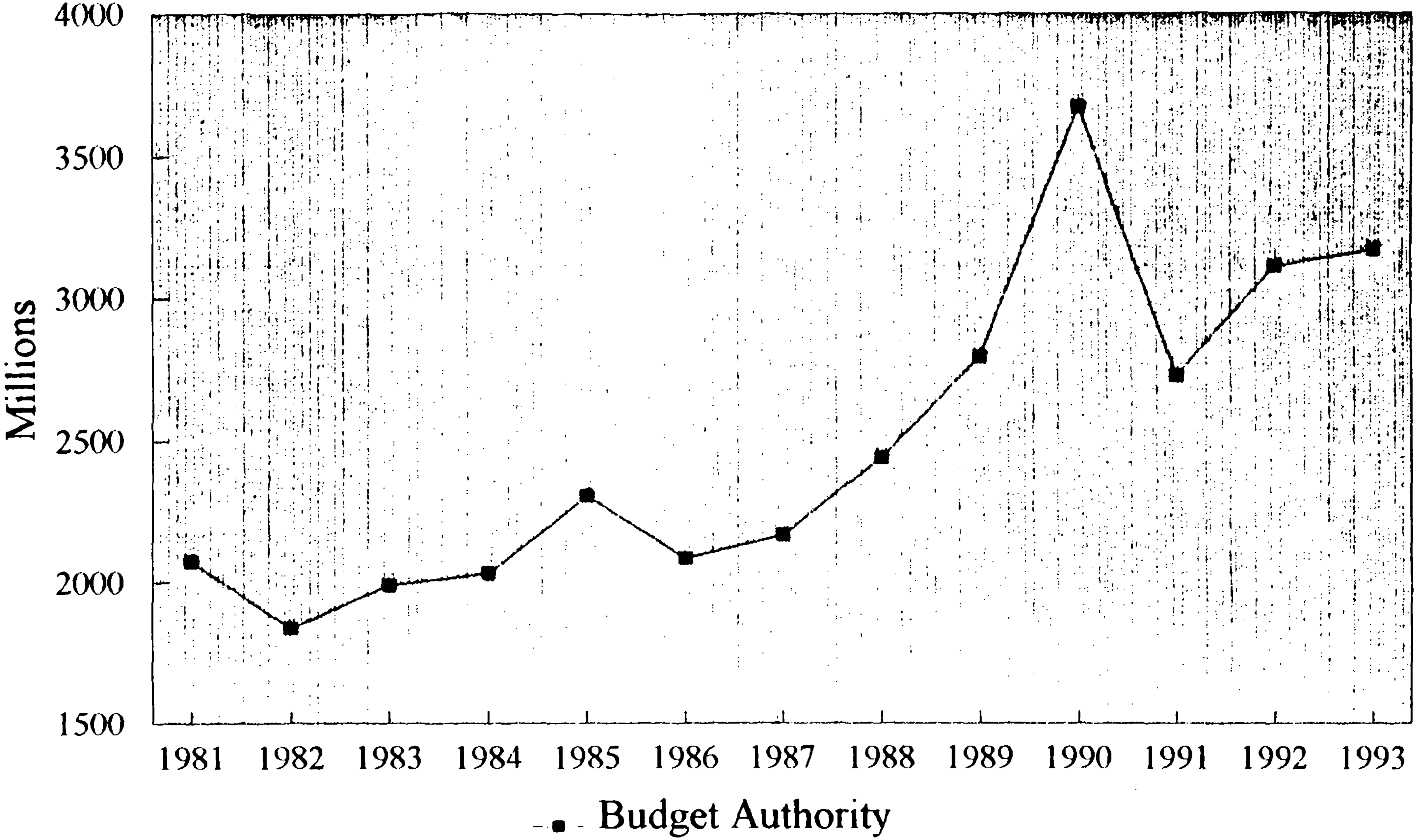
how much of Ag trade promotion $ is in the form of subsidies? - Probably alot.

- OMB doing joint memos on Trade Promotion and Competitiveness Issues.

OMB Budget Review
7-1-93

Department of Commerce

($ in millions)



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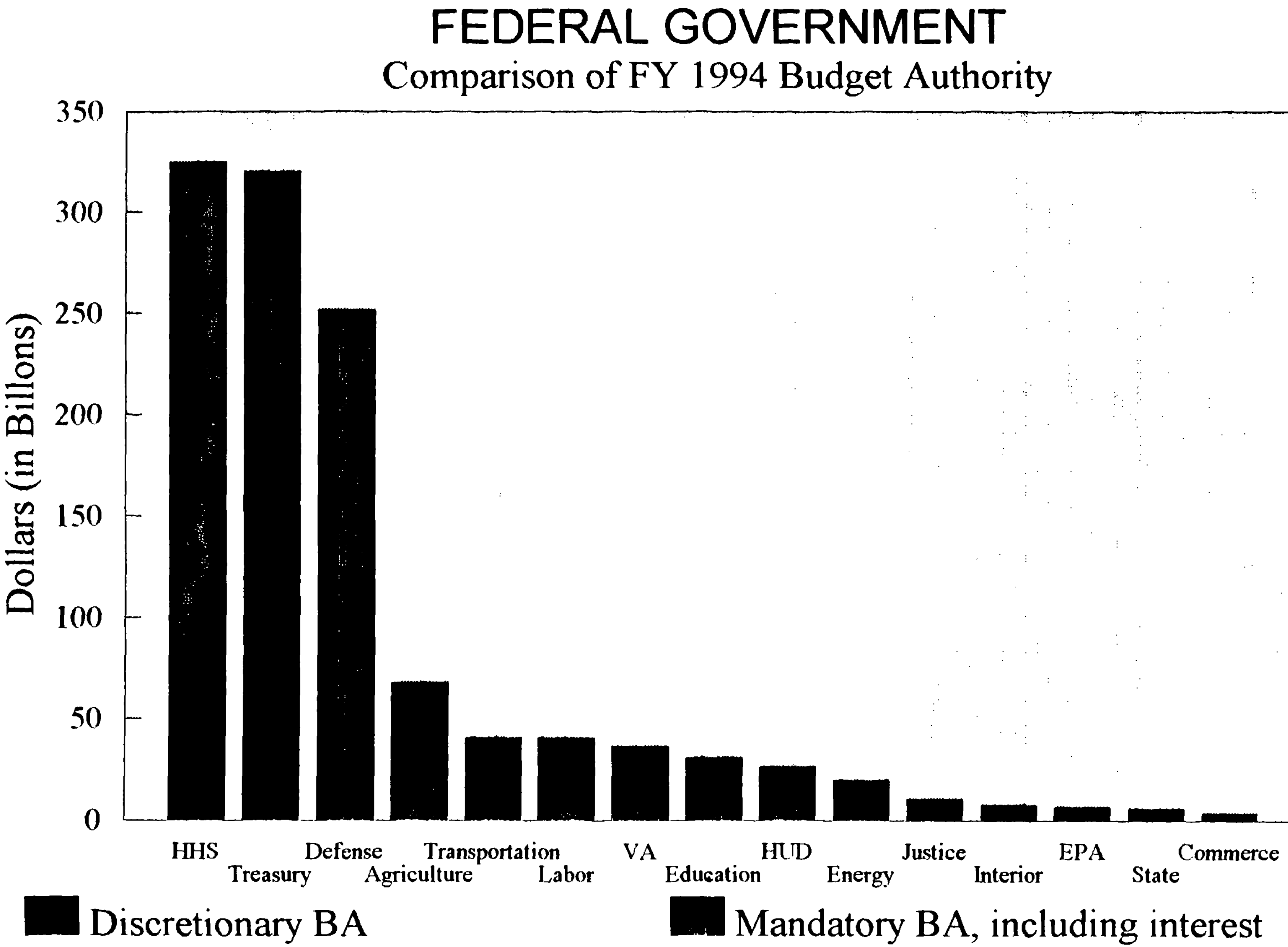
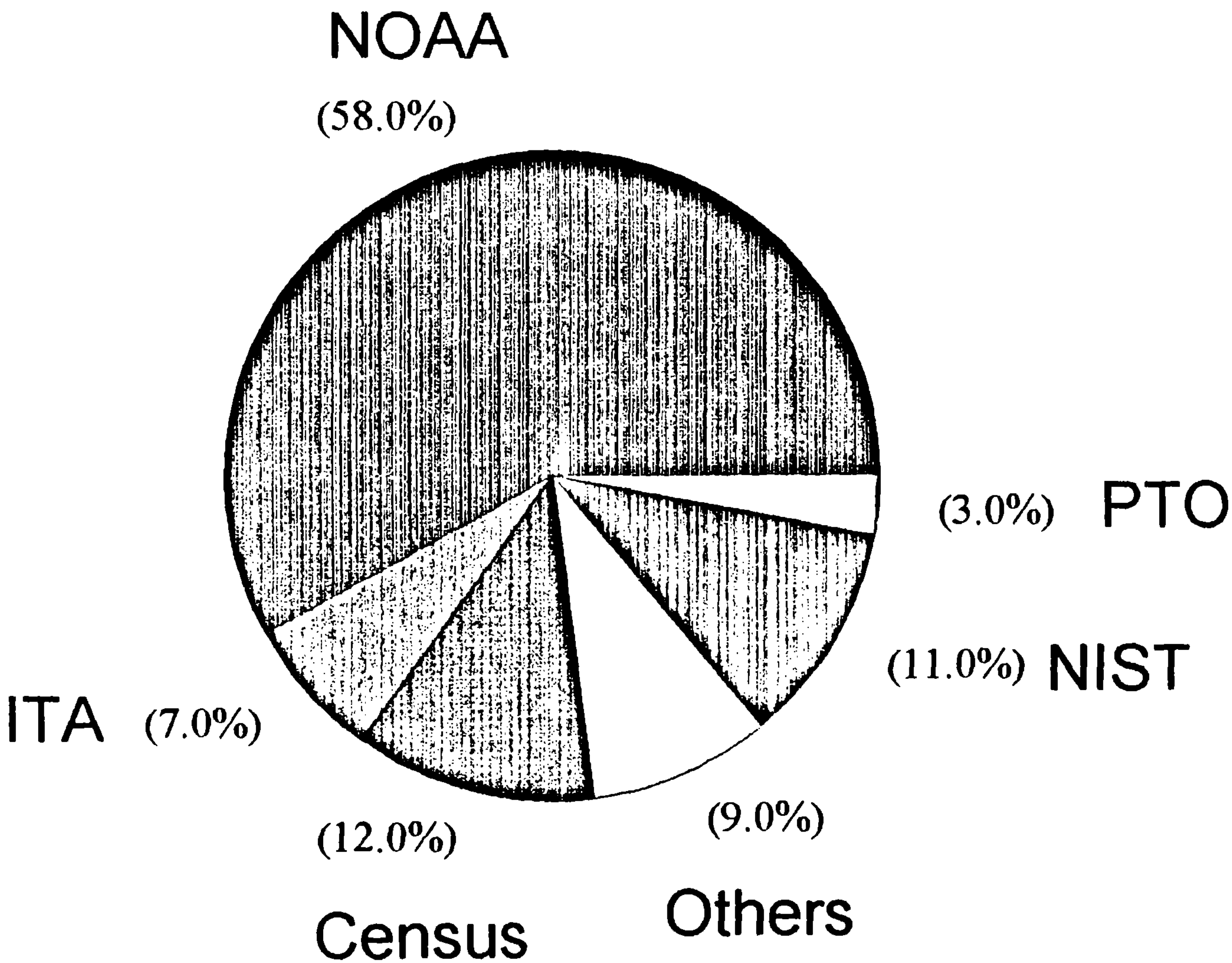
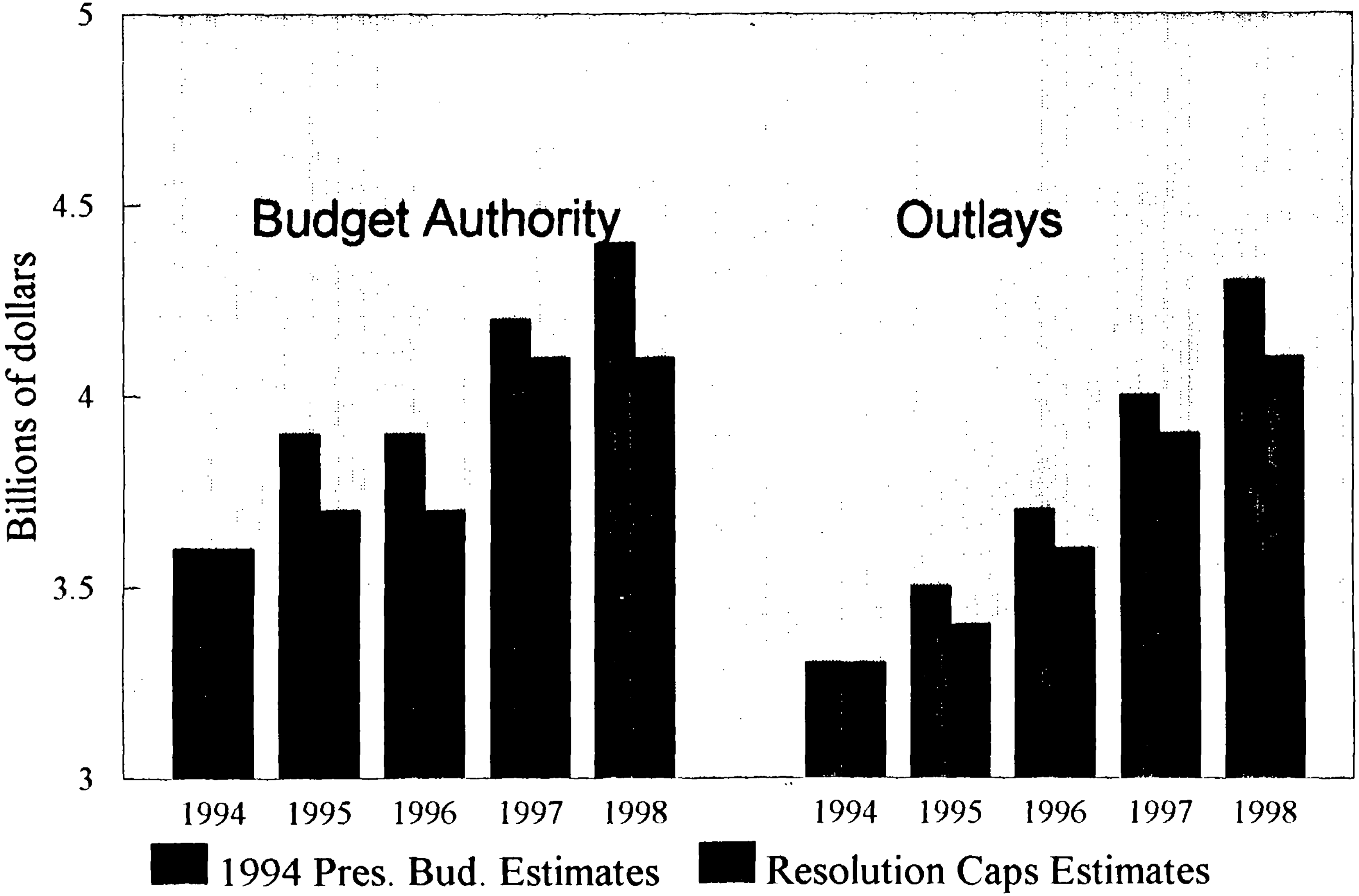

FEDERAL GOVERNMENT
Comparison of FY 1994 Budget Authority
Dollars (in Billons)
350
300
250
200
150
100
50
0
HHS
Treasury
Defense
Agriculture
Transportation
Labor
VA
Education
HUD
Energy
Justice
Interior
EPA
State
Commerce
Discretionary BA
Mandatory BA, including interest

DEPARTMENT OF COMMERCE
Budget Authority by Bureau



DEPARTMENT OF COMMERCE BA AND OUTLAYS:

1994 Pres. Bud. Estimates vs. Resolution Caps Estimate



Department of Commerce
FY 1995 Discretionary Budget Estimates
($ in millions)

		B A	Outlays
1.	Background		
	1994 Request	3,576	3,293
	1994 House	3,248	3,036
	1995 Request in '94 Budget	3,896	3,549
	1995 Provisional Ceiling*	3,661	3,381
2.	Costs to carry out House 1994 in 1995 (Inflator 1.036)	3,365	3,144
3.	Investment Proposal		
	• Funded 1994 Investment **(non-add)**	[268]	[104]
	• Unfunded 1994	250	115
	• Planned 1995 Investment Increment	363	286
	- add in what we don't get in 1994	NIST NTIA	
4.	Necessary Cost Increases Over Investment Proposals		
	• Year 2000 Census planning. If approach to Census 2000 is not changed and costs continue to rise, Census 2000 could cost $5 billion. Funding development and testing of alternative approaches (e.g., sampling) is critical. Also an NPR idea.	25	21
5.	Estimated Requirements (Sum of 2, 3, & 4)	4,003	3,546
6.	Required reduction to reach 1995 Provisional Ceiling	-342	-165

* BA is 16% Below Non-Investment Level, outlays are 11% below.

Supposition that unfunded programs in 1994 would be funded in 1995

- NIST ↑ 3 in 1995 NOAA ↓ in 1995
- NTIA ↑

PRESIDENT'S INVESTMENT PROPOSALS

(Budget Authority, Dollars in Millions)

	1993 Enacted	1994 Request, Total	1994 Investment Portion	1994 House Action, Total	1994 House Investment Portion
Economic Development Administration	232	253	33	249	33
NOAA	1,654	1,863	243	1,766	127
ORF: Weather satellite procurement and launch			[76]		[11]
ORF: Weather system modernization			[127]		[80]
Construction: Weather facilities			[15]		[15]
FCCSET: ORF			[26]		[21]
NIST	381	535	188	434	86
In-house research			[46]		[13]
Advanced technology and manufacturing extension			[142]		[73]
NTIA					
Information Highways	41	95	54	62	22

Nat telecommunications Information ~~Agency~~ Administration

MAJOR THEMES

- DoC role in U.S. Competitiveness
  - Energy - $ from Energy Dept Labs for NIST?
  - Defense Conversion

- NOAA Mission

Key Questions

  - Does NOAA's environmental role complicate or duplicate functions of NASA, EPA and DoI?
  - What is the appropriate balance concerning marine resources conservation and utilization?
  - Should NOAA's responsibilities in environmental research, assessment and prediction focus on "academic" concerns or "economic potential?"
  - What functions and responsibilities in NOAA can be devolved?
  - Given level resources, what opportunities are available to address the perceived inconsistencies between "wet side" and "dry side" funding?

what is NOAA doing that is distinctive?

- Trade Promotion
  - Should the Government have a role in trade promotion?
  - If so, can the current funding ($52M) support a meaningful role for DOC?
  - Would a meaningful role for Commerce require a transferring resources/authorities from other agencies?

80% of our Trade Promotion $ are in Dept of Agriculture, even though Ag only represents 20% of Exports

- Telecommunications Policy
  - The Administration needs a regulatory agenda for deregulation, competition, and innovation in telecommunications.
  - The information highways initiative is too timid. It should be a "moon shot" not a limited back seat player.

Bold Strategies to Achieve 1995 Provisional Ceiling

(dollars in millions)

30-Jun-93
03:29 PM

Code	Agency/Bureau	Brief Description	1995 Base Outlays	Savings: 1995 Proposal BA	Savings: 1995 Proposal OL	Savings: 5 year BA estimate
	CROSSCUT PROPOSALS					
New	DoC National Inst. of Standards & Tech	Dept of Commerce is lead civilian technology agency. Aggressive investment proposal could be funded in part by shifting R&D resources from Dept. of Energy. Savings from DoE would fund NIST growth.	178	[-100]	[-33]	[-300]
New	DoC International Trade Administration	Rationalize export promotion by shifting funds from Dept of Agriculture to Commerce. Ag. spends $2.4 billion on export promotion , all other export promotion programs combined spend $1.3 billion. Savings from USDA would be used to offset ITA base and growth.	215	[-50}	[-35]	[-250]
New	DoC Economic Development Admin	Fund EDA investment for defense conversion out of DoD budget. Continues and expands $33 million from DoD in 1994.	276	[-55]	[-6}	[-200]
BC94	DoC Bureau of Export Administration	Eliminate Bureau of Export Admin. Fold export control activity into DoD, State and Customs. Export control activity is shrinking.	33	-35	-30	-140
	ELIMINATION/RESTRUCTURING PROPOSALS					
New	DoC Census Bureau	Pursue alternative approaches to Census 2000. The 1990 Decennial Census cost $2.6 billion. If costs contiue to rise, Census 2000 could cost $5 billion. Also and NPR idea.	0	0	0	-500
	REVENUE/FEE PROPOSALS					
R/B	DoC National Oceans & Atmospheric Administration (NOAA)	Introduce access fees for marketable permits. Charge fee for recreational and commercial fishing. States will expect share of revenues.	0	-125	-125	-625
New	DoC National Telecommunications and Information Agency (NTIA)	Fund NTIA investment for information highway through combination of excise tax and deregulation. (Paygo)	*	150	101	600

* Four codes possible. Codes include R/B (proposal offered during Reagan/Bush years), BC94 (offered in first Clinton budget), R/B BC94 (offered by both), and NEW (for first time proposals).

Other Strategies to achieve 1995 Provisional Ceiling

(Dollars in millions)

A. User Charges

• Marine Sanctuaries. Charge fee for recreational use.	-8	-8
• Antidumping/Countervailing Duty Program Management (AD/CVD). Lax AD/CVD enforcement has resulted in millions of dollars in duties that have not been assessed.	-10	-7
• Assess user charges for goods and services other government agencies and to the public (Census data, NOAA maps and charts, NIST research.) Requires change in OMB circular.	-10	-7

B. Program Reductions

• NOAA Laboratories consolidate and eliminate.	-5	-3
• Control NWS Modernization staffing costs. Current plans for total field office staffing to spurt from the current level 3,200 to 3,800 by 1995 before falling to 2,800 by 2001. Cost reductions can result from controlling staff required at each office at each phase, timing of average grade increases, timing of new staff etc.	-10	-6

• Confirm need for National Wind Profiler Network. NOAA has spent $44 million to date on the design, acquisition installation and operation of a network of 31 wind profilers. NOAA is assessing whether a national network should be implemented to augment (not replace) NOAA's current network. This proposal would discontinue current operations.	-4	-2
• Close National Weather Service Offices. By law the National Weather Service must keep old offices open after responsibilities have been transferred to new offices, resulting in unnecessary costs of more than $50 million.	-5	-3
• Reconsider Fleet Modernization. Fleet modernization is a 15 year, $1.5 billion effort to replace the current NOAA fleet of ocean research ships. The modernization is still in its early stages. Vessels could be leased instead of purchased.	-15	-2
• Curtail the NOAA Corp. NOAA has over 400 commissioned officers who all have the costly benefits of U.S. military personnel. The Corps primary mission has been to command the ships that perform hydrographic survey work and scientific research. Corps' officers are not needed to operate hydrographic ships.	-5	-3

C. <u>Investment Reductions Below 95 Level</u>

• Reduce the Information Highways request by one-third.	-50	-5

D. <u>Alternative Strategies</u>

• Stretch out weather service modernization.	-30	-18

Summary of Strategies to Achieve 1995 Provisional Ceiling

	($ in millions) BA	OL
A. **User Charges**	-303	-248
B. **Program Reductions**	-79	-49
C. **Investment Reductions Below 95 Level**	-50	-5
D. **Alternative Strategies**	-300	-116
TOTALS	**-732**	**-418**

A. **User Charges** — BA -303, OL -248

- NOAA -- Marine Sanctuaries
- NOAA -- Fishing Fees: Licenses and levy on tradeable permits
- NTIA -- Fund Info Highway through excise tax and deregulation
- ITA -- Antidumping/Countervailing duties
- NOAA, NIST, Census -- Goods and services

B. **Program Reductions** — BA -79, OL -49

- NOAA Lab Consolidation
- NOAA NWS Modernization Control
- NOAA Wind Profiler Network
- NOAA NWS Office Closures
- NOAA Fleet Modernization Reassessment
- NOAA Corps Curtailment
- BXA Export Control Reduction

C. **Investment Reductions Below 95 Level** — BA -50, OL -5

- NTIA Reduce Information Highways Request

D. **Alternative Strategies** — BA -300, OL -116

-- *Realign Funding:*
- NIST -- Fund investment via DoE
- EDA -- Fund Defense conversion via DoD
- NIST -- Fund manufacturing extension via EDA
- ITA -- Shift trade promotion from USDA to DoC
- NOAA -- Converge Federal Polar satellite programs

-- *Other:*
- NOAA -- Stretch out NWS modernization
- Census -- Perform Census 2000 by sample
- MBDA -- Consolidate activities

TOTALS — BA -732, OL -418

MANAGEMENT ISSUES

Adequacy of DOC's financial management systems

Financial Audits -- inadequate resources

Procurement -- service contracts

DEPARTMENT OF COMMERCE

Financial Systems

STATEMENT OF THE ISSUE

Commerce's financial systems are seriously outdated, fragmented, inadequately controlled, and costly and difficult to maintain.

QUESTION

What is the Department doing to develop a realistic plan for financial systems improvements?

BACKGROUND

Commerce expects their Core Financial System initiative to remedy its financial management deficiency, but strategies to cope with this issue have changed frequently, with accompanying slippage in milestone dates. Congress did not provide requested funding in FY 1991, 1992, or 1993, and Commerce has used that as its reason for these delays. Changes in personnel also appear to have had an impact on the Department's strategies. Without a clear, well-reasoned strategy and appropriate management attention on this issue, Commerce is likely to continue having difficulty in its attempts to develop a realistic plan and to implement financial systems to solve its problems.

Audited Financial Statements

STATEMENT OF THE ISSUE

The IG is only going to audit one of the thirteen 1992 financial statements prepared by the Department's reporting entities. With respect to the audits of the 1993 financial statements, the IG is claiming that substantial additional resources will be needed to perform additional financial statement audits.

QUESTION

What alternative strategies can the IG take to comply with the CFO Act?

BACKGROUND

In 1992, for eleven of the thirteen entities covered by the CFO's Act, the IG has/will perform a "Financial Statement Preparation and Auditing Survey" to identify improvements in Internal Controls which must be made before a successful audit can be performed. The surveys are a good interim step. However, in terms of compliance with the CFOs Act, the financial statements of only one of the 13 entities will be audited. The IG claims that his resources are limited and if he were to reassign existing audit staff to financial statement audits his Office's ability to perform critical programmatic audits would be limited.

OFPP Input
June 30, 1993

MANAGEMENT AND BUDGET REVIEWS: COMMERCE

Issue: Federal Procurement

OFPP identified three issues in the Federal procurement arena to be taken up in the M&B Review process:

- o how well agencies contract for services (to be addressed to all cabinet departments and GSA, NASA and EPA);
- o management oversight of Federally Funded Research and Development Centers (to be addressed to Defense, Energy, HHS, NASA, NSF, FAA and NRC), and
- o needed acquisition reforms (to be addressed to Defense).

As indicated above, only the first procurement issue is relevant to Commerce. We planned to use the agency's report on this subject which was due on June 30 (See Panetta memorandum of March 15, 1993, attached) as the basis for a discussion of this issue. Most of the reports, including Commerce's, have not yet been received at OMB. So, we don't yet know specifically what Commerce found in the course of its examination or how thoroughly it conducted the review.

Nevertheless, the issue of how well Commerce contracts for services should be raised at the review session with the Commerce Secretary along the following lines:

> "Based upon the review you have conducted over the past 90 days, how well does Commerce contract for the services it needs? Do you have sufficient resources and adequate procedures to properly oversee your contracts? Are you getting the taxpayers' money's worth in these contracts? Have you found any instances where the Government was contracting for "inherently governmental" services?"

As soon as the report is received at OFPP (and we understand that is has been finalized and is awaiting senior level approval at the agency), we will analyze it. At that point, we will be able to ask more pointed questions and engage in a more agency-specific discussion with the Secretary of his report's findings and conclusions.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

MAR 15 1993

Honorable Mike Espy
Secretary of Agriculture
Washington, D.C. 20250

Dear Mr. Secretary:

Let me ask for your personal help in addressing the concern which Senator Pryor, Congressman Dingell, the Inspectors General, General Accounting Office, and I, among others, share regarding the Government's extensive, and growing, use of contracted services. These contracts today amount to the staggering sum of $103 billion.

To provide a fresh look at this question, we would like you to review your contracting policies and to ask some very basic questions:

- Are your department's existing contracts accomplishing what was intended?
- Do you have adequate procedures in place to monitor such services, to evaluate their cost-effectiveness, to hold such contractors accountable for results, and to ensure the Government gets what it is paying for?
- Are you certain that the services being performed by contractors are not "inherently governmental"?

Before letting new contracts, you will, I hope, make certain that these issues are addressed, that the services are essential to your mission, and that appropriate procurement policies (including emphasis on adequate competition) are observed.

Please have a member of your staff contact our Administrator for Federal Procurement Policy, Dr. Allan V. Burman (202-395-5802), to indicate your approach and progress on this initiative. We shall ask you to report on your efforts in this area during our Spring reviews of each department and agency and would like this project to be completed by June 30, 1993. We especially hope this approach will characterize the Government's ongoing use of contractor support.

Sincerely,

ORIGINAL SIGNED BY
LEON E. PANETTA

Leon E. Panetta
Director

IDENTICAL LETTER TO HONORABLE RONALD H. BROWN
HONORABLE LES ASPIN
HONORABLE RICHARD RILEY
HONORABLE HAZEL O'LEARY
HONORABLE DONNA SHALALA
HONORABLE HENRY CISNEROS
HONORABLE BRUCE BABBITT
HONORABLE JANET RENO
HONORABLE ROBERT REICH
HONORABLE WARREN CHRISTOPHER
HONORABLE FEDERICO PENA
HONORABLE LLOYD BENTSEN
HONORABLE JESSE BROWN
HONORABLE CAROL BROWNER
HONORABLE DENNIS J. FISCHER
HONORABLE DANIEL S. GOLDIN