



THE DEPUTY SECRETARY OF COMMERCE
Washington, D.C. 20230

February 8, 2013

The Honorable Barbara A. Mikulski
Chairwoman, Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Madam Chairwoman:

Thank you for your letter of January 18, 2013, requesting information on impacts of sequestration. As you know, unless Congress acts to amend current law, the President is required to issue a sequestration order on March 1, 2013, canceling approximately \$85 billion in budgetary resources across the Federal Government, of which \$551 million is from the Department of Commerce (Department).

Sequestration would have both short-term and long-term impacts on the Department's ability to deliver on critical parts of our mission and would have a sizable economic cost for the Nation. All bureaus would see impacts to their missions as they implement hiring freezes, curtail or cancel training, and halt critical program investments needed to strengthen performance and improve efficient use of taxpayer dollars. All of these would have a harmful impact on our Department's ability to deliver services to America's businesses and keep our economy moving forward on the path of recovery. The Department is working hard to provide services in a cost-efficient and service-positive manner. We take our trust of taxpayer dollars seriously. As you have requested, I am providing you with some specific impacts to the Department below.

The Department's National Oceanic and Atmospheric Administration (NOAA) would see significant impacts. Communities across the country rely on NOAA every single day to preserve property, protect lives, prepare for extreme weather events, adapt to a changing world, and to enhance economic prosperity. NOAA's central mission of science, service, and stewardship touches the lives of every American and these cuts would negatively impact the ability for NOAA to effectively provide the products and services communities have come to rely upon.

As with all our agencies, these impacts are not abstract. They directly affect NOAA employees and partners throughout the country: up to 2,600 NOAA employees would have to be furloughed, approximately 2,700 positions would not be filled, and the number of contractors would have to be reduced by about 1,400. If sequestration is enacted, NOAA will face the loss of highly trained technical staff and partners. As a result, the government runs the risk of significantly increasing forecast error and, the government's ability to warn Americans across the country about high impact weather events, such as hurricanes and tornadoes, will be compromised.

Forced reductions in funding for fishery stock assessments, at-sea observers, and support for the regional fishery management councils jeopardize NOAA's ability to open fisheries that are economically important to our coastal communities, such as ground fish in New England and along the West Coast, Red Snapper in the Gulf, and the Nation's largest fisheries in Alaska. In addition, with these reductions in data and support for scientific analysis, NOAA will be forced to manage fisheries throughout the Nation more conservatively, which could mean smaller quotas and earlier closures as protections against overfishing. The economic impacts of these measures are unknowable at this point, but could be significant.

Significant and costly impacts to NOAA's satellites and other observational programs are also certain. For example, sequestration will result in a 2-3 year launch delay for the first two next-generation geostationary weather satellites (currently planned to launch in 2015 and 2017), which track severe weather events such as hurricanes and tornadoes. This delay would increase the risk of a gap in satellite coverage and diminish the quality of weather forecasts and warnings. Sequestration will also reduce the number of flight hours for NOAA aircraft, which serve important missions such as hurricane reconnaissance and coastal surveying. NOAA will also need to curtail maintenance and operations of weather systems such as NEXRAD (the national radar network) and the Advanced Weather Interactive Processing System (used by local weather forecast offices to process and monitor weather data), which could lead to longer service outages or reduced data availability for forecasters.

Marine transportation contributes \$1 trillion and 13 million jobs to the American economy. NOAA provides nautical charts and real time observations, such as tides and water levels, to prevent ship groundings and supports the movement of commerce by sea and through the Great Lakes. Under sequestration, navigational safety, and therefore commerce, would be hampered due to reduced surveying, charting, geospatial and observing services.

All told, there would be significant impacts in NOAA's ability to meet its mission to preserve Americans' property, protect lives, prepare for extreme weather events, adapt to a changing world, and to enhance economic prosperity. It is unclear that future years of investment will be able to undo some of the damage—especially to the economics of America's fisheries and to our weather preparedness.

Sequestration would have to cut a total of \$46 million from the Department's Census Bureau. The Census Bureau will be forced to significantly cut contract dollars and not fill hundreds of vacancies, pushing back research and testing for the 2020 Decennial Census as well as seriously delaying the release of critical economic and demographic data needed for this calendar year.

The last benchmark of economic statistics supporting America's assessment of Gross Domestic Product (GDP) and other key economic indicators was taken in 2007, prior to the recession. If the sequestration cuts move forward, the Census Bureau will be forced to impose a six-month delay in releasing vital statistics for these indicators, putting at risk our ability to take accurate stock of current economic conditions and well-being and potentially impacting policy making and economic decisions in the private sector.

Furthermore, delays in developmental work for the 2020 Decennial Census will increase the risk that the Census Bureau will not be ready to make major departures from past operational designs that are intended to save money without diminishing quality. The Census Bureau has committed to executing a Census that would cost less per household in real dollars. Cuts now are virtually guaranteed to force the Census Bureau to ask for larger investments later, putting at risk that goal of achieving more significant savings.

Cuts to the Department's Economic Development Administration (EDA) would hinder the bureau's ability to leverage private sector resources to support projects that would spur local job creation. The sequester would likely result in more than 1,000 fewer jobs than expected to be created, and more than \$47 million in private sector investment is likely to be left untapped. In addition, EDA would be forced to impose administrative furloughs of roughly 6.5 days for each of its employees. These cuts would limit EDA's ability to be a strong partner to states and local communities in helping our country rebound from one of the worst recessions since the Great Depression.

The cuts at the Department's National Institute of Standards and Technology (NIST) would largely fall on grants, contracts, equipment procurements, deferment of open positions, and cuts in the repair and maintenance of NIST facilities that will negatively impact NIST's ability to keep them in acceptable working condition. While cutting in these areas will enable NIST to maintain its core scientific workforce, the forced reductions would negatively impact NIST's ability to deliver on its mission in other ways. For example, the elimination of some contracts and grants within the Scientific and Technical Research and Services would result in the elimination of at least 100 research associates at NIST who are important for the support of scientific research activities. The proposed cuts will also result in delayed or canceled equipment purchases needed to support work in critical areas such as advanced materials, advanced manufacturing, and alternative energy. In addition, if the sequestration moves forward, NIST will be forced to end work it is currently doing through the Manufacturing Extension Partnership (MEP) Center system to help America's small manufacturers innovate their business practices, make cost-effective improvements to their businesses, develop market growth strategies both at home and abroad, streamline their supply chains, and determine which technology investments make sense for their future. At a time when America's small and medium sized enterprises need help the most, programs like MEP warrant strong support. NIST will also be forced to delay efforts to help return small manufacturing enterprises back to the United States from offshore locations.

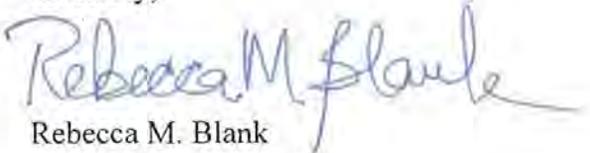
An important component of the Department's Bureau of Industry and Security (BIS) national security mission is to engage directly with end-users of sensitive controlled commodities and determine whether these items are being used in accordance with license conditions. If sequestration moves forward, BIS will be forced to significantly cut travel specifically in support of these checks, which will hinder BIS's ability to pursue some known threats to our national security.

The Department's International Trade Administration (ITA) would be forced, under sequestration, to reduce its support for America's exporters, trimming assistance to U.S. businesses looking to increase their exports and expand operations into foreign markets by nearly \$15 million. In addition, ITA will not be able to place staffers in critical international growth markets, where there is a clear business opportunity for many American businesses to increase their sales and create jobs at home. These staff would have been part of a key program working to promote and facilitate global investment into the United States, supporting thousands of new jobs through foreign direct investment. Furthermore, federal trade enforcement, compliance, and market access activities would be cut by nearly \$7 million, leading to fewer actions by the Federal Government to reduce trade barriers and ensure compliance with trade laws and agreements.

Sequestration will also force a cut of \$4.9 million from the Department's Bureau of Economic Analysis (BEA). BEA will have to terminate work on key programs that help businesses and communities better understand GDP, foreign direct investment, and the impact of changes to economic activity within a specific regional economy (e.g., the economic impact related to Sandy).

Once again, thank you for your support of the Department, and we are happy to answer any specific questions you may have.

Sincerely,



Rebecca M. Blank