S. HRG. 108–772

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2005

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

ONE HUNDRED EIGHTH CONGRESS

SECOND SESSION

ON

H.R. 4754/S. 2809

AN ACT MAKING APPROPRIATIONS FOR THE DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2005, AND FOR OTHER PURPOSES

Department of Commerce
Department of Justice
Department of State
Nondepartmental Witnesses

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CONTENTS

TUESDAY, MARCH 2, 2004

	Page
Department of Commerce: Office of the Secretary	1

TUESDAY, MARCH 23, 2004

Department of Justice: Federal Bureau of Investigation	53

THURSDAY, MARCH 25, 2004

Department of State: Office of the Secretary	119
Nondepartmental Witnesses	167

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2005

TUESDAY, MARCH 2, 2004

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:03 a.m., in room SD–192, Dirksen Senate Office Building, Hon. Judd Gregg (chairman) presiding.

Present: Senators Gregg, Stevens, Hollings, Inouye, Leahy, and Kohl.

DEPARTMENT OF COMMERCE

OFFICE OF THE SECRETARY

STATEMENT OF HON. DONALD L. EVANS, SECRETARY

OPENING REMARKS

Senator GREGG. We will begin the hearing of the Commerce, Justice and State Subcommittee of the Appropriations Committee. We are honored today to have with us the Secretary of Commerce, Secretary Don Evans. I don't have an opening statement. Do you have an opening statement?

Senator HOLLINGS. No, Mr. Chairman.

Senator GREGG. We will proceed right to Secretary Evans. Make whatever statement you wish, Mr. Secretary, and we will proceed to questions.

Senator LEAHY. Are there going to be no statements?

Senator GREGG. I would rather get to the testimony, if you don't mind.

Senator LEAHY. I appreciate that. I would ask consent to put a statement in the record and I will use some of it in my questions.

Senator GREGG. Absolutely. We will have plenty of time for questions and you can work it in there.

Senator LEAHY. Thank you.

[The statement follows:]

PREPARED STATEMENT OF SENATOR PATRICK J. LEAHY

Mr. Secretary, we thank you for coming to testify before this subcommittee today. It is good to see you again. You have an especially difficult job at the moment, and none of us envy you for it.

Whether they have lost their jobs, or worry about losing their jobs, or feel frozen in place, so many American workers and their families have been hurting for the

last three years, and they are still hurting in what has been called this "jobless recovery." Job cuts have disrupted millions of households, and the effects have rippled through our entire economy.

We have lost nearly three million manufacturing jobs in the past three years, and the economic outlook is less than encouraging. In fact, more than 2,400 employers reported laying off 50 or more workers in January, the third highest number of so-called mass layoffs since the government began tracking them a decade ago. Overall, the number of manufacturing jobs in the United States is now at its lowest level since 1950.

At the same time our manufacturing numbers are tumbling, our trade deficit is spiraling. The Department recently announced that the U.S. trade deficit reached a record $489 billion in 2003. While the trade report shows strong domestic consumption, it also highlights serious problems with our economy's productivity—particularly our lack of employment growth.

Back in September, the Commerce Department announced a broad proposal to help the nation's ailing manufacturers. Among other elements of that plan, the department proposed creating a new assistant secretary of commerce for manufacturing, forming an unfair-trade-practices team to track and confront unfair foreign competition, and supporting the Manufacturing Extension Partnership (MEP) program.

I join many manufacturing and trade experts in being puzzled by that announcement. The Commerce Department already has hundreds of employees tasked with tracking unfair labor practices. And it seems that the creation of a new assistant secretary for manufacturing really may just be boiling down to changing the name and expanding the reach of the existing assistant secretary for trade development. On top of that, no one has yet been named to fill this new position.

And then there's the matter of the Manufacturing Extension Partnership Program, which offers technical assistance to manufacturing firms to improve their performance in production techniques, marketing and exports. It does not help the Administration's credibility to cite the value of this program and to pledge resources for it, but then to repeatedly fail to actually support the MEP program—both in the President's budget requests and in the White House's final negotiations on this year's appropriations bill.

You have repeatedly asked that MEP receive around $13 million each year, but Congress has deemed it important enough to provide more than $106 million. It is disingenuous now for the Administration to say you support the MEP program by requesting a mere $39 million this year. And while I appreciate your announcement that MEP would be eligible to compete for up to $45.4 million in fiscal year 2005 economic adjustment assistance, this effort will not provide the funds our MEP centers need to continue operations and services to small manufacturers, especially after July 1, when the majority of centers face contract renewal under the drastically reduced fiscal year 2004 funding.

I am also concerned about a plan to identify federal rules that they believe impede competitiveness in the domestic manufacturing sector. Given the Administration's record to date, it is no wonder that so many workers are concerned that this is just another Administration attempt to roll back health and safety standards that are designed to keep American workers safe. Many see this as a backhanded and backdoor attack on hardworking, dedicated workers. And I see their point.

The Administration's lack of follow-through and attention to the hemorrhaging of manufacturing jobs amounts to what could charitably be called a disconnect between rhetoric and reality. And after so much of this, the Administration's credibility becomes a real problem and a real issue with the Congress and with the American people.

Mr. Secretary, that brings us to the Trifecta of controversial sections of President Bush's recently released annual "Economic Report of the President."

First, it suggested that the movement of U.S. jobs overseas—commonly referred to as offshoring—is beneficial to consumers. The President asserts that American customers will benefits from lower costs of the products and services they buy because of cheaper labor costs overseas. And the President's top economist said that the migration of service jobs overseas "is just a new way of doing international trade."

That comment was tossed off with a flippancy that seems to take no account of the real pain American families are suffering as more and more companies close their U.S. facilities and send their work overseas, throwing hardworking Americans onto the unemployment lines.

Second, the Report predicts that non-farm payroll employment will average 132.7 million in 2004, reflecting a 2.6 million increase in jobs over its estimated average of 130.1 million in 2003. A joint analysis released by the Economic Policy Institute

and the Center on Budget and Policy Priorities shows that to achieve the 2004 estimate, an average of 460,000 jobs a month would need to be created from February through December of 2004. In other words, about five million jobs will need to be created between now and the end of the year to hit that projection.

Finally, and perhaps most unbelievably, the Report questions whether fast-food restaurants should continue to be counted as part of the service sector or should be reclassified as manufacturers. Specifically, the report asks: "When a fast-food restaurant sells a hamburger, for example, is it providing a 'service' or is it combining inputs to 'manufacture' a product?"

Two decades ago, another administration wanted to start calling ketchup a vegetable for the purposes of the school lunch program. Redefining ketchup as a vegetable did nothing for the nutrition of our kids, and redefining every Taco Bell as a manufacturing factory would do nothing for American workers and real American manufacturers. If that is this Administration's idea of thinking outside the bun, then this Administration has a lot more thinking to do.

Mr. Secretary, for the past three years we have heard many predictions and forecasts from the Administration that have not been anywhere close to reality. We were told that the President's tax cuts would stimulate the economy—and instead the economy has weakened and tax receipts are at some of their lowest levels ever. We were told that there would be 3.4 million more jobs in 2003 than there were in 2000—and instead the economy ended up losing 1.7 million jobs over that period. We were told that budget surpluses would continue on for as far as the eye could see—and instead we have gone from a record $239 billion surplus under President Clinton to a record $521 billion deficit under President Bush, and if the President's budget were actually enacted, it's those deficits that would proliferate as far as the eye can see. And we were told that the Iraq mission would be swift and easy—and instead it has dragged on with no end in sight and with costs that are so astronomical that the President did not even dare put the numbers in his budget.

These are difficult times for American manufacturers and American workers, and the job of answering to them for this Administration's policies is a tough one. I hope you take a serious look at the questions we pose because there are millions of American workers out there counting on you.

Thank you very much, Mr. Chairman. I ask consent that my full statement and written questions be submitted for the record.

Secretary EVANS. Thank you, Mr. Chairman. I have a brief opening statement and I will ask for my written remarks to be submitted for the record please, sir.

Senator GREGG. Absolutely.

Secretary EVANS. Mr. Chairman, Senator Hollings, members of the subcommittee, it is a pleasure to have this opportunity to testify in support of the President's budget request for the Department of Commerce for fiscal year 2005.

Before I do that, let me just take a moment to thank Senator Hollings, who is retiring, for his service to this country for many, many years, in this body since 1966. I can't——

Senator HOLLINGS. I want you to retire with me.

Secretary EVANS. I have another plan.

And that just goes to show you that we don't agree on absolutely everything, but we agree on a lot and one thing we absolutely agree on is your love for America——

Senator HOLLINGS. Thank you, sir.

Secretary Evans [continuing]. And your service to America, your integrity that you served this body with for so many years, and I just wanted to take a moment to say thank you on behalf of all Americans.

I want to say thank you to your wife, as well, because as somebody that has just been in public service in Washington for 3 years, it is very clear to me that it is not just a sacrifice of those serving here. It is a sacrifice for the entire family, and for Peatsy and your entire family, I thank you.

Senator HOLLINGS. That is mighty generous. Thank you, sir.

Secretary EVANS. Yes, you bet. We appreciate and have benefitted from Senator Hollings' focus on so many areas of the Commerce Department. You know, a lot of people said he put the "O" in NOAA, which is absolutely the truth.

The central mission of the Department of Commerce is to promote American jobs and values by creating the conditions for long-term economic growth. To fulfill this essential charge, we are requesting a budget of $5.8 billion. This budget reflects the President's commitment to advancing our Nation's economic and homeland security.

To help American industry and workers meet unprecedented global challenges, we are reorganizing the International Trade Administration. I want to thank Chairman Gregg and members of this committee for their assistance in moving this process forward. We are creating a new Manufacturing and Services Office, to be headed by an assistant secretary. This official will be charged with ensuring that these critical sectors get a full hearing when policies are formulated. We are establishing an Office of Investigations and Compliance to monitor enforcement of trade agreements, and we are also creating an Unfair Trade Practices Task Force.

For the Census Bureau, we are requesting an increase of $217 million to reengineer the decennial census and improve other data collection.

For the Bureau of Economic Analysis, we are requesting an increase of $15 million for the improvements of GDP data and other economic indicators.

The NIST budget includes $31 million to equip and operate a new advanced measurement laboratory and $25 million for continued renovation of the NIST laboratories in Boulder, Colorado.

At this time, we are requesting level funding for the Manufacturing Extension Partnership. To leverage current funding and help small manufacturing firms, we are directing EDA to focus economic adjustment grants on areas experiencing job losses in the manufacturing sector. MEP centers serving these communities can compete for these grants. In the next fiscal year, MEP centers will be eligible to compete for up to $45.4 million of the EDA grants. We are also looking at establishing partnerships with other Federal programs and agencies to maintain and strengthen this national manufacturing network.

In fiscal year 2005, the administration proposes giving the Patent and Trademark Office full access to its fees. An increase of over $310 million will allow the hiring of additional examiners and faster processing of applications.

Our NOAA budget includes an increase of $56 million for next-generation weather satellites, $34 million to complete the third fisheries vessel, and $24 million to better assess climate change.

Also included in this budget is funding to enhance the safety of Department personnel and visitors. Mr. Chairman, new challenges to our Nation's security necessitate new responses.

We have had to make some difficult choices. This includes discontinuing funding for the Advanced Technology Program, the Technology Opportunity Program, and for the Public Telecommunications Facilities Program. I am sure that there are members of this committee and other Members of Congress who would like to

make other funding decisions. Please know that I respect those views and I look forward to working with all of you through the budget process.

PREPARED STATEMENT

Mr. Chairman, I want to thank you and the members of this committee for your continued support of Commerce programs and initiatives. I welcome your comments and will be pleased to answer any questions that you may have.

Senator GREGG. Thank you, Mr. Secretary.

[The statement follows:]

PREPARED STATEMENT OF DONALD L. EVANS

Thank you for the opportunity to appear before you to present the Department of Commerce's fiscal year 2005 budget request. In the fiscal year 2005 President's Budget, the Department of Commerce request of $5.8 billion reflects its continuing commitment to creating conditions for economic growth and opportunity by strengthening American manufacturing and, promoting innovation, entrepreneurship, competitiveness, and stewardship. America's manufactures provide our nation and our people good jobs, a better quality of life and inventions that have established our national identity. To that end, the Department has partnered with U.S. businesses to maintain a prosperous, productive America. We have a record of innovation in manufacturing, transportation, communications, and measurement that has helped sustain U.S. leadership of the international marketplace.

Consistent with the President's Management Agenda, for fiscal year 2005, the Department presents a performance integrated budget based upon the Department's Strategic Plan. The plans goals fully reflect the Department's mission and vision and its commitment to promoting "American Jobs and American Values."

Goal 1: Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers and consumers

Economic growth is a central theme for the fiscal year 2005 President's Budget and to the missions of the Department of Commerce's bureaus. To enhance the competitiveness of U.S. businesses in the global economy, the President's 2005 Budget focuses the International Trade Administration (ITA) on promoting U.S. exports, fighting unfair foreign trade barriers, and negotiating and implementing multilateral and bilateral trade agreements. ITA has created a new unit called Manufacturing and Services, focusing on the domestic and international aspects of U.S. industrial competitiveness; working with U.S. industry to evaluate the needs of American manufacturers; assessing the economic impact of new and existing government rules and regulations on U.S. manufacturers; and representing and advocating for the interests of the U.S. manufacturing and services sectors.

For fiscal year 2005, ITA has three new initiatives. ITA requests an increase of $4.5 million for the Administration's Capital Security Cost Sharing Program (CSCSP) to cover the State Department's capital security costs associated with building new embassy compounds. CSCSP is scheduled to begin in fiscal year 2005 and continue through fiscal year 2018 and all agencies represented in embassies will be charged on a worldwide per capita basis. ITA requests an increase of $0.5 million for the Activity-Based Cost Accounting and Management System to allow for more precise management and planning of resources as well as a better understanding of ITA's performance and commitment to priority activities. ITA has begun implementing this system with existing resources and requires these funds to complete the project. ITA also requests an increase of $0.2 million for the Free Trade Agreement Secretariats to enable ITA to meet a requirement under the Singapore and Chile Free Trade Agreements.

The Minority Business Development Agency (MBDA) will continue to focus on accelerating the competitiveness and growth of minority-owned businesses by closing the gap in economic opportunities and capital access. The President's 2005 Budget requests an increase of $3 million for MBDA to conduct an annual survey of minority owned business enterprises (SMOBE). The SMOBE will provide more timely, frequent and comprehensive statistical data about the minority business universe than the current 5-year SMOBE. The President's 2005 Budget also requests an increase of $2.1 million for the Business Development Centers and Minority Business Opportunity Committees programs to improve opportunities for minority businesses in

areas with the highest minority business density. Finally, the President's 2005 Budget requests an increase of $0.5 million for MBDA to establish trade activities in response to the President's and the Secretary of Commerce's initiative on trade promotion for U.S. minority businesses with Asian Americans and Pacific Islanders. This activity will increase the access of minority business enterprises to global markets.

The President's 2005 Budget request for Economic Development Administration (EDA) will help accelerate the Nation's economic growth by promoting a favorable business environment to attract private capital investments and higher-skill, higher-wage jobs. The President's 2005 Budget requests an increase of $5 million for EDA to assist areas that demonstrate a high level of economic distress from long-term economic deterioration or that are suffering from sudden and severe dislocation to their economies.

The Bureau of Economic Analysis (BEA) seeks to strengthen the understanding of the United States economy and its competitive position. BEA accomplishes this task by providing accurate economic accounts data in a timely and cost-effective manner, and by supplying the Nation's key economic statistics, including Gross Domestic Product (GDP). The President's 2005 Budget requests an increase of $15 million for BEA over fiscal year 2004 for two initiatives. The first initiative will continue to generate more timely economic data, meet U.S. international obligations in complying with international standards for reporting statistics, and acquire real-time data to improve the quality of BEA measures. The second initiative will produce up-to-date annual estimates on business investment spending and employment and compensation data by industry.

The President's 2005 Budget requests an increase for the Bureau of the Census of $217 million over fiscal year 2004. These additional funds will be used in the Bureau's multi-year effort to reengineer the Decennial Census by implementing the American Community Survey, modernizing its geographic database information, and developing plans for the Decennial Census in 2010 using only a short form. Census also plans initiatives to improve the quality and timeliness of trade statistics, to improve the measurement of services by expanding the number of industries covered, to develop a stronger presence in electronic government services by allowing businesses to file survey information electronically, and to strengthen its measurement of migration within the United States.

As part of our ongoing efforts to improve the review and enforcement of export license conditions, the President's 2005 Budget is requesting funding for the Bureau of Industry and Security (BIS) to develop a comprehensive export license condition, compliance and enforcement program. This program will enhance the enforcement of license conditions by working with exporters to ensure that they have in place appropriate export management systems and devoting dedicated resources to detect and prosecute violations of license conditions. The President's 2005 Budget is also requesting funding for BIS to establish an Office of Technology Evaluation that will enable the Department to implement and maintain a more effective system of dual-use export controls that better protects U.S. national and economic security. The new Office's duties will include identifying new technologies for potential inclusion on the Commerce Control List and the comprehensive review of items already on the list to ensure that items are appropriately controlled for the protection of U.S. national security.

Goal 2: Foster science and technological leadership by protecting intellectual property, enhancing technical standards, and advancing measurement science

Important priorities for the National Institute of Standards and Technology (NIST) in fiscal year 2005 are to upgrade facilities and laboratories, to protect critical research data from degradation, and to maintain employee safety and security. The President's 2005 Budget provides increased funding to NIST laboratories for continuing construction projects and high priority research areas. The request includes $31 million to equip and operate the Advanced Measurement Laboratory and $25 million for continued renovations of NIST's Boulder, Colorado facilities. Consistent with the Administration's continuing emphasis on shifting resources to reflect changing needs, the fiscal year 2005 budget proposes to terminate the Advanced Technology Program and to commit stable funding for the Manufacturing Extension Partnership.

The President's 2005 Budget request for the U.S. Patent and Trademark Office (PTO) will support the third year of the PTO strategic plan to keep pace with workload growth and to enhance the quality of products and services. In fiscal year 2005, the Administration proposes giving PTO full access to its fees. An increase of $310.9 million will allow the PTO to improve processing capacity by hiring additional patent examiners, deliver an operational electronic patent application processing sys-

tem, continue moving to an electronic trademark operation, expand quality reviews to all stages of patent and trademark examination, and cover the full accrual of retirement costs for its employees.

The President's 2005 Budget increase request of $7.1 million for the National Telecommunications and Information Administration (NTIA) will provide the resources necessary to improve dramatically the overall capabilities of NTIA to research, manage and represent internationally the government's and industry's spectrum usage. These funds will increase the efficiency of radio spectrum usage through a paperless system, explore alternative incentive systems, meet increasing demand for Federal wireless systems; improve our Nation's preparation for and representation of U.S. interests at International spectrum usage conferences; and upgrade NTIA's lab facilities used to support this important work. The fiscal year 2005 Budget continues the proposal to terminate the Public Telecommunications Facilities, Planning and Construction and Technology Opportunity Program grants.

Goal 3: Observe, protect and manage the earth's resources to promote environmental stewardship

This budget supports the core activities of the National Oceanic and Atmospheric Administration (NOAA), including fisheries and ocean programs, climate research activities, and weather forecasting capabilities, as well as the satellite infrastructure necessary to support these functions. In addition, the request continues to focus on maintenance and safety issues associated with NOAA facilities, vessels, and aircraft.

The 2005 Budget makes investments in critical fisheries and ocean programs. The Department continues to work to improve the management and economic sustainability of the Nation's marine fisheries with a continued focus on fisheries science and stock assessments. To this end, the Budget invests $34 million to complete NOAA's third fisheries survey vessel. This vessel will meet international standards for research surveys and will substantially improve the quality of NOAA fisheries research. Additional investments are requested this year to maintain safe and efficient maritime commerce through enhanced electronic navigational charts and improved collection of data on coastal water levels.

This budget continues the Administration's focus on climate research and devotes $23.7 million of new funding to expand climate observing capabilities. This funding will allow NOAA to help fill critical knowledge gaps identified in the recently released Climate Change Science Program Strategic Plan, including research on aerosols, oceans and the natural carbon cycle. NOAA's funding is one component of a government-wide initiative which will provide $103 million over two years to accelerate climate observations. The Administration will continue to work with the international community to develop a comprehensive, global earth observation system.

Continuing to seek improvements in weather forecasting, the Administration requests funding to expand air quality forecasts nationwide. This program will help mitigate the estimated 40,000 deaths and $147 billion spent treating air pollution-related illnesses by providing advance warning of poor air quality. Also included are investments in improved long-range weather forecasting, as well as continued improvement of NOAA's NEXRAD radar system, replacement of the communications gateway through which all weather-related data flows to local weather forecasters, and modernization of the cooperative observer network.

To support NOAA's weather and climate programs, the Administration requests an additional $56 million for the continued development of next-generation geosynchronous and polar-orbiting satellite programs. To support current and future satellite operations, the Administration requests funds to occupy and operate NOAA's new satellite operations facility. This budget also includes investments to maintain and repair current NOAA facilities, for operations and maintenance of the OSCAR DYSON, NOAA's first new fisheries research vessel, and for the HI'IALAKAI, a vessel acquired from the Coast Guard for research in the Hawaiian Islands.

Management Integration Goal: Achieve organizational and management excellence

The Administration places a high priority on the protection of our employees and guests. The Herbert C. Hoover Building (HCHB) is in close proximity to multiple high-profile locations in downtown Washington D.C., but lacks adequate protection against an explosive blast in the vicinity. This request proposes a blast mitigation project for the facility. The upgrades will reduce the degree of injury due to glass fragments and, in the event of a chemical/biological/radiological attack, will significantly reduce the air infiltration of toxic substances. This will provide the employees with precious minutes to escape the building or to enable them to "shelter-in-place," if required. The funding request for the Security Management Application will pro-

vide for the development and integration of a new corporate management application system to enhance the Department's personnel security management capabilities.

The Department is also requesting an increase in resources for the Inspector General's Office of Investigation to provide adequate coverage for all Commerce activities. This increase will allow the Office to strategically deploy its investigative resources, thereby enhancing its ability to detect and prevent fraud. The projected $11 billion cost for the 2010 Census necessitates the OIG to increase its level of oversight to improve planning and lower risks, particularly in the areas of statistics and systems evaluations.

The Department of Commerce has a rich history, and after traveling the country meeting with both the Commerce employees and the customers we serve I am confident it will have a rich future. I look forward to working with the committee to ensure that together we are providing the best services possible.

Senator GREGG. Again, we thank you for taking time to come. It was very nice of you to acknowledge Senator Hollings' great service to this country, which we have done on a number of occasions in this committee. It is totally appropriate, especially relative to the Commerce Department, where he has played an extraordinary role. What is it, 33 years?

Senator HOLLINGS. I've been on the subcommittee since 1971

Senator GREGG. And chairman or ranking member of this subcommittee, I think, for 27 years or something like that.

Senator HOLLINGS. Yes, sir.

NOAA'S N-PRIME SATELLITE

Senator GREGG. Nothing has happened at the Commerce Department that Senator Hollings hasn't been involved in. One of the things that he can take a lot of credit for and which we think is appropriate is a strong NOAA program. We congratulate the Department for its efforts in this area but we are concerned about the funding levels in a number of accounts there. Overall, this committee is totally committed to the NOAA efforts and we will have some issues with our House members on that, but we enjoy that little tussle every year and we usually do pretty well in it.

I did have a question about the satellite program. I understand one of the critical satellites was dropped on the floor.

What is the status of that? Is it the N Prime?

Secretary EVANS. Yes, N Prime, that is correct.

Senator GREGG. And who is liable for what appears to have been some negligence possibly?

Secretary EVANS. Mr. Chairman, we don't have that complete report yet. We are in the process of working with Lockheed Martin, and NASA and NOAA are working together to look very carefully at the issues of cause and liability as well as what it is going to take to make sure we have the service needed to deliver the weather forecasts to this country in the out-years.

We are close, they tell me, to having a final report that we will deliver to Congress, but we are not there yet.

Senator GREGG. If we conclude that the cause was outside of NOAA and NASA but it was the responsibility of a private contractor, that the damage occurred as a result of their potential negligence, and I don't know whether it was negligence or not——

Secretary EVANS. Right.

Senator GREGG [continuing]. But potential negligence. When you drop a satellite on the floor, it does seem to lead to that concern.

Are we going to pursue legal remedies to get recovery of, what is it, about $400 million?

Secretary EVANS. I am certain that we will, Mr. Chairman. I am absolutely certain that we will. We have our lawyers looking at this very carefully and that is our conclusion. I am sure we will be pursuing the total recovery of the loss as well as, at the same time, we need to make sure we are putting a plan together to cover the gap that this might be creating as it relates to satellite coverage during the period that N Prime was scheduled to be launched.

INTERNATIONAL TRADE ADMINISTRATION REORGANIZATION

Senator GREGG. You spent a lot of time on ITA's reorganization. Could you tell us the status of that and how it is going?

Secretary EVANS. Well, Mr. Chairman, it is going well, and we have spent a lot of time on it. I appreciate the support of this committee. We have been very focused on the manufacturing sector of this economy, spent 1½ years on travel around America, across America, talking to manufacturers all across America, listening to their concerns, their challenges, something I know a fair amount about since I spent 30 years of my life in the manufacturing sector of this economy. So I am very familiar with many of the challenges that they deal with on a day-to-day basis.

DOC MANUFACTURING REPORT

We have made significant progress. We presented to the country a manufacturing report in January. It laid out over 50 recommendations that we feel will help create an environment for our manufacturers to continue to succeed in the global economy. That is the goal. We need to continue to improve the conditions so it is easier for American manufacturers to succeed in this ever-changing economy.

One of the central pieces of it is to establish a new Office of Manufacturing Services that will have an assistant secretary that is a Senate-confirmed position, of course. We hope to have a name up to the Senate within the next few weeks. We certainly have a candidate that we are very focused on.

But we are not resting there. I mean, it is time to move on with the many recommendations that are a part of this report. One of the areas where we are going to spend a lot of energy, a lot of resources, and a lot of focus, is in the area of enforcement, not only when it comes to enforcing other trade agreements around the world, but just focusing on making sure that the countries are focused on enforcing their own laws. We are doing that through market access and compliance. We have beefed up the resources there.

We beefed up the resources in the Import Administration within the International Trade Administration. We have done that. We have established what we call an Unfair Trade Practices Task Force. This is a task force that will be focused on being a proactive task force. In fact, part of their responsibility will be monitoring 30 products that are coming in from China, just monitoring those products and making sure they are in compliance with our trade laws.

So I would say we have made great progress. You don't put a report out that is not the end, that is the start. That is the begin-

ning. I have traveled across America, continue to do that, letting all manufacturers know that they have one place they can go to express their concerns. They can provide their challenges. So we look forward to working with the manufacturing sector of our economy. We will continue to do so.

I think one last thing I would say, Mr. Chairman, is, as I say, there are 50 recommendations, over 50, so there are lots of recommendations, but I will be responsible for a working group, an interagency working group, where we will bring all of the agencies together to stay focused on the manufacturing sector. This will ensure that we have ongoing communications across agencies and across departments, because, obviously, many of the agencies and departments within the administration have responsibilities that relate to creating an environment for manufacturers to succeed.

And so we are going to make sure that there is very active communication among the agencies as well as setting up a President's Manufacturing Council, Advisory Council, which will be individuals from the private sector, small, medium, and large manufacturers will have a seat at the table so that we can hear their views and hear their concerns as we continue to consider policy in this administration in this town.

So we are making good progress. Thank you again for your support, but we have a lot more work to do. We know that.

Senator GREGG. Thank you, Mr. Secretary.

Senator Hollings?

ASSISTANT SECRETARY FOR MANUFACTURING AND SERVICES

Senator HOLLINGS. I thank the distinguished Secretary and our chairman for their kind comments. It has been a privilege to work with both of you.

With respect to manufacturing, when is this office of the manufacturing services, the gentleman or lady to be appointed? It was announced months ago.

Secretary EVANS. It was. It was, Senator, but this is a Senate-confirmed position and we really didn't have the authority to move forward on it until you passed the 2004 budget. The authorization is within that budget. The budget passed. We have been moving aggressively. We have an individual that we have selected. Now we are just going through the process and I believe that we will have that name to the Senate within the next couple of weeks.

But in the meantime, Grant Aldonas, who is the Under Secretary of International Trade, it is his responsibility to make sure we are moving forward on these recommendations that are within the report within the Import Administration. We are moving forward with monitoring products coming in from China with the Market Access and Compliance Office. We are moving forward on putting a task force together to make sure that other countries are enforcing their laws.

So we are not slowing down. We are not waiting for the confirmation of one individual. We have a report that has over 50 recommendations in it and I expect our Department to deliver.

AMERICAN JOBS

Senator HOLLINGS. Do you think the Department should be leading efforts to export jobs, for the elimination of American jobs specifically, for sending jobs to, let us say, China?

Secretary EVANS. I think we ought to lead for creating jobs in America. I want everybody——

Senator HOLLINGS. You and I agree on that, and that is why I was wondering about reading articles on Under Secretary Juster or Juster—how do you pronounce that?

Secretary EVANS. Juster.

Senator HOLLINGS. Juster. He has these innovation forums at the Ronald Reagan Building and last year with the United States-India Business Council and otherwise coming right on down all year long to December. I refer specifically to an article in the New York Times, December 10, and let me read just a couple of lines.

"After the opening speeches, the 50 or so American executives gathered at the Hotel Pennsylvania in Manhattan were invited to divide up. Those interested in investing in China, putting an operation there and hiring Chinese workers were to go across the hall to the Penntop North Conference Room. Those who wanted help in exporting to China were to stay seated in Penntop South. Half or more went across the hall."

It was stated that across the hall, most of the speakers were Chinese promoting what Shen Liguo, Vice Governor of Heilongjiang Province in Northeastern China, described as, quote, "Northeast China's beautiful prospects." Quote, "We are going to absorb a lot of foreign investment to bring about development in this area." A big blue banner over the thing says, "Go global." The Commerce Department was described by the Chinese as a sponsor and its representative, Mr. Spencer Ross, acted as moderator.

Now, there you go. You folks are working to get rid of the jobs and we here in the Congress are doing our best to hold on to the jobs. What is your comment about this?

Secretary EVANS. Sure, Senator. I think, in fact, I know and I am very clear, that it is the responsibility of the Commercial Service, the Export Assistance Centers that we have across America, and the Foreign Commercial Service Offices that we have around the world to promote the export of American-made goods and products and services and that is——

Senator HOLLINGS. I agree with you on that. That is on exports of goods. But how about exports of jobs? You just said we are trying to maintain jobs and create them in the United States.

Secretary EVANS. Right. I want everybody to hire American workers. I want foreign companies to hire American workers. I want small, medium, and large companies to hire American workers. I want to continue to create an environment in America where everybody wants to hire our workers and buy our products and——

Senator HOLLINGS. The Under Secretary Juster and Spencer Ross and all, are they carrying out the policy of the Department of Commerce?

Secretary EVANS. Yes, sir, indeed, I believe that they are. They are continuing——

Senator HOLLINGS. Well, the policy is, then, to export the jobs, because I am just reading here where that is what they are doing.

Secretary EVANS. Well, I would take issue with the article, Senator. I would say that we were there promoting the export of our goods and our products and our services. If there are people that want to export equipment to China from the United States, we want to be supportive of that. We have to be there to explain to them how it is that you go through customs and the procedures necessary to export equipment and goods and services around the world.

Senator HOLLINGS. Well, the Commerce Department often sends, and I am quoting, its representatives to events like this one at the Hotel Pennsylvania last month, but it dulls their pro-export message by delivering it at conferences dominated by the Chinese delegations urging American companies to invest in China, not export.

Secretary EVANS. Well, if they——

Senator HOLLINGS. You have been in the business 30 years. If you went to an oil conference to try and export your oil and all of a sudden foreign delegations were taking over the majority of the activities and the speakers and everything else, we are going to import the oil and put you out of business down in Texas, after 30 years' experience, you would do something about it, wouldn't you?

Secretary EVANS. Well, I would be there encouraging them to buy a Caterpillar engine and take it with them to drill the well. I would be there encouraging them to purchase equipment from the United States to use wherever they might be going. And so we are there in the capacity of American capital, and American capital does invest in other parts of the world. As we continue to work with the world, I want to encourage these American companies to take American equipment with them when they go, and that means more jobs here in America.

Senator HOLLINGS. Mr. Secretary, just one other question and I will yield because I have got other questions relative to——

Senator GREGG. We can go around again. No, go ahead for your second question.

MANUFACTURING EXTENSION PARTNERSHIP

Senator HOLLINGS. It is the National Institute of Standards and Technology. We reduced this some $177 million. Specifically, we just practically eliminate the Advanced Technology Program and the Manufacturing Extension Partnership Program. You just close out the MEP with only a recommended appropriation of $39.1 million. Just year before last, we had it up to $107 million. The Advanced Technology Program, there is no question that we have had 200 new technologies commercialized as three-quarters of the ATP programs are awarded to small businesses, and I could go down the success story because it has won the Council on Competitiveness Award.

It was really fashioned with caveats by myself, but Senator Danforth wanted to make sure it wasn't a pork program and just giving out awards. So the application has to be vetted by the National Academy of Engineering. After it is found to be a unique kind of technology, then you have to bring 50 percent of the financing and then on a competitive basis over at the Department itself stand in line for that particular award.

I have been on the Appropriations Subcommittee here for quite a while and we never have given out any pork projects. I don't have—if I have one in South Carolina, I don't know about it, but I do know about its success because the Council on Competitiveness and Young from Hewlett Packard and all have come and attested.

But now you just red-line it and we are talking about getting jobs and helping manufacturing and we are going to appoint an Office of Manufacturing Services, and yet we are eliminating the services.

Secretary EVANS. Well, Mr. Chairman, Senator, I would say to you that these are programs that have delivered an important service through the years. I would also say to you that we are at war and there are very tough choices that have to be made and priorities that have to be set. I would say to you that these have been two good programs that have been of good service, but given the current environment of making tough choices in the middle of a war, they are just not two that made the list for us.

Senator HOLLINGS. You believe both should be eliminated?

Secretary EVANS. No, I didn't say that, because——

Senator HOLLINGS. But you are eliminating them. Are you supporting the budget or not?

Secretary EVANS. No. What we are supporting is to fund MEP at the same level that it was funded in the current budget. We are supporting funding MEP in the year 2005 at the same $39.2 million that is in the 2004 budget.

And also, Mr. Chairman, what I would say to you is we are looking for ways, as I mentioned earlier, to work across administration lines to make sure that all of the resources that are available to manufacturing are being delivered or they are aware of them. We will spend in the 2005 budget about $132 billion on research and development. We said that one of the areas that have additional funding possibly available to MEP programs is in the Economic Development Administration. There are some $45 million there that Manufacturing Extension Partnership Centers can compete for with others that might be competing for the same funds in an area of our country that is distressed because it has been hit hard by the downturn of manufacturing in that particular community.

Senator HOLLINGS. Since you mentioned it, the $45 million of the EDA, $40 of that $45 million has already been committed and now EDA is distressed. You have got high unemployment and everything else like that. Over here, there is a highly technological program in the development of manufacturing and what you have done, having them compete for the same monies, it is like tying two cats by the tails and throwing them over the clothesline and saying, claw each other and see who can get the money, but that is about the way we are on that. Thank you.

Senator GREGG. Senator Stevens? Traditionally, we recognize the chairman of the full committee whenever he arrives, and it was my error not to recognize you earlier. I should have recognized you before I recognized myself if I want to keep my job.

Senator STEVENS. Mr. Secretary, they do this all the time. It is all right.

I am happy to be here with you, Mr. Secretary. I have got just three questions I would like to ask. I would like to just submit some technical ones to you, if I may.

Secretary EVANS. Sure.

Senator STEVENS. The first is personal. Are you going to come up and go fishing with me this year?

Secretary EVANS. You are trying to get me on the record, aren't you?

I sure hope to.

ASSISTANCE TO ALASKA FISHERMEN

Senator STEVENS. In 2002, we put some amendments on the Trade Promotion Act that would assist the Alaska salmon fishermen who had been really harmed by the importation of farm salmon, particularly from Chile. It provided that for 5 years, there would be a $15 million item to assist these people to transition to other forms of employment, to develop other economic opportunities in their areas.

So far, there has only been a portion of the first $15 million made available. Could you comment on that or tell me you will look into it and see what is happening? It should have been $15 million a year, and there are some growing opportunities now in tourism in particular and in small business development along the coastline that they might be able to move into if they had the kind of assistance that EDA could provide through that $15 million.

Secretary EVANS. Yes, I know how important those areas are. We are supporting those areas, Mr. Chairman, and we obviously will continue to support them. I am familiar with the $15 million commitment. I know that it is not all in there yet. I will tell you that I will look into it further to see what it is we can do to make sure that we fund that at that level.

Senator STEVENS. I hope you will, because with half the coastline of the United States, some of those villages and communities are located literally hundreds of miles from other communities. But we have found now with the advent of telecommunications and with the Internet capability, they can start businesses like answering the telephones for some motel chain. You would be surprised what is there if they have the funding to transition into sort of modern global commerce. So I think that $15 million is well spent if we can find some way to put the money up. I would hope you would help us find it.

CRAB RATIONALIZATION PROGRAM

Second, I met with the Administrator of NOAA concerning the crab rationalization plan recently. I think Bill Hogarth is doing a marvelous job for you. This is a program that was enacted this year and we are trying to make certain that the regulations and actions that are necessary to implement this crab program are in effect by the crab fishery, which will take place in early 2005. This is a crab fishery that has had the highest death rate of any industrial activity in the country for a period of years.

We have enacted a program which will take the race for that crab out of the system and allocate firm amounts of crab to a boat owner so he or she may harvest the crab when the weather is good.

But if the regulations aren't in effect come January, they will be back racing for the crab again and lose more boats. We lost one this January, a very sad loss.

I would hope that you would help us find a way to implement this by the end of this year. Are you familiar with the program, Mr. Secretary?

Secretary EVANS. I am, Senator. I am very familiar with it. I know Bill Hogarth, as you said, is very focused on the issue. He is working with the North Pacific Fishery Management Council to implement the regulations. I haven't had anybody tell me that we won't be able to be in full compliance of our charge of having those regulations in place by the end of the year, so we are hopeful that we are able to accomplish that.

OCEANS POLICY COMMISSION

Senator STEVENS. Thank you. Last, Senator Hollings and I have been involved with carrying out the policies of the Stratton Commission that was a commission from the 1960s, really. We have now a new Oceans Policy Commission expected to release its report either this month or no later than next month. I wonder, are you keeping pace with them? Will you be able to appear before us and give us some recommendations based on that report for possible action this year?

Secretary EVANS. I sure would be delighted to do that, Senator, if I am invited up to do that. We have been working very close with Admiral Watkins and Robert Ballard and others on the Commission. It is my understanding that the draft of the report will be out within the next few weeks and then there will be a chance for individuals to comment, give information back to the committee.

I would say to you our best guess is we probably will have a completed report by mid-summer, and so I am looking forward to the report and I salute you and Senator Hollings both for really being instrumental in providing the framework for this Commission. I think it is going to be a very valuable resource for us to review and understand what there is to explore in the oceans. But I am hopeful that we will have this report presented to Congress, to the President, in its final form, by mid-summer.

Senator STEVENS. My good friend from South Carolina is going to pursue other activities after this year, and since we have been partners in this for so long, I would hope we would have a chance to review it here in this committee and to make some recommendations to Congress to implement that report while he is still here.

The Stratton Commission has been, as I said, our guiding light, but we are going to have a new series of recommendations that I think should be implemented as rapidly as possible and I am hopeful this committee, Mr. Chairman, will see fit to have a hearing as soon as we can after that final report is presented to us by you and the President.

Secretary EVANS. Thank you, Senator.

Senator STEVENS. Thank you very much, my friend. Thank you, Mr. Chairman.

Senator GREGG. We will certainly do exactly that. It is a very important issue.

Senator Leahy?

Senator LEAHY. Thank you, Mr. Chairman.

PATRIOTISM

Mr. Secretary, when you began your remarks here this morning, you commended Senator Hollings' patriotism, and I think every one of us would agree with that. We should also commend yours. I know in your case coming into Government also involved your personal friendship with the President. It is not an easy task. Whether we agree or disagree with policies you might carry out, I don't think there is anybody, Republican or Democrat, who disagrees with your own sense of patriotism and your own commitment to this country.

Secretary EVANS. Thank you, Senator. Thank you very much.

U.S. ECONOMY

Senator LEAHY. What I worry about, we have families that are hurting. They see a jobless recovery, 3 million manufacturing jobs lost in the past 3 years. Our manufacturing jobs in the United States are now at the lowest level since 1950 and I am worried about that, whether it is in my State or yours or any other State. This is such a major part of the economic engine of this country and probably one of the reasons why our trade deficit is so high. Our trade deficit was almost half-a-trillion dollars in 2003, $489 billion to be exact. These things bother me.

I look at the Commerce Department's proposal to help the Nation's ailing manufacturers, the proposal of a new Assistant Secretary of Commerce for Manufacturing, as we have talked about, supporting the MEP program that you and Senator Hollings just talked about. I am not sure how a new assistant secretary does anything. You already have hundreds of people doing this at Commerce, and they are supposed to be doing that job to begin with.

Senator Hollings said on MEP, which I think is a very, very good program, it has gotten strong bipartisan support. The President's budget doesn't really match the rhetoric. The reality doesn't match the rhetoric. The money is not in there. I was here with the final negotiations on the appropriations bill, where the rubber really reaches the road, and the White House was not pushing for the extra money on MEP. We are not going to have the money for our centers to continue operations and service our small manufacturers. And those small manufacturers are in every one of our States. So that is a bother.

PRESIDENT'S ECONOMIC REPORT

I look at sort of the trifecta of sections in the recently released Economic Report of the President. First, it suggests that the movement of U.S. jobs overseas, commonly referred to as offshoring, is beneficial to consumers. The President's top economist said this migration is just "a new way of doing international trade." Well, that is kind of a flippant way for somebody to speak who has a job.

If you know you have 2 months left on your job because you have to train somebody to do the same work in India or Indonesia, you don't think this is a great, new way of doing jobs. If you worked hard going through school, you have learned the trade and sud-

denly it is leaving. The administration's rhetoric is not going to do very much if you want to send your kids to school.

The report also predicts that non-farm payroll employment will average 132.7 million workers in 2004. That would be a 2.6 million increase in jobs over the estimate in 2003. But then you have an analysis from the Economic Policy Institute and the Center for Budget and Policy Priorities that says that you would have to create something like 460,000 jobs a month to do this. You would have to have 5 million jobs between now and the end of the year added.

That is not going to happen unless you do the other thing in the report, and that is the question they raised, whether fast food restaurants should continue to be counted as part of the service sector or part of the manufacturing sector. They say specifically, "When a fast food restaurant sells a hamburger, for example, is it providing a service or is it combining inputs to manufacture a product?"

I remember about 20 years ago, and Senator Hollings, you were here, and Senator Stevens and Senator Inouye were too, I had taken a bunch of reports back to Vermont with me to read them over the weekend at my farmhouse. I also serve on the Agriculture Committee. And I am reading something in there and I remember calling one of the lawyers on the committee. I said, "Am I reading this right?" They hadn't seen it. They read it and they called me back and said, you are absolutely right. The administration is reclassifying catsup as a vegetable. I do have a 5-year-old grandson who probably believes it is. He loves it.

I mean, the only way you are going to get some of these jobs, as I see it, is to do the catsup as a vegetable thing, to say if you work at Taco Bell, you really have a manufacturing job.

These are just some thoughts of mine. I have a number of questions I will submit for the record.

Mr. Secretary, I see good news and bad news in my own State as some areas were able to get jobs, but I just see so many manufacturing jobs fleeing. I see it in South Carolina, in Alaska, and in Hawaii, Wisconsin and everywhere else. I don't think just reclassifying some of these things is going to do it, just my thought.

FOCUS ON CREATING JOBS

Secretary EVANS. Senator, thank you for those comments and observations. Let me just begin by saying I think at the very center of America, the very center of the American experience is a job, because that is where people go to get a paycheck to put a roof over their family's head, to feed their children, to educate their children, to provide health care for their children.

I spent 30 years of my life in the private sector doing everything I could to create jobs. I measured the success of our company by are we creating jobs in our community? The most painful thing, the most painful thing I have ever done in my life is tell somebody they didn't have a job, which I did. The best thing, the most enjoyable thing I ever did in my life was telling somebody they had a job.

So I agree with you, when you put your focus on jobs and how important it is to create the environment for creating more jobs in America, because there is nothing more painful than somebody not having work to be able to provide for their families. That is where

a lot of our focus should be, is on those individuals that are in transition from one job to another.

And in the economy that we are going into as we move into the 21st century, as we work more closely in the world in a growing global economy, it is going to be an ever-changing economy. We are going to be creating new industries in this country, as we have been for years. We are going to be creating new jobs in this country, as we have been for years. But we are also going to be losing them along the way, as we have been for years.

As we move into the 21st century, we are going to see this rapidly-changing economy. Individuals that enter it today, instead of just having maybe four or five different jobs in their lifetime, they may have four or five different careers and——

Senator LEAHY. But Mr. Secretary, what are the kind of jobs we are going to create? I mean, I look at MEP, which is something that helps so many of our small businesses create jobs around this country. But that is being cut. I mean, where are these jobs going to be? We told kids over the past few years to get your math skills, get your work skills and all because we are going into this service area of computers and so on and that is the place to go. They did it, and now they are training people to do their jobs in Asia or in India.

I understand some things change, but what are we doing? We have got a half-a-trillion dollar trade deficit. Doesn't this ring alarm bells that we are not creating jobs, we are just importing everything?

Secretary EVANS. Well, Senator, first of all, where are the jobs going to be created? As you mentioned, manufacturing jobs have been declining in this country and in this world for the last 40 years because of the higher productivity in the manufacturing sector of the global economy.

Today only 11 percent of the jobs in this country are manufacturing-specific jobs. So almost 90 percent of the jobs in America today, where people are going to get a paycheck, to feed their children, to put a roof over their family's head, are jobs that are outside of the manufacturing sector of our economy, and we are going to continue to create new industries and new jobs.

I have traveled all across America the last couple of years. I was in Portland, Oregon last week at Portland Community College, and I heard story after story after story of individuals that were there in their 30's or 35 and changing, moving from one career to another, learning new skills, having the task to meet the ever-growing demand of jobs in America.

So it is education and job training. We have 1,100 community colleges across the country, 11 million people in those community colleges developing these new skills and new talents that will meet the demands in these ever-new industries that we are creating in this country every year. It has been going on for years.

In specific areas, you are obviously going to see a lot in the biotechnology area, in the whole technology area, in health care and services. You are going to see tremendous growth there in the years ahead.

And so this is an economy that since its beginning has always shown a remarkable ability to create new industries and new jobs.

You go back to 1900. About 70 percent of the jobs were in the agriculture community. Now, 2 percent. So it is just the economy, because it is so dynamic and because we allow the free markets to work——

TRADE DEFICIT

Senator LEAHY. Mr. Chairman, if I might, Mr. Secretary, and my time is up, I know, but half-a-trillion dollars in 1 year in trade deficit, we are still not doing something right.

Secretary EVANS. Well——

Senator LEAHY. My time is up. You may want to respond to that for the record.

Secretary EVANS. I will just respond real quick. I think it is the others in the world who are not doing something right in that their economies are not growing as they should be. And as we travel the world, we tell other countries, you need to implement the kind of policies, economic policies, fiscal policies, monetary policies, regulatory policies that provide the environment for growth in your own countries and so you can create more jobs and that will benefit American workers and American businesses. We need more global economic growth. We can't be the only engine of growth in the world.

Senator GREGG. Senator Kohl?

Senator KOHL. Thank you very much, Mr. Chairman and Secretary Evans.

MANUFACTURING EXTENSION PARTNERSHIP

I know the purpose of these hearings is to bring information to the table and hopefully to educate from one side to the other, from you to us and from us to you so that good things can happen. They are, as you know and I am sure you agree, not intended for just one side or the other to mouth previously held positions and both sides leave having learned nothing. That is the purpose of our hearings. We listen to each other and we hopefully learn and grow.

It is in connection with that that I would like to come back at least once, perhaps finally at this hearing, to the MEP program. As you know, the MEP program is Manufacturing Extension Partnerships, a program which helps small and medium-size manufacturing firms around the country to streamline their operations, shorten production time, lower costs to enable them to better compete here and around the world, and as a result, increase their employment.

And, as you know, and I don't say this in any way less than complimentary fashion, in your best judgment, that program deserves to be cut. It is not fully funded. It is fully funded as of last year, but it is not fully funded as to where it was 2 and 3 and 4 years ago. So to say it is fully funded is not accurate. It is a program which your Department has made a decision deserves to be cut.

To say that it can compete for other funds elsewhere is to rather obfuscate the fact that it is a program which does not deserve, in your Department's judgment, does not deserve to be funded at its level of 2 years ago and 3 years ago and 4 years ago. It deserves to be cut by almost two-thirds, and then go out and compete for funds and probably not be very successful because the competition

is really, really tough among many, many different well-qualified operations to compete for a limited amount of funding, and they are not going to get fully funded relative to where they were 2 and 3 and 4 years ago.

But it really is a good program, Secretary EVANS. You know, during this last break, I visited at least two programs around Wisconsin, MEP programs, and heard from many, many others, and I visited one program with James Haney, who is the President of the Wisconsin Manufacturers and Commerce Organization. It is Wisconsin's preeminent organization of its kind. They have 4,300 members representing business around the State. It is really a good organization. It politically happens to be an organization which is totally supportive of Republicans in terms of political, but they are really not that. They try and be and they are an effective bipartisan organization.

So I visited the Bernston International Company in Madison, Wisconsin, the manufacturing operation with him, and he wrote back to me. He said, "Senator Kohl, it was a pleasure to tour Bernston International with you last week in Madison. This company is just one example of many MEP successes that I have personally witnessed in Wisconsin. I completely agree with you that MEP is one of the best Government investments around and it should be fully supported at the State and at the Federal level."

He goes on to conclude that, "We need to prioritize our economic development initiatives and judiciously place taxpayer dollars in those investments that provide the best return for our State and our country and there are many programs that should not make this cut. However, MEP is one Government investment that ranks at the top when evaluated against criteria of national need, effectiveness, and results. We should not shortchange or undercut this excellent program."

"I understand the Senate Commerce, Justice, and State Appropriations Subcommittee will be reviewing the manufacturing support program this week. Please urge the Secretary to do what he can to restore MEP funding at the level of $106 million," where it was. This is from a longtime, experienced, highly respected businessman in Wisconsin.

Tell us why you have concluded that MEP does not deserve to be funded at its previous level. Thirty-nine-point-six million dollars, which is its new level of funding, for a national program in terms of Federal support is virtually an evisceration. This is not for one State, this is for all 50 States, $39.6 million. It is not hard to imagine that this is a small, small level of support.

Our opinion is it is for a really good program and there are thousands of businesses around the country that would attest to it. So one last time, explain to us why does this program deserve to be significantly minimized in terms of its direct Federal support?

BUDGET CHOICES

Secretary EVANS. Senator, again, it is about tough choices. I agree with you in that it has served many small and medium manufacturers well over its period of existence. It will continue to serve many small and medium-size manufacturers well at a reduced level.

I would say to you that while we have made the decision, the tough decision of saying we need to, because of the tough times that we are in and the priorities that must be set within our own Department, we are doing all we can to make sure that if there are other funding sources available to Manufacturing Extension Partnership Centers, we want to make sure they are conscious of those opportunities.

I would just go back to my other remark, that we are spending about $132 billion on research and development. We are spending $20 billion on economic development. Within these two large pools of money, maybe there are opportunities for Manufacturing Extension Partnerships to compete. We have identified some already that I have referred to. We are talking to the Department of Defense. We are encouraged by some of the discussions that are going on there because of their interest in making sure that small manufacturers are participating in their programs. We don't have anything definitive yet. We are just talking to them.

We are doing the same thing with Homeland Security. Homeland Security has about, as I understand it, $800 million for research and development kinds of programs. Maybe there is opportunity there, so we are talking to them.

We are trying to look across Government to see where there may be additional funding that these centers can compete for. I know the challenges these manufacturers face because I was in that business. I know that industry. I know the kind of challenges they deal with every day.

So again, I continue to acknowledge that I think the program has functioned well, but it is time for tough choices and this is one of those very difficult choices that we made and acknowledge that doesn't mean we are all going to agree with our two choices. I respect, obviously, your view on it, but we felt like this was one of those tough choices where we were going to—and saying fully funded, I would agree, it is what I meant to imply was funding in 2005 at the same level that Congress approved for 2004, which is, and I acknowledge, below the funding of previous years.

SUPPORT FOR MEP

Senator KOHL. All right. One of the companies I visited was the Risota Tool Company of Chippewa Falls, Wisconsin, and we toured the company, talked to the owners of the company and people who work there. MEP had been in and they had done a lot of scheduling and efficiency improvements and profit improvements in the company. Those people who worked there were totally complimentary, totally supportive of what MEP had done and they felt that MEP had contributed significantly to the company's ability to continue to exist, employ, and compete. There are dozens and dozens of companies around Wisconsin that will attest to the same thing and I am certain that this is true around the country.

Now, as I said at the outset, we all hope that these hearings serve to educate one another or else they have no purpose, and so I am finally suggesting to you that you take one last look. It is policy we are talking about, that is the most important thing, but it is also political. Everything we do here has a political aspect to it.

Although not the most important, it is part of what we do here in Washington.

I can assure you that in my State, and this goes back to when you were in the State several months ago touring the State, you visited Harley-Davidson, you remember that——

Secretary EVANS. You bet.

Senator KOHL. I saw it on C-SPAN. And, of course, people at Harley-Davidson, many of them were very concerned and upset about their jobs. One individual stood up at that meeting that you had with the workers there and asked about MEP. I don't know why or whether they did it out of their own knowledge or someone prompted them, I don't know, but talked about MEP and how important MEP was. James Haney, who is the President of Wisconsin Manufacturers, talks about MEP.

It would be very, very well received in Wisconsin, which is an important State in November, but it has nothing to do with policy—I mean with politics. Policy is the most important thing we do. I recognize that and I am sure you do, too. People in Wisconsin are really concerned about the loss of manufacturing jobs and are looking for every shred of help they can get at the Federal level to assure them that we are doing everything in their power to help them maintain jobs at the manufacturing level in Wisconsin and MEP is a recognized and accepted part of that effort in our State.

So I am asking you as well as Chairman Gregg, as we go through and figure out our funding levels for this year, and, of course, Senator Hollings, who I know is supportive of MEP, that we give it another look to see whether or not there is something in the interest of our country that we can do with a program which is small in terms of its funding, but very important in terms of what it does accomplish in many States throughout our great country.

And with that, I am finished.

Secretary EVANS. Thank you, Senator.

Senator KOHL. Thank you.

Senator GREGG. Your counsel is taken very seriously, Senator, and we will certainly be addressing it. The opinion has been expressed, obviously, by the committee. But as the Secretary said, he had to set priorities in his budget. We will maybe adjust and tweak those priorities a bit and send him back a budget he will be very comfortable with but will certainly address some of the concerns of the committee.

Senator Inouye?

CLIMATE CHANGE RESEARCH INITIATIVE

Senator INOUYE. Thank you very much, Mr. Chairman.

I would like to discuss two matters with you, Mr. Secretary. In 2001, the President of the United States launched the U.S. Climate Change Research Initiative and that was hailed by the people in the Pacific for obvious reasons. Climate is part of our way of life. More than ever, it is pleasant and beautiful, but there are times when it can be devastating.

So the matter of climate change is very essential to our way of life, and I note that in this budget the President has suggested $24.7 million. But in analyzing this, we somehow feel that to make

this up, there were cuts of $11 million from the same program. I would like to submit a few questions with that in mind, sir.

TOURISM INDUSTRY

The other question I have, sir, is the tourism industry. Today, I think it employs about 1 million. It brings in about $83 billion. It has been declining, and especially since 9/11 it has gone further down. But the World Trade and Tourism Council just predicted that 2004 may be the year for tourism to start going up, provided Government took the initiative to be proactive and put out a hand to bring them in.

My questions would be, what is Government doing, or what can Government do, or what can we do to increase this industry, because it is a good, clean, potentially productive industry. That is all I have, Mr. Chairman. Thank you very much.

Senator GREGG. Thank you very much, Senator.

Senator INOUYE. May I submit the questions?

GLOBAL CLIMATE CHANGE

Secretary EVANS. I would like to respond. First of all, let me just touch on global climate change real quick, if you don't mind. When I arrived here a little over 3 years ago, that was an issue that the President was very focused on, as was our Department, and we started to try and understand the scope of the global climate change commitment from Government, which is significant.

First, I was told that on global climate change we spend about $800 million a year. And then we found some other money that really is focused on global climate change and it took us up to about $1.6 billion a year. And then as you looked around some more, you found some others that would, you know. The end of the story is that we commit about $4.5 billion a year to global climate change in this country, more than everybody else combined, global climate change science and research and technology.

We put together an organizational structure to oversee that $4.5 billion. Within the Department of Commerce is the responsibility of the oversight of the science portion of global climate change, which is about $1.8 billion across the Government. We have put out a report for the science community to review and consider. We did that last year a couple of times. We just recently put out a final report that focuses on the science side, the science research side of global climate change, which got some favorable comments, from the National Research Council.

In June in Japan, we are going to bring together the global community. This will be for the third time, but it continues to expand. We will have the global community there to sign an accord, a framework that focuses on a global monitoring system, a global observation system for the climate so that we can develop the kind of data, kind of information we need in this world to understand the world, this Mother Earth that we all live on, but also make sure globally we are collecting the data to make good policy decisions.

So just know that we are very focused on that very important issue, not only for the good people of the islands of Hawaii, but the entire world, and I feel the world coming together to say, you know

what? That is a good idea. We ought to have a global observation and monitoring system. The reason we know so much about El Niño and La Niña is because we happen to have an observation system out there so we measure out there. So why don't we measure the world and understand what is going on in the world. So that is my basic thoughts on global climate change.

Your second question was on——

Senator INOUYE. Tourism.

TOURISM

Secretary EVANS. Tourism. We had hoped that we were going to receive $50 million in the budget to promote tourism in America. We have put together a Tourism Council that is focused on promoting America around the world. As it turned out in the 2004 budget, there was only $6 million allocated for that account, for that program, and so what we have made the determination that we will do, working with the Tourism Council, is to focus a pilot program on Great Britain and commit those $6 million to Great Britain and look at the results of that program, and based on the results of that program, we will make a determination as to what to ask for in subsequent budgets.

But you are right. It is a vital part of our economy. Eighteen million people, when you count the entire travel and tourism industry, have a job there, and so it is a critical part of our economy and we will continue to do all we can to promote it. Thank you, Senator.

Senator INOUYE. Thank you very much.

PTO INCREASE

Senator GREGG. Mr. Secretary, there is a 25 percent increase here for the Patent and Trademark Office, which is basically taking all the patent fees and putting them into the Patent and Trademark Office, which is a legitimate philosophical position. In light of the Patent and Trademark Office's track record, which is to say at the least spotty, do you think they can absorb that type of an increase?

Secretary EVANS. Well, Mr. Chairman, I hope they can because I think it is critical to manufacturing in this country. What we certainly are learning in this ever-changing economy that we are moving into is that the manufacturing sector is growing or becoming less mechanical and more driven by biotechnology and electrical kinds of issues. It is much more complicated. It is much more complex. Patents just simply take longer, take more resources, take more hours, take more time to review and then make a judgment on.

It is our determination, as we look at this important area that if we don't hire additional examiners—in fact, in our plan right now, we talk about hiring an additional 900 examiners. That is on top of about 3,600 examiners. But if we don't hire at that kind of level, which I agree, a 25 percent increase is a significant increase, but we see the prospects of the pendency continuing to climb. It was a little over 20 weeks in 2003. We estimate in 2004 it is going to be 21 weeks. We see it continuing to climb but for a plan that will indeed give us the examiners, and the training of the examiners that are needed in this ever-changing economy.

So we believe we can absorb them. I have asked that same question. I realize that is a big management challenge, but I also understand how critical the Patent and Trademark Office is to this economy. As rapidly as it is changing and as it continues to move in highly technical areas and highly complicated areas that require examiners with skills in electronics and biotechnology and all the rest. It is a challenge, but it is an area we focused on very hard.

Senator GREGG. Well, I think it is a challenge. It has been this committee's experience that when we have put a lot of money into a Department to hire a large amount of expert staff, for example, we did it with the SEC, we did it with the FBI, we did it with the State Department, we have found that it has created real problems. We have ended up with some breakdowns in the hiring practices. We have ended up either not hiring up as quickly as we wanted or hiring up with real problems, like the Border Patrol.

I have serious reservations about putting this much money, this quickly, into the Patent and Trademark Office. I readily acknowledge your premise, which is that there is a serious problem there, that we are not getting the patents approved fast enough. I think the problem is expertise and management, systems management. We would be interested in further information on how you really do plan to find 900 new people who have the expertise to do this job in one year's cycle. I think it is——

Secretary EVANS. A good question.

[The information follows:]

PTO'S HIRING PLAN FOR 900 NEW STAFF

On a percentage basis, the USPTO has increased its staff by even more in the recent past. Hiring 900 examiners in fiscal year 2005 represents an increase of about 25 percent over end of fiscal year 2004 staff levels. In prior years, the Office has successfully hired similar numbers: In 1998, they hired 728 examiners, an increase of about 34 percent over the previous end-of-year staff; in 1999, they hired 799 examiners, an increase of about 31 percent over the previous end-of-year staff; and in 2002, they hired 769 examiners, an increase of 25 percent over the previous end-of-year staff.

The USPTO maintains an automated job application database to facilitate the hiring of patent examiners. The database currently contains about 3,700 applications. We have a strategic recruitment plan in place to build awareness of examiner job opportunities through a variety of print media that target high-demand technologies, and planned participation in about 60 recruiting events this fiscal year that are dedicated to engineering and science disciplines.

The agency has had a special hiring unit in place for several years that is dedicated exclusively to bringing in patent examiners. In years when the agency had high-volume hiring, the unit has brought on board an average of 37 examiners per bi-week (962 per year), with the ability to process and train up to 60 examiners per bi-week (1,500 per year).

MANUFACTURING EXTENSION PARTNERSHIP

Senator GREGG. Senator Hollings?

Senator HOLLINGS. On that particular point, that dovetails with the observation of the distinguished Secretary relative to Senator Kohl's concern about the Manufacturing Extension Partnership. Specifically, the Secretary says there are hard choices. Respectfully, I think it is a very easy choice, not a hard choice at all. You want jobs, I want jobs, we all want jobs, and that Patent Office, $310 million, let us just say $210 million, give the $100 million to

MEP and we would be back up to snuff with the Manufacturers Extension Partnership small business services.

Senator GREGG. You only need $67 million.

Senator HOLLINGS. Don't start cutting me. Wait until we get to conference.

BUDGET CHOICES

The Office of Manufacturing and Services, heck, we are going to get us a big super-duper secretary of services and we cut down the services, and when we get to a real service, as pointed out and emphasized by Senator Kohl, you say hard choice. That is not a hard choice, that is an easy choice. Give the money where it is producing jobs.

Now, I don't accuse you, Mr. Secretary, but I have been through a dozen Secretaries. Now, Census is a honey pot that doesn't need as much funding as you propose because you are ramping up 7 to 6 years ahead of time the 2010 census. So we can take $100 million of that and restore MEP, an easy choice. I could go through this budget and really get the things.

I really am disturbed, and you mentioned technology. The Advanced Technology Program, that is one where all that high tech is really there and vetted by the National Academy of Engineering, and decisions are made on a competitive basis and they have to bring 50 percent of the money.

Let me get to the point given our limited time here, because we are going to have a rollcall, you and I both agree that our job is to create, not to export jobs. Export products, but create jobs. Would you object to a provision under this particular appropriation that no monies be expended to encourage or expedite the export of jobs? You wouldn't object to that provision in the budget?

EXPORTING OF JOBS

Secretary EVANS. I am not for the exporting of jobs——

Senator HOLLINGS. That is what I mean. So you are not doing it, so it wouldn't have any effect, then.

Secretary EVANS. Right.

Senator HOLLINGS. And that would include the pay of these staff cheerleaders that go to these Chinese conferences. We don't want to pay those fellows, Ross and all the rest, the assistant secretaries who run around to these Chinese conferences in New York and elsewhere promoting the export of jobs. I am sure you and I agree on that.

Secretary EVANS. Well, they are promoting the export of goods and services from America and equipment.

Senator HOLLINGS. Good, and you and I agree on that. They ought to do that, but not the export of jobs.

Secretary EVANS. No. It would be exporting the goods and services from America.

Senator HOLLINGS. That is right, and so we don't want to pay them to export jobs.

Secretary EVANS. Just the export of goods and services and products from America.

Senator HOLLINGS. And we don't want to pay them to export jobs.

Secretary EVANS. We want to pay them to export Caterpillar engines and John Deere tractors and——

Senator HOLLINGS. A 30-year outstanding business success and you keep saying export goods and services, which we all agree on. I am questioning on whether or not we can agree on the export of jobs.

Secretary EVANS. No. We should not. We are not supporting the export of jobs.

OCEAN PROGRAMS

Senator HOLLINGS. Now, with respect to the oceans program that Senator Stevens, our distinguished chairman, emphasizes we are going to have to get into those issues because we have an outstanding commission appointed by President Bush and they are reporting henceforth here, like you say, around mid-summer.

Secretary, under the leadership of Chairman Gregg, we have been developing, and it has been a struggle in this Appropriations Subcommittee, in that we put in, generally speaking, about $15 million for seven-tenths of the Earth's surface, namely the oceans, and $15 billion for Mars and moons. We know way more about the surface of the Moon than we know about the surface of the Earth.

And yet the Ocean Exploration Initiative, the Ocean Health Initiative, the Coastal Estuarine Land Acquisition Program, the Coastal Observation Initiative, NOAA's infrastructure for the multiple lawsuits and all, you terminate or cut the funding. You cut NOAA as we are going into a wonderful venture and really find out, like you say, about the weather and the climate all the way around the world.

I have been down to McMurdo Station in the South Pole. That is where the beginning of the hole in the ozone layer is. You can look up and see it. All of these initiatives are through NOAA, but their budget is being cut $308 million just as we are going to hear from the Watkins Commission. Please comment on that.

Secretary EVANS. Senator, what I would say to you is I think we all share the same view that we are looking forward to the report that comes from the commission. I think it will provide a very important and valuable framework for us in determining what the priorities should be and what the funding level should be. I think these are some of the finest scientists and leaders we have in our country that are focused on this invaluable resource of the Earth and it will give us good guidance and some important guidelines as to what priorities should be and what funding levels should be in NOAA or as it relates to the oceans.

You mentioned this is not a large sum of money, but when we showed up here 3 years ago, there was, I understand, zero dollars for ocean exploration. This last year, there was $25 million that included a one-time center in the Smithsonian. But now this year in our budget, I think there is $11.7 million for ocean exploration.

I realize, I take your point, this is a small amount of money, but what I would say to you, when we showed up, it was zero and now it is $12 million. But I think it is a wise thing to wait for the Ocean Commission report and look at that and see what kind of priorities this country should place on funding levels for NOAA.

Senator HOLLINGS. We want to work together to be able to implement that commission's recommendations next year. Thank you, Mr. Chairman.

Senator GREGG. Senator Kohl, do you have anything further?

Senator KOHL. No.

Senator GREGG. Senator Inouye?

Senator INOUYE. No, Mr. Chairman.

ADDITIONAL COMMITTEE QUESTIONS

Senator GREGG. Mr. Secretary, we certainly thank you for your time. You have been very generous with it this morning.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR JUDD GREGG

NOAA SPACE INITIATIVES

Question. Mr. Secretary, since our hearing, you've had a chance to review the N Prime situation in further detail. First, could you explain/document how the N Prime satellite was damaged and the impact on NOAA's satellite program? Second, would you provide an update on what the Department is doing to recover losses and get the program back on schedule.

Answer. The NOAA-N Prime spacecraft fell from a turnover cart on September 6, 2003 at the Lockheed Martin Sunnyvale, California plant as technicians rotated the satellite from vertical to horizontal to perform an alignment operation on one of the instruments onboard. The root cause of the accident was that the satellite was not properly secured to the turnover cart. The accident caused significant damage to the satellite structure and varying degrees of damage to the instruments, including three provided by International partners. Fortunately, many flight components were not on the satellite at the time of the accident. Spares are available for most of the spacecraft components and three of the five U.S. instruments. Two instruments will need to be repaired.

The impact to NOAA's Polar-orbiting satellite program is currently under review. NOAA has formed an interagency team with its partners at NASA and the Department of Defense to develop and recommend recovery options that will ensure NOAA's responsibility to provide continuous global environmental measurements given the NOAA-N Prime accident. The Under Secretary of Commerce for Oceans and Atmosphere will make a final recommendation to me regarding the way forward from the NOAA-N Prime accident. I will render a final decision in the Spring 2004. The Department of Commerce and NOAA will brief Congress at that time.

The Department of Commerce, NOAA and NASA legal staff are investigating the government's options for recovering losses from Lockheed Martin.

Question. Mr. Secretary, the President's budget calls for major new space initiative to return to the moon and explore Mars. But, it is NOAA in your Department, not NASA, that is responsible for exploration here at home. Yet, the Budget proposes to cut or terminate ocean research, ocean exploration, undersea research and such programs here on our planet. Why such uneven treatment, Mr. Secretary? Why do NOAA's oceanic and ecosystem programs fare so badly in this budget?

Answer. The Administration recognizes the importance of both space and ocean exploration. Given the tight fiscal environment, the Administration is required to develop priorities and make difficult choices. The fiscal year 2005 President's budget reflects these priorities. The Administration does place value in exploring the oceans and is continuing support for the ocean exploration program at a level of $11.2 million. We will continue to work hard to ensure the success of the ocean exploration program, and we thank the Congress for its continued interest in this area.

Question. Mr. Secretary, as I look at your budget, it appears that the Commerce Department decided to cut NOAA and use the savings—over $300 million—to fund other bureaus like the Census Bureau, ESA and International Trade Administration. Many have argued that as a natural resource and science agency NOAA will never flourish inside the Commerce Department. Doesn't your 2005 budget support their arguments?

Answer. The $300 million net reduction to NOAA's request reflects the elimination of one-time projects and programs added by Congress to the fiscal year 2004

request. The fiscal year 2005 budget request is supportive of NOAA's mission. The budget maintains current services and provides over $146.9 million in new program increases.

ADVANCED TECHNOLOGY PROGRAM AND HOMELAND SECURITY TECHNOLOGIES

Question. Mr. Secretary, the fiscal year 2004 Conferees agreed that a focused competition on homeland security technologies should be held out of ATP's funding provided for new awards. Will the Department of Commerce support ATP's involvement in this type of R&D? Can you provide detail for the Committee on the design and implementation of this competition?

Answer. The fiscal year 2004 solicitation process for ATP applications is currently being undertaken. It is expected that a significant number of the enabling technologies ATP will fund this year will have homeland security applications. In the recent seven-city ATP "Proposers Conferences" that are designed to attract potential applicants, the Director of the Program conveyed Congressional interest in funding homeland security technologies.

After the fiscal year 2004 Omnibus Appropriations Bill became law on January 23, 2004, the 2004 competition was initiated on February 11, 2004, with a Federal Register announcement stating the availability of funds in the amount of $60.7 million for new ATP awards.

Given the compressed fiscal year 2004 budget calendar, ATP was unable to run an entirely separate competition that focused solely on homeland security technologies in addition to its general solicitation. Notwithstanding, ATP takes its obligation to follow the intent of Congress seriously, especially with regard to homeland security. ATP expects to receive a number of applications and fund a number of new awards for homeland security technologies. NIST has also offered to provide assistance and expertise to the Department of Homeland Security in conducting their own competitions that fund homeland security research.

NIST/MANUFACTURING EXTENSION PARTNERSHIP

Question. Mr. Secretary, in the Administration's manufacturing report there is a recommendation to "support a newly coordinated manufacturing extension partnership." What is meant by "newly coordinated"? Your budget doesn't support this, does it?

Answer. One of the recommendations in the DOC Manufacturing Report is to "Support a Newly Coordinated MEP and Create a National Network of Centers of Manufacturing Excellence" by: coordinating MEP fully with other Commerce Department programs that are helping manufacturers to be more competitive and expand markets; focusing all MEP centers on effectiveness and cost efficiency; exploring the concept of receiving funding from private sector entities; encouraging applicants to identify areas of sector-specific expertise that could qualify them as a "center of excellence"; and encouraging co-location with universities, community colleges, and ITA assistance centers to foster cooperation, knowledge transfer, greater efficiency, and manufacturing exports.

All of these efforts comprise the "newly coordinated" MEP. The fiscal year 2005 budget request supports this effort.

Question. Mr. Secretary, there has been some discussion that MEP might be reduced to the network of regional centers. Are you aware that this past January another State decided that the New Hampshire MEP would close down due to lack of funding? Who made the decision? Can you inform the Committee what the process is for closing centers?

Answer. Three years ago, the New Hampshire (NH) Center was experiencing management problems so the NH Board removed the director, reconstituted the board, and brought in the Maine-based MEP Management Services Incorporated (MSI) as managing agent.

Since NH received about $420,000 in Federal cost share annually and only received about $150,000 from the state three years ago, the excess Maine cost share was used to cover the NH center.

The Maine MSI's excellent management team was able to bring the NH performance up and NH is now the highest performing MSI center.

However, the NH center had approximately $300,000 in debt which the Maine MSI assumed as managing agent. The Maine MSI managed to reduce this debt down to $180,000. But as fiduciary agents, the Maine MSI and the NH board are responsible for the remaining debt. In light of the reductions to MEP funding in the fiscal year 2004 Consolidated Appropriations Act, the Maine MSI decided that, even in a best case scenario, they would not have enough cash flow to manage the NH debt.

The Maine MSI will still provide a minimal level of service by keeping one NH staffer and assigning other staff from Massachusetts and Maine to serve NH companies.

INFRASTRUCTURE PROTECTION

Question. Mr. Secretary, you have the sole responsibility to issue Federal Information Processing Standards which are standards developed by NIST and used by federal agencies and the commercial sector to protect their computer systems. As the Nation's infrastructure is increasingly linked by the internet, its vulnerabilities are being subjected to daily attacks. Given this fact, is the Nation, and in particular the Department of Commerce, investing enough resources to protect our computer systems and networks? Does this portfolio of investment contain enough forward looking R&D to allow us to be proactive and not reactive to these threats?

Answer. Information security is one of the most critical issues facing industry and government. The Department of Commerce and especially NIST, takes very seriously our responsibilities to strengthen information security in the Federal government and the Nation as legislatively mandated in the Federal Information Security Management Act (FISMA) of 2002 and other legislation.

As a Nation, we have made progress in securing our legacy systems, but "bad guys" continue to find new ways around or through our defenses. While we focus on current implementations, new technology developments in IT systems and in other disciplines that increasingly rely on IT systems are coming on-line at an accelerating pace. Thus, in cyber security, we continue to be challenged.

That is why the President's fiscal year 2005 budget request includes a proposed increase of $6 million for NIST to address key National needs in cyber security. With this proposed increase to NIST's base funding of approximately $10.9 million, NIST will be able to more effectively work with industry and government agencies to accelerate solutions to critical cyber security issues, including the development of security and critical infrastructure application protocols; expanding the NIST Cryptographic Toolkit to include developing technologies, such as limited power, small-sized computing environments, fixing insecure wireless security standards; and producing metrics to build secure networks and systems from individually understood components.

PTFP GRANTS

Question. Mr. Secretary, can you tell us why the PTFP Construction account and the Information Infrastructure Grants are no longer needed and why the funding request is shifted to the Public Broadcasting budget? Since CPB funds cannot be used for repairs, where will rural stations turn for assistance?

Answer. The Information Infrastructure Grant program was created as an awareness program to promote the widespread use and availability of telecommunications and information technology in the non-profit and public sector. The Department believes that this mission has been fulfilled and recommends redirecting the funds to new priorities.

With the assistance of Federal funds appropriated to PTFP, the Corporation for Public Broadcasting (CPB), and the Rural Utilities Service (RUS), 90 percent of the Nation's public television stations will be broadcasting in digital by the end of the year. As we near the end of the digital transition, the Administration proposes to continue funding the digital conversion of public television during fiscal year 2005 through funds already appropriated to CPB.

PTFP also does not pay for equipment repairs or other operating costs. PTFP, however, does pay for the replacement and installation of replacement equipment in circumstances of urgent need. We understand that these expenses could be supported through the equipment programs now in place at CPB and RUS.

LONG-TERM PLAN FOR SPECTRUM MANAGEMENT

Question. Can you tell us what your overall long-term game plan is for spectrum management and how you will work with the FCC in this endeavor? What are your priorities and what are the most significant impacts on the commercial industry?

Answer. On May 29, 2003, the President established the "Spectrum Policy Initiative" to develop and implement a U.S. spectrum policy for the 21st century. The Secretary of Commerce was directed to chair the initiative. The initiative involves an interagency task force to develop recommendations for improving spectrum management policies and procedures for the Federal Government, as well as an examination of ways to improve spectrum management for state, local, and private sector spectrum use. A report containing recommendations will be provided to the President in early summer.

The National Telecommunications and Information Administration (NTIA) within the Department of Commerce is the President's principal advisor on telecommunications and carries out the function of providing spectrum to the Federal agencies. NTIA works directly with the FCC regarding spectrum allocation and spectrum policy development and implementation. In addition, the NTIA and FCC have agreed via a memorandum of understanding to meet twice a year at the Chairman and Assistant Secretary level and monthly at the Bureau level to discuss plans and spectrum management issues.

Our major priorities include: (a) foster economic growth; (b) ensure our National and homeland security; (c) maintain U.S. global leadership in communications technology development and services; and (d) satisfy other vital U.S. needs in areas such as public safety, scientific research, Federal transportation infrastructure, and law enforcement.

In the fiscal year 2005 budget, the President requested funding for NTIA for the development of incentives to increase efficient use of spectrum; the continuance of a prior year initiative to make the spectrum management process more efficient and effective through the application of information technology; the expansion of our International radio-communication outreach program; and development of the necessary analytical engineering tools and methods that will improve spectrum efficiency.

The Administration has strongly supported the creation of a "spectrum relocation fund," which would have a significant impact on the commercial industry by substantially speeding the opening of spectrum to commercial use. Passage by the House of H.R. 1320, the Commercial Spectrum Enhancement Act, without amendment, would significantly improve spectrum management for both Government spectrum users and for commercial wireless users. The relocation fund legislation strikes a proper balance in three key policy objectives. First, the Bill fully funds Government spectrum relocation, providing certainty essential to Federal users including the Department of Defense. Second, the legislation will result in timelines that are workable for Government incumbents and commercial wireless users. Third, the legislation provides certainty and accountability in developing and adhering to relocation cost estimates and relocation timetables.

Failure to enact this legislation this year could have an adverse impact on the timing of the Third Generation (3G) wireless auction and the deployment of new 3G wireless services. Industry and the Government are in strong agreement that the reimbursement fund mechanism would streamline the relocation of Government agencies. The President's budget for fiscal years 2003, 2004 and 2005 contained a legislative proposal to create a spectrum relocation fund for Federal agencies required to relocate their communications systems to allow the spectrum to be auctioned by the Federal Communications Commission (FCC) for private sector uses. H.R. 1320 passed the House 408–10 on June 11, 2003. At the time, the Administration issued a Statement of Administration Position strongly supporting the bill as passed by the House.

ITA REORGANIZATION AND COLLABORATION WITH USTR

Question. Mr. Secretary, at the hearing you gave us an overview of how the ITA reorganization is progressing. Will you now provide a more comprehensive status of this complex reorganization? Also, can you offer some insight on how the Commerce Department will leverage this new office in cooperation with the United States Trade Representative to protect U.S. interest?

Answer. The Reprogramming was sent to the House and Senate Appropriations Committees on May 7th. In addition, the Department Organization Orders necessary to formally make the changes need to be signed by the Secretary. Once the orders are signed, the staff will be formally moved and the management processes (accounting, personnel and other logistics) will be completed.

Our reorganization will provide increased attention to the problems, both domestic and international, facing the manufacturing sector through the creation of an Assistant Secretary for Manufacturing and Services. We will consolidate and strengthen our export promotion functions under the Assistant Secretary for Trade Promotion (and Director General of the U.S. and Foreign Commercial Service) and improve the operations of our Import Administration.

The Department of Commerce will continue to work closely with the U.S. Trade Representative in fulfilling the requirements of U.S. law, assisting exporters in overcoming foreign trade barriers and ensuring foreign countries comply with their commitments to the United States.

IRAQ RECONSTRUCTION

Question. Mr. Secretary, I would like to commend the dedication of the Senior Commercial Officers around the world. They are doing an outstanding job. With reference to the emerging need and increased workload in the Middle East, specifically related to Iraq reconstruction, can you tell us where Iraq is within the priorities of the Foreign Commercial Service? What is FCS's basis for the resource allocation for the various locations around the world? Do you have a plan to increase the FCS presence in the areas serving as gateways into Iraq? When the government is turned over to the Iraqi provisional government on July 1, what is the plan for the FCS presence?

Answer. ITA has conceived and developed several initiatives to facilitate and assist U.S. business interest in Iraq.

Our Middle East-based Iraq Reconstruction Regional Initiative is a joint effort by Commercial Services posts in Egypt, Jordan, Kuwait, Saudi Arabia, Turkey and the UAE to assist interested U.S. companies by highlighting and supporting a series of specific events and activities such as conferences, seminars and training programs, webcasts, virtual (video) trade missions and videoconferences.

As part of this initiative, we have undertaken an extensive series of activities, a schedule of which is attached. As a further complement to these activities, we plan to open a Middle East Business Information Center, which will showcase private sector development and serve as a one-stop shop for U.S. companies seeking opportunities in the region.

Similarly, the Central and Eastern Europe Regional Initiative seeks to provide our Central and Eastern European Coalition allies with the necessary information required for their companies to compete for Iraq Reconstruction contracts on a level playing field. This initiative is a one time commitment to provide a delegation of experts to disseminate information and answer questions from the local business communities in Poland, Hungary, Czech Republic, Romania, Albania, Bulgaria, Slovakia and Ukraine.

Commerce is also gearing up with a U.S.-based Iraq Reconstruction Project Team. This initiative builds on our successful "sector team" approach to assemble a small, highly focused group of sector specialists from around the country, each focused on a specific priority development sector in Iraq. Each sector specialist will be responsible for developing contacts with Iraq experts, handling questions from interested companies, and disseminating information on their particular sector.

Since the end of official hostilities, we have had commercial service officers in Iraq assisting the Coalition Provisional Authority with private sector development and Iraq reconstruction efforts. We now are in the process of establishing a Commercial Service (CS) operation in Baghdad in the new Embassy scheduled to open by July 1, 2004. CS Baghdad will be staffed by 2 commercial officers and 8 Foreign Service nationals. CS has begun hiring staff for the new Baghdad operation and has assigned a seasoned officer to arrive in Baghdad in advance of the July 1 opening.

The CS overseas resource allocation model takes into consideration Administration priorities, as well as market potential and cost/benefit analysis. Historically, the U.S. and Foreign Commercial Service has responded to national crisis with all available resources. We are using existing resources for this effort.

IRAQ RECONSTRUCTION REGIONAL INITIATIVE (IRRI) LIST OF TRADE PROMOTION EVENTS (BY DATE)

January 2004

January 13–15—Iraqi Ministry of Trade training by the Government of Jordan on the Company Registration System. COMPLETED.

January 5—Live Web Broadcast through the World Trade Center (WTC) in Ankara, Turkey. COMPLETED.

January 6–8—Iraq Reconstruction Seminars in Ankara (Jan. 6), Izmir (Jan. 7) and Istanbul (Jan. 8). COMPLETED.

January 11–13—"Outreach 2004 Exhibition", Amman, Jordan on Iraq Reconstruction. Recruit an Iraqi delegation to attend the event. FCS Turkey to send Turkish delegation. COMPLETED.

January 19–23—"Rebuild Iraq", Exhibition in Kuwait City. Bring Iraqi delegation. CS Kuwait to host Iraqi Reconstruction Council Meeting. COMPLETED.

January 18–22—"Arab Health Exhibition", Dubai, U.A.E. Joint United States/United Kingdom initiative to bring an Iraqi delegation. CS Baghdad staff to provide CPA/CS Baghdad briefing. COMPLETED.

January—Proposed Ar'ar Border opening press event in Saudi Arabia. U.S. Embassy Saudi Arabia to highlight beneficial aspects of the opening for future Saudi-

Iraqi business relations. POSTPONED UNTIL CPA/GC HAND-OVER OF SOVEREIGNTY 6/30/2004.

February 2004

February—Preparation of Arabic language quick reference sheet on "Doing Business in Iraq". COMPLETED.

February 17—CS Kuwait and CS Riyadh supported and accompanied delegation from the American Business Council of Kuwait to Basra and Um Qasr for business meetings and briefings by the Basra Chamber of Commerce and CPA South. COMPLETED.

February 17–20—Assistant Secretary Lash visits Baghdad to meet CPA officials, U.S. and Iraqi companies to discuss reconstruction and investment. COMPLETED.

March 2004

March—Iraq Central Organizations for Standards and Quality Control (COSQC) delegation to Saudi Arabia for training in establishing industry standards, organized by NIST. POSTPONED DUE TO NIST FUNDING ISSUE.

March 20—A/S Lash meets Iraqi and U.S. business groups in Abu Dhabi and Dubai regarding Iraqi Reconstruction and Investment. COMPLETED.

March 21–22—"Iraq-Arab Alliance Conference for Reconstruction, Trade and Investment in Iraq" to be held in Bahrain. Conference and exhibition focused on Iraq Reconstruction opportunities with participation from throughout the Gulf region. COMPLETED.

April 2004

April 5–8—Conference and exhibition organized by Iraqi American Chamber of Commerce and Industry entitled "DBX: Destination Baghdad Expo" at Baghdad International Fairgrounds. POSTPONED.

April 10—Iraq Conference by the Council of Saudi Chambers of Commerce & Industry in Riyadh. FCS to present business opportunities through Saudi-U.S. business relationships. USAID/CPA contractor and USG officials to participate as speakers.

April 4—Iraq Reconstruction seminar at the American Turkish Council's Annual Conference, Washington, D.C. COMPLETED.

April 18–19—Oil and Gas Conference in Basra actively supported by CS Kuwait. POSTPONED.

April 20—Dubai—Conference on Subcontracting Opportunities in Iraq with high level DOC and PMO participation. COMPLETED.

April 25—Amman—Conference on Subcontracting Opportunities in Iraq with high level DOC and PMO participation. COMPLETED.

April 29—Istanbul—Conference on Subcontracting Opportunities in Iraq with high level DOC and PMO participation. COMPLETED.

June 2004

June 2–3—International Investment Conference in Basra, actively supported by CS Kuwait. POSTPONED.

June 6–7—Conference on Iraq's Oil and Gas Industry in Abu Dhabi.

"Doing Business in Iraq" Outreach Seminars

Assistant Secretary Lash—February 24, Cleveland, OH; February 25, Kansas City, MO; March 23, Detroit, MI; March 24, Minneapolis, MN; March 25, New Orleans, LA; and May 6, Houston, TX.

Senior Advisor on Iraq, Sue Hamrock—March 9, Los Angeles, CA; March 10, San Diego, CA; March 18, Boston, MA; March 19, New York, NY; April 13, Chicago, IL; and April 14, San Francisco, CA.

2010 DECENNIAL CENSUS AND AMERICAN COMMUNITY SURVEY

Question. Mr. Secretary, this is an extraordinary request for funds with six years to go until the census. Could you give us a status overview of the preparation for the 2010 census and how the requested funds will be used?

Answer. Things are going very well, thanks to the support of the Administration and Congress in these efforts. With these early investments in the 2010 census, we are well on our way to achieving our goals to improve the relevance and timeliness of census long-form-type data, reducing operational risk, improving the accuracy of census coverage, and containing costs over the 2010 decennial cycle.

In the fourth quarter of fiscal year 2004, the American Community Survey (ACS) will expand to a sample of 250,000 addresses each month spread across every county in the United States and Puerto Rico. Fiscal year 2005 will be the first full year of data collection at this sample size. The successful implementation of the ACS

serves as the replacement of the long-form component of the decennial census, providing the United States not only more timely data, but also the added efficiencies of administering a short-form only decennial census.

The MAF (Master Address File)/TIGER (geographic reference file) Enhancements Project is on schedule to be completed for all counties in the United States, Puerto Rico, and island areas by fiscal year 2008.

Key mailout, field, and special purpose studies have been completed in developing a short-form census for 2010. Additional tests and development efforts are on track for conducting a dress rehearsal census in fiscal year 2008.

Specifically:

American Community Survey

Ongoing support for the ACS will allow the Census Bureau to publish detailed social and economic data every year for all places with a population of 65,000 or more beginning in fiscal year 2006.

The increased budget is for the annualization of the program that will have begun in the fourth quarter of fiscal year 2004. The largest cost drivers are questionnaire mailing and collection, following up on nonresponses, information technology and data processing/dissemination activities.

After three years of data collection and every year thereafter, accumulated data can be used to make such annual estimates for all places of size 20,000 or more.

After five years of data collection and every year thereafter, accumulated data can be used to make annual estimates for all places and tracts comparable in content and reliability to decennial long-form data.

MAF/TIGER Enhancements Project (MTEP)

By the end of fiscal year 2004, approximately 26 percent of the counties in the Master Address File (MAF) and geographic database (TIGER) will be brought into alignment with global positioning system (GPS) coordinates.

In fiscal year 2005, improvements will be completed for an additional 700 counties. By the end of fiscal year 2005, this work will have been completed for nearly half of all counties in the United States, Puerto Rico, and the island areas.

The MAF/TIGER enhancements project is on schedule to be completed for all counties in the United States, Puerto Rico, and the island areas by the end of fiscal year 2008.

Work will continue on converting our MAF/TIGER processing environment to one based on commercial, off-the-shelf software. This effort began in fiscal year 2003 and is planned to be completed in fiscal year 2006.

Short-Form Only 2010 Census

The development and testing of a dramatically revised process for conducting the short form Census is key to the strategy for cost containment for the 2010 census. We will complete 2004 Census Test evaluations by the third quarter of fiscal year 2005 and use the results to inform/revise planning, testing, and development for the rest of the decade.

We will begin conducting the National Content Survey and the 2005 National Census Test in the fourth quarter of fiscal year 2005 and complete evaluations in the third quarter of fiscal year 2006.

We will begin preparations, and conduct early operations, for the 2006 Census Test in fiscal year 2005.

We will begin planning for the 2006 Overseas Test in fiscal year 2004 and prepare for the test during fiscal year 2005.

We will continue other long-term planning, testing, and development for the 2008 Dress Rehearsal and 2010 Census.

Question. Mr. Secretary, in addition, as this is the first time you are implementing the American Community Survey, can you tell us how you expect the implementation to go?

Answer. After almost a decade of research and testing, the American Community Survey (ACS) will begin Nationwide data collection in the fourth quarter of fiscal year 2004, at a sample size of 3 million addresses per year. We feel confident this program will be successful given the experience of the staff overseeing the project in headquarters, the processing center, the three telephone centers, and the 12 regional offices. The testing on the ACS from 1996 to the present supports our confidence. The ACS has exceeded our quality goals each year. We anticipate continuing this success into full implementation.

There are three major challenges we anticipate and are monitoring closely:

—Full implementation of the ACS requires a significant increase in sample size (from 800,000 to 3 million annually) and requires a significant increase in the overall ACS staff. The one-time classroom training and on the job observation

will fully tax the regional office staff working on the ACS program during October through December. However, the experience of the regional office staff will ensure that the staff is well trained and ready to conduct the ACS successfully.

—The American Community Survey is expanding into Puerto Rico as part of full implementation. We have limited experience in collecting survey data in Puerto Rico. Our Boston Regional Office will manage the personal visit data collection in Puerto Rico. We are working together to hire and train an adequate staff in October 2004 to ensure the data collection is a success.

—Lastly, although the American Community Survey tested data collection of persons living in group quarters (prisons, college dormitories, nursing homes, etc.) in 1999 and 2001, the National level implementation of group quarters data collection is a major challenge. This operation will require separate training for the regional office field staff and close monitoring to ensure the quality of the data meet the ACS standards.

While the start-up challenges are significant, the U.S. Census Bureau places high priority on the American Community Survey and we are confident the program will continue to be successful.

FUNDING FOR CENSUS PROGRAMS

Question. Mr. Secretary, I am concerned about budget reductions in the areas of Economic Census, Census of Governments and the Intercensal Demographic Estimates. Can you explain how you plan to provide the same level of service the government has come to count on?

Answer. The fiscal year 2005 Congressional request for the Intercensal Demographic Estimates is an increase of $1.2 million to improve the measurement of migration across U.S. borders. It is imperative to accurately assess the size, characteristics, and impact of International migration, as it is a critical factor in our population growth.

Reduced funding levels for other programs reflect the cyclical nature of these programs. For example, 2005 is the final year of the 2002 Economic Census Cycle and the first year of the 2007 Economic Census. If fully funded, the Census Bureau will carry out all activities scheduled for fiscal year 2005 as originally planned. As the census programs transition from one phase of the cycle to another, activities in fiscal year 2005 are different in nature from fiscal year 2004. Given the differences in the nature and scope of the planned activities for fiscal year 2005, the Census Bureau can, at the requested funding level, continue to provide the high level of service our customers and stakeholders have come to expect.

PTO FUNDING AND REDUCED PENDANCY

Question. Mr. Secretary, during the hearing we discussed the significant increases for PTO in your budget submission. In past years, the correlation between funding increases on the one hand and reduced patent pendancy and higher patent quality on the other has not been demonstrated. Will you provide a more detailed explanation on how such a large budget increase in fiscal year 2005 will help achieve these goals? Can the PTO actually execute such a large increase in one year?

Answer. Although the USPTO has received significant budget increases, over the past 10 years patent applications filed, patent examiners and enacted budget—in constant dollars—have increased at about the same rate (applications at 81 percent and budget and patent examiners at about 90 percent). The primary reason for pendency increases over this period is that the Office has been confronted by an overwhelming shift in technology from the traditional chemical and mechanical applications to the significantly more complex applications in the computer, biotechnology and telecommunications areas. Ten to 15 years ago only 11–12 percent of the USPTO's work was in the complex technologies; today almost 35 percent is. On the average, examiners have 18 hours to handle an application in the traditional chemical and mechanical areas as opposed to 31 hours in the high tech/emerging areas. This shift in technology and the corresponding increase in time needed translates to a need of over 600 examiners, before even addressing the high annual growth rates in applications received. A number of policy changes and International obligations have also shifted significant amounts of work to areas that do not reduce pendency. For example, from 1993 to 2003 filings pursuant to the Patent Cooperation Treaty increased by over 300 percent, from 13,310 to 44,282. Examiners must be given production credit for resolving these cases even though they grant no property rights. Since passage of the American Inventors Protection Act in 2000, examiners have been assigned classification duties related to pre-grant publication, a task that absorbed 36 examiner-FTEs in fiscal year 2003 but did not contribute to pendency reduction.

In the recent past, many have urged the USPTO to stop trying to "hire its way out of this problem." While the agency continues to work on ways to improve efficiency, there is simply no substitution for the human mind for making determinations of patentability. As a result, the Strategic Plan anticipates continued examiner hiring as a critical element of achieving targeted pendency improvements. It also proposes a number of efficiency gains, including taking advantage of searches of identical or similar applications submitted to other competent patent offices and introducing market competition for some of the tasks facing the Office. The Strategic Plan initiatives to use non-examiner resources to perform search and classification functions will enable the agency to focus more examiner attention on making patentability decisions and will contribute to pendency improvements.

The USPTO's fiscal year 2005 budget request includes an increase of $311 million over the fiscal year 2004 enacted level. Of this $311 million, $38 million is for adjustments to base (pay raises and other inflationary costs), and another $38 million would be transferred to the Office of Personnel Management for post-retirement benefits of USPTO employees. The remaining $233 million increase would be dedicated to implementing Strategic Plan by fully funding delayed initiatives, and continuing to fund those that were implemented at a reduced level, as follows:

—$19 million would enable the USPTO to continue its high priority focus on quality initiatives and fully fund training to address the new electronic workplace. With primarily base resources, the USPTO has made positive progress in implementing key programs to improve quality, such as certification of patent examiners before promotion to grade 13, continuing legal education for all patent professionals, and an expanded, in-depth review of the work product of one-third of all senior patent professionals.

—$39 million would be used to continue e-Government initiatives, including availability of automated systems and recovery in the event of catastrophic disaster. This funding is critical because IT has brought to the examiner's fingertips capabilities not realized 15 years ago, such as:

  —Increased reliance on non-patent literature for prior art searches: Automation funding has provided access for examiners to the hundreds of non-patent literature databases that are needed to perform a quality search.

  —Internet searching: In some technologies, Internet searching is a mandatory primary search requirement.

  —Complexity of applications: Patent applications now include subject matter that requires IT solutions simply to examine them; for example, the newer technologies such as biotechnology applications with complex sequences, and proteins claimed by three dimensional spatial coordinates. Some applications come in on CDs with the equivalent of millions of pages of data.

  —Also included in this amount, and consistent with the fee bill passed by the House, are funds to test the concept of competitive sourcing for prior-art searches by conducting a limited scope proof of concept during fiscal year 2005. The USPTO is analyzing the amendments in the fee bill to determine their implication on operations.

—$61 million would address, among other things, patent application inventories and workload by hiring 900 new patent examiners. This represents 650 new positions, compared to new positions of 67 in fiscal year 2003 and a planned zero increase in fiscal year 2004. Funds also would be allocated to new Trademark examining attorney hires and changes needed to implement the Strategic Plan initiatives of multi-track and accelerated examination, and post-grant review in patents.

—$106 million would be used to address workload increases by aligning funding needed for activities impacted by the growing examination workloads and the volume of application and search data. Included in this amount is $65 million for patent workload increases in initial examination review, pre-grant publication, patent publication, commercial data bases and examiner search support, and information technology support throughout examination; $35 million for IT upgrades, staff for responding to an increased number of customer assistance and issue resolution incidents, increase and enhancement of mass storage and infrastructure platforms; and $6 million for administrative support, such as mail center and warehousing, and related workload and human resources processing costs

TAKING PTO OFF BUDGET

Question. Mr. Secretary, there is currently legislation moving through the House that would take PTO "off budget". Can you tell me what your position is on this

legislation? Can you tell me some reasons why this might or might not be good for PTO?

Answer. The fee revisions and related provisions included in the USPTO fee bill (H.R. 1561) were originally introduced at the request of the Administration and did not include a proposal to take the USPTO off-budget. When the off-budget language was added by amendment in subcommittee markup, the Administration indicated in a letter signed by Theodore W. Kassinger, General Counsel, on June 12, 2003, to the full Judiciary Committee that it could not support the bill as amended because, in part, it would have removed the USPTO from the appropriations process. The Administration has not yet developed a formal position on H.R. 1561, the "United States Patent and Trademark Fee Modernization Act of 2004," as passed by the House (on a 379–28 vote on March 3, 2004) and reported favorably by the Senate Judiciary Committee on April 29, 2004.

BIS MISSION AND ACTIVITIES

Question. Mr. Secretary, it seems BIS has an expansive mission for a small agency. Can you explain how BIS plans to prioritize it many missions and how you plan to apply these few resources to accomplish that goal? Also, can you share with us how BIS works with other agencies outside of Commerce and any jurisdictional issues that affect your operations?

Answer. The mission of the Bureau of Industry and Security (BIS) is to advance U.S. National security, foreign policy, and economic interests. BIS's activities include regulating the export of sensitive goods and technologies in an effective and efficient manner; enforcing export control, antiboycott, and public safety laws; cooperating with and assisting other countries on export control and strategic trade issues; assisting U.S. industry to comply with International arms control agreements; and monitoring the viability of the U.S. defense industrial base.

To assist the Bureau in fulfilling these critical missions, BIS published its Guiding Principles in October 2002. These Principles represent the philosophy of BIS in approaching its activities and fulfilling its responsibilities. A copy of these Principles is attached.

BIS focuses its activities and resources on eight key areas:

—*Export control policy and regulation*.—BIS ensures that controls on exports and reexports of U.S.-origin items meet U.S. National security objectives without unnecessarily burdening U.S. industry.

—*Export licensing*.—BIS is continually streamlining and updating its processes to increase capacity and better serve exporters.

—*Enforcement*.—BIS vigorously enforces U.S. export control, antiboycott, and public safety laws, while working to improve exporter and end-user compliance with export license conditions.

—*Multilateral regimes*.—BIS plays a major role in the development, interpretation, and refining of control lists and operational guidelines for the four major nonproliferation regimes—the Nuclear Suppliers Group, the Australia Group, the Missile Technology Control Regime, and the Wassenaar Arrangement.

—*International Cooperation*.—In coordination with other federal agencies, BIS participates in a number of International cooperation and enforcement programs to enhance compliance with and enforcement of U.S. export controls worldwide. BIS also assists in the development of effective indigenous infrastructures for export controls in other countries.

—*Treaty Compliance*.—BIS assists U.S. industry in compliance with the Chemical Weapons Convention and will assist industry in compliance with the Additional Protocol to the United States-IAEA nuclear safeguards agreement.

—*U.S. defense industrial base*.—BIS monitors and supports the U.S. defense industrial and technological base through advocacy for U.S. firms competing for foreign defense contracts. BIS also exercises its authority under the Defense Priorities and Allocations System to require preferential acceptance and performance of certain contracts supporting the U.S. military.

—*Outreach*.—BIS keeps United States and foreign firms informed of U.S. export control regulations through an aggressive program of seminars, meetings, and other outreach activities.

To accomplish its mission, BIS works cooperatively with other parts of the U.S. Government including the National Security Council, the Department of State, the Department of Defense, the Department of Energy, the Department of Homeland Security, and the Intelligence Community. In many cases, BIS circulates license applications to other agencies for review prior to a decision. In addition, BIS manages an extensive license application escalation process that enables senior U.S. Govern-

ment officials to consider particularly sensitive applications before a final decision is made.

Most items on the Commerce Control List (CCL) are derived from the control lists of the multilateral regimes. BIS works closely with other U.S. Government agencies to strengthen these regimes and improve treaty compliance. BIS also works with the Departments of State, Defense, and other agencies to ensure that the CCL adequately captures all dual-use items that potentially could be used to harm the National security of the United States, and to clarify the allocation of commodity jurisdiction between the Department of Commerce and the Department of State, which has responsibility for licensing defense articles.

In addition, BIS participates in a number of International cooperation and enforcement programs in coordination with other federal agencies. BIS leverages its capabilities by forming strong working relationships with other law enforcement agencies, including the Federal Bureau of Investigation (FBI), the Bureau of Immigration and Customs Enforcement (ICE), and the military law enforcement groups. BIS also has productive and cooperative relationships with the Central Intelligence Agency and the National Security Agency.

These cooperative efforts with U.S. industry and other agencies in the U.S. Government have enabled BIS to achieve significant success in accomplishing our important mission. Our efforts are guided by the principle that protecting security and promoting trade are mutually reinforcing objectives. Indeed, legitimate trade is based on the foundation of sound security. We look forward to building on this success as we address new challenges in the years ahead.

QUESTIONS SUBMITTED BY SENATOR TED STEVENS

ASSISTANCE TO ALASKA FISHERMEN

Question. Does the department intend to provide full funding of the $15 million in economic development assistance each of the five years to these fishermen?

Answer. The Department of Commerce is very concerned about Alaska's fishing-dependent communities and is committed to ensuring that these communities are economically prosperous and remain viable communities with a strong economy.

CRAB RATIONALIZATION PROGRAM AND OCEAN POLICY

Question. Do you perceive any problems with meeting the implementation date of January 1, 2005 for Bering Sea crab rationalization?

Answer. Congressional language in the fiscal year 2004 Omnibus Act (Public Law 108–199) requires Secretary of Commerce approval of a crab rationalization program by January 1, 2005. NOAA is committed to meeting this deadline, and it is one of NOAA's top priorities. NOAA Fisheries is working with the North Pacific Fishery Management Council, the State of Alaska, and interested constituency groups to design an expedited process that would lead to Secretarial approval by the prescribed date.

Question. Is the Department of Commerce prepared to receive and consider the findings of the Commission on Ocean Policy?

Answer. The Administration is prepared to receive the report and looks forward to considering the Commission's findings. The report of the U.S. Commission on Ocean Policy (USCOP) certainly has significant ramifications for the Department of Commerce, especially for the National Oceanic and Atmospheric Administration (NOAA). The Commission released its draft report on April 20, 2004. Following a 44-day public and gubernatorial review, the Commission will amend the draft report as necessary and release its final report, probably sometime in the early-to-mid summer. The President then has 90 days to review the report and provide a report to Congress. The interagency effort being led by the Council on Environmental Quality (CEQ) in the Executive Office of the President is now reviewing the draft report and developing timely and appropriate responses to the recommendations. The Department will consider the findings of the Commission as part of the interagency effort being led by the Council on Environmental Quality (CEQ) in the Executive Office of the President. This interagency approach will ensure an integrated response consistent with the Oceans Act of 2000, which requires the President to provide a unified response to Congress. NOAA has been assisting CEQ in preparing for this review.

NOAA FUNDING

Question. Mr. Secretary, do you believe the significant reductions in NOAA's budget and specifically in fisheries and ocean research will allow for the necessary management of our Nation's marine resources?

Answer. The NOAA budget requests a total of $3,380.8 million in discretionary budget authority, a net decrease of $309.5 million, or 8.4 percent below the fiscal year 2004 enacted level. While this is a reduction from the fiscal year 2004 enacted level, the fiscal year 2005 NOAA budget ensures that we continue to sustain healthy marine habitats, ocean research, robust ecosystems, and coastal environments, and address safety and environmental compliance issues impacting NOAA.

The reductions requested within the fiscal year 2005 budget request are included in order to support high priority increases for the NOAA Fisheries Program within a constrained budget environment. For example, the fiscal year 2005 budget request includes an increase of $6.0 million for a total of $20.9 million for fisheries stock assessments and surveys, $1.0 million for protected resources stock assessments, an increase of $1.2 million for a total of $5.2 million for socio-economic data collection and analysis, an increase of $0.5 million for a total of $2.0 million for research to understand and predict the effects of climate change on major marine and coastal ecosystems in the Bering Sea and Gulf of Alaska, $1.0 million to scientifically determine the population status of humpback and bowhead whales, and $1.0 million for fisheries oceanography which will analyze data to determine basin-wide changes in atmospheric and oceanic circulation and their effect on marine populations.

The NOAA budget request provides funds to enhance our scientific understanding of the oceans and atmosphere. NOAA conducts research and gathers data about the global oceans, atmosphere, space and solar activities, and applies this knowledge to science and services. Specifically, the National Ocean Service (NOS) fiscal year 2005 budget request will promote a wide range of research activities to create the strong science foundation required to sustain use of our coastal systems. Overall, the fiscal year 2005 request for NOS is $394.3 million. Specifically, the NOS fiscal year 2005 budget requests an increase of $6.5 million (above the current program level) for a total of $47.9 million to continue conducting Harmful Algal Bloom and Pfiesteria research as mandated by the Harmful Algal Bloom and Hypoxia Research and Control Act (HABHRCA). In addition, the fiscal year 2005 NOS budget includes increases for navigation services, White Water to Blue Water.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

ITA REORGANIZATION

Question. Mr. Secretary, Congress approved the restructuring of the International Trade Administration (ITA) as part of the fiscal year 2004 Consolidated Appropriations Act. I understand that this reorganization is now underway and that the Department will establish an Assistant Secretary for Manufacturing and Services. I am pleased that the Department of Commerce is renewing its focus on domestic manufacturing. An essential part of manufacturing is our ability to produce and obtain basic raw materials, such as refined metals, and semi-fabricated raw materials, such as copper and steel mill products and castings, at reasonable prices and in adequate quantities. I am concerned that under the reorganization the Metals Division is being eliminated. How does the Department plan to cover this important industrial sector?

Answer. We fully recognize the importance of the metal sector to our manufacturing base. While we are planning to streamline management layers, we plan to provide full coverage of the metals sector as we have prior to the reorganization.

Question. How does the Department plan to address the raw material sector issues?

Answer. We will address these important issues as they arise and in the same manner as we have done in the past. Since the reorganization provides us a mandate to address many domestic issues of importance to manufacturing, we believe our support of the raw materials sector will be enhanced.

Question. Will adequate staff and funding be allocated to this activity?

Answer. We believe that we will be able to cover this sector on a basis comparable to our current level of support.

PARTICIPATION IN COMMODITY PRICES

Question. Mr. Secretary, most raw materials are priced on International commodity exchanges and all are subject to International supply and demand factors.

Our domestic metal industry is global in the classic sense. Organizations such as the International Copper Study Group have made significant progress in improving market transparency and statistics. A stated objective of the reorganization is to focus on domestic competitive issues. Will the Department of Commerce continue to participate in International commodity or raw material organizations?

Answer. Yes. We intend to continue our active participation in the International Copper Study Group, as well as the UNCTAD negotiations on commodities, APEC Nonferrous Dialogue, OECD Steel Committee and other forums as appropriate.

Question. Will the Department continue to address International issues directly affecting the materials industry?

Answer. Yes. We will continue to cover these issues as in the past.

Question. Under the ITA reorganization, what unit will cover these issues?

Answer. The reorganization will not change unit responsibilities. ITA's Import Administration will continue to cover dumping and countervailing duty issues, our Market Access and Compliance Unit will cover trade negotiations and our new Manufacturing and Services Unit will cover various International and domestic trade and competitive issues.

Question. Is this unit adequately funded and staffed? What would those staffing and funding levels be for fiscal year 2004 and fiscal year 2005?

Answer. We are currently in the process of allocating resources. Staffing and funding levels will not be reduced as a result of the reorganization.

Question. Finally, Mr. Secretary, the raw material industry must address sustainable development and environmental issues on a domestic and International scale in order to be competitive in world markets. The Department of Commerce has hosted conferences to assist industry in meeting these challenges. Would the Department continue such efforts after the reorganization?

Answer. The Department of Commerce will remain actively involved in sustainable development and environmental issues, domestically as well as internationally. These issues are relevant to the competitiveness of practically all sectors in the U.S. industry.

Question. What unit within the Department would be involved in these activities?

Answer. The Department's activities in these area will involve the resources of several offices in the International Trade Administration's (ITA) manufacturing and services units. These would include, for example, ITA's offices dealing with energy, chemicals, metals and materials, and environmental technologies industries. In addition, the Department's National Oceanic and Atmospheric Administration (NOAA) will continue its active involvement in environmental issues and work closely with ITA.

QUESTIONS SUBMITTED BY SENATOR BEN NIGHTHORSE CAMPBELL

NOAA/NIST BOULDER CAMPUS

Question. I understand that NOAA has proposed to construct a fence around the NOAA/NIST facilities on South Broadway in Boulder. I have heard from a number of residents in Boulder that are opposed to the fence because it would (a) be an eyesore; (b) bicycle and foot traffic which currently crosses the campus would be restricted; and (c) the area surrounding the facilities is home to a wide variety of wildlife. The impacts of a fence on the wildlife habitat has not been addressed.

What exactly is the nature of the security risk at this campus, what security measures are currently in place, and what additional security gain can be achieved with this fence given the assessed threats? Has DOC thoroughly examined other security measures short of a fence? Has DOC consulted with the City of Boulder and local law enforcement authorities on other alternatives?

Is the entire site considered a high level security risk (Level 4) requiring all buildings and facilities to be enclosed by a fence? If not, why is the fence being proposed around buildings and facilities that do not possess this level of risk?

Has DOC already decided that this fence is necessary? If so, who made this decision and what was the process by which it was made? Was a cost-benefit analysis conducted? How much will the fence cost, what funds are identified to pay for it, and what is the construction/installation timeline?

Are other federal facilities across the country required to install fences? If not, why not? What is DOC's legal position regarding the City of Boulder's easement across the site? Can this easement be superceded by the fence? How will the fence provide the security envisioned if the City of Boulder refuses to allow the fence on its easement?

Answer. A task team, headed by the Department of Commerce's Office of Security, met in August 2003 to assess the security risk at the Boulder Labs facility. That task team concluded that:

—The security risk will be mitigated with effective perimeter security.

—The most effective and cost-efficient perimeter security countermeasure based on industry averages is the installation of a fence around the main facilities.

—A Boulder site task force should lead the design and coordination of the perimeter security solution.

A Boulder site task force was established under the leadership of the National Institute for Standards and Technology (NIST) Boulder Lab Director, Zelda Bailey. That task force continues to develop possible designs and options for the perimeter security solution. No final decision regarding the design of the perimeter security solution has been made. A creative design should effectively address the elements of the security risk—criticality, vulnerability and threat—while also preserving valuable attributes such as easements, protected areas, bike paths and open areas. The final design will likely combine several security options to provide a measured response to the security risk.

In a meeting on February 26, 2004, between officials of the City of Boulder and the Department of Commerce, it was agreed that a representative from the City would be added to the task force, to ensure that local interests are considered. We are confident that we will be able to develop a final solution that will address the interests of both the City of Boulder and the Department of Commerce in providing a safe and secure working environment for our employees.

QUESTIONS SUBMITTED BY SENATOR ERNEST F. HOLLINGS

PUBLIC TELECOMMUNICATIONS FACILITIES PROGRAM

Question. Secretary Evans, the Public Telecommunications Facilities Program, which is a longstanding part of the public television funding picture, plays a critical role in public television's federally mandated digital conversion. PTFP is a relatively small investment that is paying tremendous dividends by unleashing millions of dollars in new services and products. Despite this, the President's fiscal year 2005 budget proposal terminates this critical program. What was the Department's request to OMB with regard to this program?

Answer. The Department's request to OMB eliminated funding for PTFP and proposed to continue funding of the digital conversion of public television through funding already available from the Corporation for Public Broadcasting.

Question. Secretary Evans, there is no doubt that we are in fiscal crisis at the moment—we face a deficit and we are at war. However, a strong Nation depends on strong infrastructure. PTFP is critical to the well being of our public broadcasting infrastructure—the only broadcast medium that reaches virtually every household in the United States.

We discussed at length during the hearing the loss of jobs and the exporting of critical manufacturing jobs in particular to other Nations. You stated that those workers can be trained in new areas and for new industries. One proven entity in the area of education, including adult education, is public television.

Why is the Administration cutting a program like PTFP that is so vital to the daily work of public television, especially at a time when public television's role in adult education and workforce skills has never been more vital?

Answer. The Administration appreciates public television's contribution to education, especially adult education. The Administration believes, however, that during this period of steady economic growth, public broadcasting's equipment needs can be met more efficiently through the funding already available through the Corporation for Public Broadcasting.

QUESTIONS SUBMITTED BY SENATOR DANIEL K. INOUYE

CLIMATE CHANGE PROGRAMS

Question. The President launched his U.S. Climate Change Research Initiative in June of 2001 to improve the integration of science with policy and management decisions. The President's budget claims that $23.7 million in new funds will be devoted to climate research in order to expand climate observing capabilities. However, the budget also calls for more than $11 million in cuts to the existing climate and global change programs that currently provide these very climate observing capabilities.

I would appreciate receiving a breakdown of the reductions and increases of all climate specific programs within the National Oceanic and Atmospheric Administration (NOAA). Does the budget request actually call for $23.7 million in new funding, or will this "increased funding" come at the expense of programs?

Answer. The $23.7 million increase for climate research relative to the fiscal year 2005 base funding in the Climate Change Research Initiative activities has been reallocated from lower priority activities. It is being partially offset by reductions that were taken from to Climate and Global Change, NOAA's National Environmental, Data, and Information Service (NESDIS) Environmental Data Systems Modernization program, and other internal programs, which includes $1 million from the baseline observatories as well as reductions from the weather-climate connection.

Funding has been directed towards activities that will contribute to reducing scientific uncertainty in three key areas identified in the Climate Change Science Strategic Plan: (1) aerosols-climate interaction; (2) ocean climate observations; and (3) carbon sources and sinks.

OAR CLIMATE PROGRAM BUDGET SUMMARY

[In millions of dollars]

Budget Summary	Total
Laboratories & Joint Institutes	+623
Climate & Global Change	−9,152
Climate Obs. & Services:	
Other Programs	−1,870
CCRI	+23,735
NESDIS-EDSM	−2,191
Total	11,145

Question. I would also appreciate receiving a geographically specific breakdown of the research and observation projects in the President's fiscal year 2005 climate budget for the Pacific Ocean.

Answer. Tropical Atmosphere Ocean (TAO) array: $2.6 million funded through NOAA Research. The array provides real-time data from moored ocean buoys for improved detection, understanding and prediction of El Niño and La Niña. The Japan Marine Science and Technology Center, in Yolsutia, Japan, operates the western TRITON portion of the array. NOAA Research's Pacific Marine Environmental Laboratory in Seattle operates the eastern TAO portion of the array.

Pacific Regional Integrated Sciences and Assessment (RISA) Program: about $0.15 million funded through the NOAA Research Climate & Global Change and Climate Observations & Services budget lines. The program assists fisheries, agriculture, and tourism in enhancing resilience in the face of climate-related extreme events, such as droughts, floods, and hurricanes. The Pacific RISA is operated out of the East-West Center in Honolulu, HI.

Mauna Loa and Samoa Baseline Observatories: $2.0 million funded through the NOAA Research Climate Observations & Services budget line. The baseline observatories provide valuable time series data on various atmospheric and solar radiation measurements that are critical to NOAA's monitoring of climate. The observatories, though located in the South Pacific, are operated by NOAA Research's Climate Monitoring and Diagnostics Laboratory in Boulder.

North Pacific Climate Regimes and Ecosystem Productivity: $2.0 million funded through the National Marine Fisheries Service. A growing component of NOAA's climate program, this Climate and Ecosystems project seeks to link NOAA climate information with NOAA models, observations and new ecosystem indicators, resulting in better resource management by NOAA. These efforts will include projections of the status of living marine resources under future climate scenarios. This project is operated out of the NOAA/NMFS Alaska Fisheries Science Center in Seattle.

University of Hawaii Sea Level Center (UHSLC): about $0.5 million funded through the NOAA Research Climate Observations & Services budget line. The Center is operated out of the University of Hawaii/NOAA Joint Institute for Marine and Atmospheric Research (JIMAR) within the School of Ocean and Earth Science and Technology (SOEST). The UHSLC operates 37 tide gauge stations in the global sea level network and collaborates with host countries in the operation of 7 more stations. The measurements are used for the evaluation of numerical models (e.g., those in operation at the National Centers for Environmental Prediction (NCEP), joint analyses with satellite altimeter datasets, the calibration of altimeter data, the

production of oceanographic products through the World Meteorological Organization Sea Level Program in the Pacific (SLP-Pac) program, and research on inter-annual to decadal climate fluctuations.

Question. Is the Commerce Department researching the economic impacts of climate change on Pacific island and Pacific Rim Nations? Do you believe that the research effort commensurate with the economic stakes of climate change in the Pacific region?

Answer. The Department of Commerce is working to better understand the economic impacts of climate change and helping to manage climate risks for the Pacific Islands. The following are some examples of the Department's efforts. In a recent press release, VADM Conrad C. Lautenbacher, Under Secretary for Oceans and Atmosphere and NOAA Administrator recognized the dependence of Pacific island economies on accurate climate information. He stated that, "Understanding and effectively responding to changes in climate are critical elements of planning and economic development in Hawaii and other Pacific Islands. Their economies are dependent on climate-sensitive sectors like agriculture, tourism and fisheries, and the region is home to some of the world's most valuable marine resources such as coral reefs."

The press release highlights a new program that begins development of climate services for the Pacific Islands. NOAA's Office of Global Programs recently awarded a three-year grant of $535,487 to the East-West Center in Honolulu, Hawaii, an educational and research organization, for a project entitled "Managing Climate Risks in the Pacific: A Pacific Islands Regional Integrated Sciences and Assessment (Pacific RISA) Program."

The Pacific RISA program assists key economic sectors (e.g. fisheries, agriculture, and tourism) in enhancing their resilience in the face of climate-related extreme events such as droughts, floods, and hurricanes. The project represents a significant step towards the creation of a new program of climate information services designed to meet the needs of decision makers and policy officials in the American Flag Pacific Islands (Hawaii, American Samoa, Guam, Commonwealth of the Northern Mariana Islands) and the United States-Affiliated Pacific Islands of the Federated States of Micronesia, the Republic of the Marshall Islands and the Republic of Palau.

NOAA's Coastal Services Center is complementing the work of the Pacific RISA with a climate assessment outreach and education program.

NOAA has also supported studies of the socio-economic impacts of El Niño events in the Pacific through the work of the Pacific ENSO Applications Center and related socio-economic research funded through NOAA's Office of Global Programs.

Through these types of research efforts, NOAA's expansion and development of climate services in the Pacific Islands is working to address the rising economic stakes of climate change in the Pacific region.

INTERNATIONAL TRAVEL TO THE UNITED STATES

Question. International travel to the United States is a vital component of our Nation's economy. International visitors account for one million jobs and $83 billion in spending annually. Visitation levels have declined by some twenty percent during the past two years. U.S. market share of global travel had already been declining since 1998 and was only exacerbated by the September 11, 2001, terrorist attacks. Since September 11, many necessary changes have been made to make U.S. ports of entry safe and secure, but little or no measures have been taken to reach out to legitimate International travelers.

Although the World Travel and Tourism Council recently predicted that tourism to the United States will rise in 2004, the Council warned that relying on excellent products and service alone will not be sufficient to guarantee the future growth of tourism to the United States. To remain competitive, the Council recommended that we be proactive and work with government authorities to ensure that our tourism industry is protected and nurtured.

What steps are being taken by your department to reach out to International travelers and work with government authorities to encourage travel to the United States? What do you believe the federal role should be in promoting travel to the United States?

Answer. The Department is launching a $6 million promotional campaign in the United Kingdom, our largest overseas market to increase market share. We are working with the Department of Homeland Security and the Department of State to encourage the development of visa policies and travel security systems that facilitate travel while providing for the safety of the traveler and security for our Nation. I believe that the role of the federal government is three fold: (1) to assist in ensur-

ing competitiveness in this sector; (2) to measure the industry through collection and dissemination of statistical data on the volume, flow and characteristics of travelers, through assessments on the economic benefits and impact of travel and tourism industries on the U.S. economy, and through production of the balance of trade in travel and tourism; and (3) to advocate for the United States' tourism interests in International service sector trade agreements and represent the U.S. tourism policy positions in International tourism development and intergovernmental fora.

Question. The Visa Waiver Program allows International travelers to visit the United States for up to 90 days without going through the time consuming and often costly process of obtaining a nonimmigrant visitor visa. There are currently 27 countries in the program. Current rules require that by October, 2004, International visitors entering the United States on the Visa Waiver Program possess a machine-readable passport. In addition, all Visa Waiver countries must certify that the new passports they are issuing contain biometric identifiers, to help ensure that the person seeking entry into the United States is the same person documented in the passport.

There is great concern in the visitor industry that only a few of the 27 Visa Waiver countries will be able to meet the October, 2004, deadline, and that this will result in major disruptions in inbound travel to the United States from key markets in Europe and Asia.

Do you have any suggestions on how we can encourage foreign countries to expend the resources necessary to produce passports in compliance with U.S. requirements for the Visa Waiver Program?

Answer. The issue, I believe, is not a lack of willingness by Visa Waiver Program countries to comply by the October, 2004 deadline, but their ability to do so. Legislated requirements specify that the biometric passport identifiers must meet International Civil Aviation Association standards. These standards were not established until May of 2003. Therefore, technologies are not yet fully developed. The United States will also not issue passports that meet these standards by the current deadline.

Sixty-five percent of our overseas visitors come from Visa Waiver Program (VWP) countries. All but two VWP countries have indicated to the Department of State that they will not be able to meet the deadline. If nothing is done to alter the situation, the Department of State estimates that there will be approximately five million additional visa applicants, of which they have the capacity to process only six percent, which may create substantial disruptions in travel to the United States. Economic losses across sectors could be substantial, and our relationships with our allies could be damaged.

A legislative remedy is the only option to postpone this deadline. Should a legislative postponement be approved, the Department of Homeland Security and the Department of State could provide for safety and security in keeping with the intent of the legislation through existing biometric systems to ensure that travel documents and visitors match. During this period, the United States could work with other Nations to establish agreement on interoperable systems to produce and read passports with biometric identifiers.

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

MANUFACTURING EXTENSION PARTNERSHIP

Question. With last week's announcement that MEP will be eligible to apply for EDA funds, I am greatly concerned that we are nearly half way through the fiscal year and it is still unclear how the program will be funded and re-competed. Will there be funds set aside for MEP Centers to compete for? Will each MEP Center be responsible for applying for these funds? How will this help "leverage" the limited funds available to MEP in fiscal year 2004?

Answer. EDA is ready, willing and able to assist eligible MEP Centers with resources as NIST develops its plans for the MEP going forward. Secretary Evans has directed EDA to focus its remaining fiscal year 2004 Economic Adjustment program funds on manufacturing-related communities and initiatives. EDA will welcome MEP Centers to apply for EDA funds. These EDA funds will augment funds provided to the MEP from NIST and will be focused on highest performing Centers. These funds will be administered in accordance with EDA's competitive grant program guidelines. In addition, EDA staff is prepared to work with MEPs in developing EDA applications in order to make the process as streamlined as possible.

Question. Given the immediate need for MEP services, what other mechanisms would the Administration consider to increase MEP funding in fiscal year 2004 and

2005, so small manufacturers can continue to receive the assistance they so desperately need?

Answer. We are doing all we can to make sure that the MEP centers are fully aware of any funding opportunities that may exist across the Federal government. We have identified some possible sources already and are in discussions with others to determine if there are additional opportunities for MEP centers to compete for available funding from other Federal programs that support U.S. manufacturing. Also, MEP has considered foundation-type funding which is typically raised as principal to be kept intact, while the earnings from the principal are used to capitalize activities. For MEP to develop a steady stream of funding of any significance to substitute for some of the Federal funding, the foundation would need to be capitalized at $400 to $500 million. Otherwise, the capital would be rapidly depleted and the foundation would need to be in a continuous fundraising mode. However, the actual level of funding that could be generated would depend in large part on the support of Administration officials, Congress, and industry leaders. This is particularly true given these tight economic times during which it will be even more difficult to garner significant contributions.

Question. Why "improve" MEP and cut its budget when we clearly see its effectiveness in building stronger companies that retain high-skill, high-pay American workers and repay our relatively small federal investment with a healthier tax base?

Answer. Budget constraints have forced the Administration to make some tough budget decisions this year. The fiscal year 2005 budget request reflects the Administration's policy and funding priorities to address the Nation's most pressing needs. Support for MEP is maintained at the fiscal year 2004 enacted level.

Question. The manufacturing strategy, budget documents, and comments by Commerce officials suggest ITA and other federal agencies can take over functions of MEP. Do you really think that Trade experts can discuss, sell, and deliver the technical engineering services that MEP provides to manufacturers?

Answer. It makes sense for all bureaus in the Department engaged in improving our Nation's manufacturing to work together. The MEP and ITA programs are complementary, and MEP and ITA staff are working together to increase coordination. This coordination will link the technical and business staff employed by the MEP centers located around the country with ITA trade promotion specialists who are working with ITA on behalf of the future Assistant Secretary for Manufacturing and Services.

ITA has experts with in-depth knowledge of and connections with various sectors of industry including the automotive, textiles and apparel, energy, aerospace, machinery, metals, and microelectronics, industries.

The direct teaming of MEP field agents with the ITA sector experts will make the program a more effective National resource to help small manufacturers compete and succeed in the global marketplace.

MEP and EDA are also exploring mutual opportunities to coordinate their support of small manufacturers through the local economic development infrastructure.

Question. In the manufacturing strategy, you suggest that savings can be found by enhanced partnering. Yet OMB's PART analysis gives MEP high marks for collaboration. Tell me how you plan to get significant savings from synergies they have already accomplished.

Answer. The principal purpose of effective partnering is to better serve America's manufacturers and provide them with the wide range of assistance that the Federal government can provide through its many assistance and support activities. Although the MEP is performing well it still had room for improvements. Efforts are being made to expand on existing partnerships and enhance the benefit to MEP participants.

Question. How will you ensure that small manufacturers will continue to receive the services they need when your "improvements" will actually cut the availability of MEP services?

Answer. The MEP program will continue to serve as many manufacturers as possible and will continue to explore every avenue possible to find new and innovative ways to maximize whatever level of Federal investment is made in this program. Improving the effectiveness and efficiency of the MEP National manufacturing network is the primary goal. In addition to the MEP program, NIST laboratories also support manufacturers both large and small by providing the measurements and standards needed to improve quality, productivity, and reduce manufacturing costs. The NIST Advanced Technology Program (ATP) has provided cost-sharing support of improved manufacturing in many U.S. industries. NIST laboratories provide calibration standards that ensure quality of manufactured products and improve efficiencies. The NIST fiscal year 2005 budget proposal includes a request for budget

increases to support advances in manufacturing. The work proposed in the fiscal year 2005 budget initiative will help overcome technical barriers facing U.S. industry that will enable it to thrive in nano-manufacturing, particularly in the key areas of electronics and semiconductor manufacturing, and advanced medical technologies. It will also promote access to global markets by ensuring that the measurements and standards that U.S. manufacturers rely upon are internationally accepted.

Question. Has the Department of Commerce done any studies to determine what impact re-competing the entire MEP network would have on its ability to serve small manufacturers?

Answer. The series of manufacturing round tables conducted over the past year, while not specifically focusing on the MEP, gave the Administration a real sense of what manufacturers want and need. There has not been a formal study of the possible impact of a re-competition, but such a competition is expected to result in excellent service to small manufacturers in the region served by the selected centers.

Question. One of the strengths of MEP is its partnership with state governments and local service providers. Have the state agencies and other partners been informed of your re-competition plans and will they continue to provide roughly a third of the funding support to the MEP system?

Answer. Additionally, the MEP Director has had preliminary discussions with the Centers about the impacts of the funding level. Those Centers with agreements that are expiring have been informed that their renewals will be on a month-to-month basis. Until the individual Centers give us specific information, it is hard to determine which states will continue to provide a third of the funding support to the MEP system.

Question. Do you really want to hamstring this program by pushing each and every Center to spend its time developing a proposal during a time of urgent need for this type of hands-on assistance for our small manufacturers?

Answer. For fiscal year 2004, MEP is exploring the options for providing some funding to all Centers in the network through the end of the fiscal year.

Question. Many groups, such as Harvard's Kennedy School, the National Academy of Public Administration, NAM and National business publications commend the program for its effectiveness and efficiency. Doesn't it make better sense to re-compete only those Centers that do not meet minimum performance standards? Why should we consider re-competition for a system that is not broken?

Answer. The vast majority of MEP centers perform admirably, so only isolating those few relatively poorer performers recognizes no significant cost savings. Each of those few, poorer performers have been addressing their weaknesses.

NATIONAL SEA GRANT PROGRAM

Question. In the President's request for the National Sea Grant Program, how much of the funding would be allocated to new programs? If we set a goal of bringing all the programs up to $1.2 million in base funding a year in $250,000 increments over the next several fiscal years, how much additional funding would be needed in fiscal year 2005 and which Sea Grant programs would receive funds to increase their base level?

Answer. The fiscal year 2005 President's Budget request includes $57.5 million for Sea Grant, this amount does not include any funding for new programs. The National Sea Grant program currently funds 30 established college and institutional programs and 4 developing institutional programs. Of these 34 programs, 19 currently have a base funding level of less than $1,200,000. The Sea Grant Program authorization requires that amounts appropriated over the fiscal year 2003 level be allocated by merit and competition. To bring these 19 programs up to $1.2 million in base funding in $250,000 increments over the next five years would cost a total of $7,723,000 and would require additional funding in the amount of $3,759,000 in fiscal year 2005, the first year:

Year	Amount
1st Year	$3,759,000
2nd Year	2,041,000
3rd Year	1,000,000
4th Year	723,000
5th Year	200,000

The 19 Sea Grant colleges, institutions, and developing institutions that currently have a base funding level of less than $1,200,000 would receive the additional funds. These programs are: Connecticut, Delaware, Georgia, Illinois/Indiana, Maine, Michigan, Minnesota, Mississippi/Alabama, New Hampshire, New Jersey, Ohio, Puerto

Rico, South Carolina, California (University of S. California), Massachusetts (Woods Hole Oceanographic Institution), Vermont, Pennsylvania, Guam, and Western Pacific.

QUESTIONS SUBMITTED BY SENATOR HERB KOHL

MEP FUNDING AND RECOMPETITION

Question. Mr. Secretary, in addition to the drastic cuts to the MEP program, it appears only $29.6 million or 75 percent of the funding is going directly to grants to help small and medium sized manufacturers. The remaining $10 million is going to administration. When the MEP centers were funded at $106.5 million, $90 million or 85 percent of the funding was directed to MEP programs.

It appears that there is a loss of efficiency coinciding with cuts: When the program was funded at $106.5 million, administrative costs were $16.5 million, as opposed to $10 million in administrative costs for a $39.6 million program. Can you provide me a breakdown on where the requested funding will be directed?

Answer. By the end of fiscal year 2004, MEP staff will be reduced by 24 positions, from 51 to 27 while maintaining its function of overseeing the National manufacturing network. In addition, NIST institutional support activities previously supported by MEP will also be reduced, including an institutional support staff reduction of an additional 24 positions by the end of fiscal year 2004 (from 38 to 14). These staff reductions are expected to be accomplished through a combination of resignations, Voluntary Early Retirement Authority (VERA), buyouts, and Reduction-In Force (RIF). Remaining MEP staff will focus on center operations and center support. Center operations will focus on stewardship issues, such as panel and annual reviews, cost share approvals, and other compliance-related issues. This unit will also conduct a more limited level of program data collection and program evaluation. Staff conducting center support will focus on essential system-level functions, National accounts, partnership development, and a minimal manufacturing research component. All product development, marketing support, and most IT support will be discontinued. Manufacturing research, center and client impact evaluation, corporate university training of the system, and National sales are all being significantly scaled back.

Question. In my state of Wisconsin, we lost 13,000 manufacturing jobs last year and, just last week, two more Milwaukee companies announced plans to send jobs overseas. We must fund initiatives that yield tangible results now, programs that help small- and medium-sized manufacturing firms, boosting productivity and increasing competitiveness as these firms face increasing pressure from global markets. We need to fund programs like MEP. Through MEP efforts, more than 35,000 manufacturing jobs were created or retained during the last fiscal year. MEP was recently selected by Harvard's Institute of Government Innovation as one of the Nation's "most creative, forward thinking, results-driven government program." MEP has also just been named one of the 100 best resources for small businesses under the category of Operations by the BIZBEST 100 publication.

MEP has worked, and worked well due to its decentralized but well coordinated networks. Offices are conveniently located such that business owners can take advantage of services without drastically increasing precious time away from their business. The local nature of the offices allows for flexibility and an ability to respond quickly to changing needs in different communities.

I understand the Commerce Department is about to launch a major recompetition of the entire MEP program at a time when this program is sorely needed. I am concerned that a national recompete could bring serious harm to this critical program. In the interest of saving time, energy, and scarce resources, is it necessary that the recompete occur across all 400 MEP offices? Why not just focus on those centers that have not lived up to expectations? Should a nationwide recompete go forward, is it expected that MEP will continue to have a physical presence in all 50 states?

Answer. Maintaining the National manufacturing network is a priority. Just as the 21st Century manufacturing needs are continuing to evolve, a recompetition of the network will allow MEP to effectively meet those new challenges with whatever funding levels Congress provides. Understanding the possible effect of a recompetition upon the Centers, for fiscal year 2004, MEP is exploring options for providing funding to all Centers in the network through the end of the fiscal year.

JOB LOSSES IN WISCONSIN

Question. Most of the job losses in my state have been experienced in small- and medium-sized enterprises. Nationally, small- and medium-sized manufacturers ac-

count for 68 percent of all manufacturing jobs. These firms are the best source for manufacturing job creation—and these are good jobs—and these firms are far less likely to outsource jobs. I have heard from many constituents who are concerned that the Administration is focusing its efforts on large firms, leaving small- and medium-sized firms behind.

There is a tension here between small and medium-sized manufacturers and large manufacturers. For example, there are well-respected critics of the "Manufacturing in America" report who say that this plan does not substantially make a difference for small and medium-sized firms. Do you agree that you have had to balance the interests of these two groups as you pursue initiatives to respond to the crisis facing our manufacturing sector?

Answer. From the very beginning of the Manufacturing Initiative through today, the Department of Commerce has kept the interests of small- and medium-sized manufacturers (SMMs) foremost in developing policy recommendations for the challenges confronting U.S. manufacturing.

As you may be aware, as an initial step, we organized roundtable outreach meetings to hear directly from U.S. manufacturers and manufacturing workers. The manufacturers attending these open meetings represented a broad mix of small- and medium-sized manufacturers, as well as minority-owned and women-owned enterprises. During these two-hour meetings, we had in-depth conversations with many such manufacturers and workers about their particular challenges and issues as distinct from larger manufacturers. In addition, as we developed the list of panelists for these roundtables, we took great care to balance the panel members by size of companies and manufacturing sectors. A majority of the panels were formed by SMMs.

The views of SMMs are strongly represented in the "Manufacturing in America" report we developed. Chapter Two of this report is representative of the detailed input we received from SMMs as well as larger companies. The discussion of issues is representative of the diversity in sectors, size of companies and regions.

The recommendations that we put forward in Chapter Three of our report continue this commitment. For example, we are creating an advocate for U.S. manufacturers in the Department of Commerce who can ensure that the voices of SMMs are reflected in USG policy-making. Moreover, we created a Manufacturing Council on April 4, 2004, which will be representative of small-, medium- and large-manufacturers. The Chairman and Vice Chairman have been selected, appointed, and announced. We anticipate completing selection and appointment of the members the week of May 24, 2004, or shortly thereafter. We expect to hold the inaugural meeting of the Council by the end of June. We hope this important body representing the interests of manufacturers institutionally in U.S. policy-making will enjoy longevity and maintain an established voice particularly for SMMs. Many other recommendations in the report are also of particular benefit to SMMs. For example, tax relief will be particularly helpful for our SMMs that operate as S-corporations and partnerships. Also, the establishment of Association Health Plans will afford small manufacturers greater leverage in negotiating the cost of health insurance with providers.

Two programs of particular benefit to SMMs are the Small Business Innovation Research (SBIR) and the Small Business Technology Transfer (SBTT). We call attention to these programs and recommend that SBIR and SBTT place a higher priority on manufacturing R&D topics that would greatly leverage innovation in SMMs. We also focus on the MEP program and recommend ways in which that program can deliver greater benefits to SMMs by strengthening partnerships with other government programs.

An owner of a small manufacturing company told us at our Milwaukee, Wisconsin roundtable that he, like other SMMs, does not have the resources to hire the lawyers to bring forward a dumping/countervailing duty case. Pursuant to the manufacturing initiative, we have created at the Department of Commerce an Unfair Trade Practices Task Force within the Import Administration. This team will take on the burden of proactively seeking out and addressing unfair trade practices. To help SMMs identify potential customers, we are also developing a Global Supply Chain Initiative. Through this initiative, we will help SMMs expand their reach and identify new customers they may not otherwise be aware of.

As you can see, we focused significantly on the needs of small- and medium-sized manufacturers and will continue to bring resources to bear on their needs and challenges. I look forward to continuing this dialogue with you on such an important matter.

NEW ASSISTANT SECRETARY OF MANUFACTURING

Question. While I have praised the Administration's efforts to organize a President's Manufacturing Council and appoint a new Assistant Secretary of Manufacturing, I am concerned that is taking so long to get these efforts off the ground. These initiatives were announced last September and I understand your staff has said not to expect anything before June—at the earliest. My constituents are understandably skeptical.

Given the problems already facing the new Assistant Secretary of Manufacturing and the expected lag time, are there plans to place MEP under the jurisdiction of the Assistant Secretary of Manufacturing?

Answer. There are synergies between ITA and MEP that we should use to provide better support to MEP's private sector clients. MEP and ITA staff are already working together to increase coordination. For example, our sectoral experts in the new Manufacturing and Services unit will benefit from enhanced coordination with NIST's technical experts. Similarly, our Commercial Service staff across the United States can help in marketing MEP's programs to the business community, particularly small and medium-sized business.

PATENT AND TRADE COMPLAINTS AND BACKLOG

Question. I have had complaints from constituents about the backlog of manufacturers' complaints in both the Patent Office and the International Trade Administration concerning both patents and trade violations. We have heard stories from constituents regarding American manufactured products that have been copied, sometimes down to a stamped company emblem, and then produced overseas, undercutting the price of the original American producer. What is the Department doing to respond to these complaints? How soon can we expect reductions in the current backlog?

Answer. The USPTO supports ITA in providing expert advice on trade dispute matters. Trade disputes are principally handled within ITA itself. The USPTO also responds proactively to trade issues through support of bilateral efforts undertaken by ITA, USTR, Customs, USDOJ, State and other agencies involved in IPR matters. We also provide support to training programs, which are intended to support foreign government's efforts to achieve WTO compliance. Through our participation in the National Intellectual Property Law Enforcement Coordination Council, we provide guidance on law enforcement matters involving intellectual property issues, including encouraging enhanced criminal enforcement. In certain instances, piracy and counterfeiting issues are attributable in part to delays and procedures by foreign patent and trademark offices themselves. Through office-to-office discussions as well as meetings in multilateral fora, such as the World Intellectual Property Organization, APEC/Intellectual Property Experts Group, and the United Nations Economic Commission for Europe, the USPTO encourages additional compliance with International standards.

QUESTIONS SUBMITTED BY SENATOR ROBERT C. BYRD

EMERGENCY STEEL GUARANTEE LOAN PROGRAM

Question. President Bush's fiscal year 2005 budget proposes to rescind $35 million from the Emergency Steel Guarantee Loan Program. This rescission will effectively kill the program, despite the fact that Congress has extended the program for two more years, through December 31, 2005. In recent testimony before the Senate Budget Committee, OMB Director Bolten stated that the Department of Commerce was "not planning to pursue rescissions from the steel loan guarantee fund." How does the Department reconcile this statement with the proposed rescission contained in the President's fiscal year 2005 budget? How does the President reconcile this statement with its numerous prior pledges to support the U.S. steel industry?

Answer. The Administration has supported a number of initiatives that have strengthened the steel industry, and will continue to do so. The statement of Director Bolten, to which you refer was made with regard to a rescission contained in the fiscal year 2004 omnibus appropriations bill. For fiscal year 2005, the Administration has proposed to fund the Emergency Steel Loan Guarantee Program (ESLGP) at a level of $17 million. Enactment of the Administration's proposal would provide sufficient money in the ESLGP's account to accommodate current and anticipated demand while also permitting funds to be utilized for other priorities. Nevertheless, we remain concerned regarding the effectiveness of the ESLGP. There has

been a very low level of utilization of the program; during its existence, only three loans have closed with the benefit of a guarantee, and one of those has defaulted.

WTO RULING ON CONTINUED DUMPING AND SUBSIDY OFFSET ACT

Question. Congress included language in the fiscal year 2004 omnibus appropriations bill, which directs the Administration to negotiate a solution to the World Trade Organization's (WTO) ruling against the Continued Dumping and Subsidy Offset Act. When will the United States present its negotiating position on this matter to the WTO? In report language accompanying the fiscal year 2004 omnibus appropriations bill, Congress directed the Administration to report to the Senate Appropriations Committee every 60 days on the progress of these negotiations. Given the Congressional directive to negotiate a solution to this matter, what is the Administration doing to initiate these negotiations? Can you confirm that the first update will be provided to the Appropriations Committee 60 days from enactment of the omnibus appropriations bill, which would be on or about March 23, 2004?

Answer. The Administration has defended the Continued Dumping and Subsidy Offset Act of 2000 (CDSOA) throughout a long WTO dispute settlement process. The Administration has raised this issue in the context of the WTO's ongoing Doha Round of multilateral trade negotiations. Within WTO Rules Negotiations Group, we have raised the issue of WTO member's authority to distribute Anti-Dumping and Countervailing Duties. Consultations with the Congress on these and other trade negotiations are led by the Office of the U.S. Trade Representative and are ongoing.

As required in Senate Report language, the Department of Commerce and the Office of the U.S. Trade Representative are consulting for the purpose of ensuring proper implementation of the requirements of U.S. law regarding negotiations over the distribution of antidumping and countervailing duties. The Administration intends to comply with all such requirements, including reporting requirements. The Administration will complete these consultations as soon as possible and will continue to work to advance Congressional objectives in the Doha Round negotiations.

SECTION 201 DUTIES AND STEEL IMPORTS

Question. It is my understanding that the U.S. Commerce Department is considering whether to adopt a policy that would deduct import duties imposed under Section 201–203 of the Trade Act of 1974 ("Section 201 duties") from the U.S. price that is calculated in determining the margin of dumping in U.S. antidumping cases.

This is an important issue that is critical to the future of many U.S. companies and workers who rely on the effective enforcement of the U.S. trade laws. Several of my constituents and other interested parties submitted comments to the U.S. Commerce Department in support of this deduction of 201 duties last year. I understand that Commerce currently has a large number of administrative reviews pending in which this issue has been raised.

Is there any additional information that would assist the Department in deciding to endorse this policy of deducting 201 duties in antidumping duty cases? What will be the first case in which the Department will deduct 201 duties when calculating an antidumping duty margin?

Answer. On April 6, Import Administration announced its decision not to treat safeguard tariffs (201 duties) as a cost in the dumping margin calculations.

The issue was raised in several cases, including the ongoing administrative review of the antidumping duty order on stainless steel wire rod from South Korea. In this case, the U.S. importer, whose price to an unaffiliated U.S. buyer was used to calculate export price, was required to pay 201 duties. The petitioner argued that these tariffs constituted a cost that should be deducted from the U.S. price.

In September 2003, the Department published a Federal Register notice requesting public comment on the treatment of 201 duties (and the related issue of whether to deduct countervailing duties) in the antidumping duty calculations. The Department received extensive comments from a variety of parties, including domestic producers, U.S. importers, U.S. consumers, and foreign producers.

After fully and carefully reviewing the legal and policy questions involved in this issue, the Department concluded that the U.S. antidumping law does not intend for the deduction of safeguard tariffs from U.S. prices in calculating dumping margins.

Although the law clearly requires the deduction of normal import duties for dumping calculations, the Department believes that safeguard tariffs cannot be considered import duties. These tariffs are imposed only under special circumstances for the express purpose of providing relief from serious injury due to increased imports. Deducting safeguard tariffs from the export price in calculating dumping margins would effectively increase the safeguard remedy; in some cases providing a double

remedy. Further, it would create a situation where fairly traded imports could become liable for antidumping duties simply due to the imposition of safeguard tariffs.

The Department's decision on this issue is articulated in our Notice of Final Results of Administrative Review/Decision Memorandum, which may be found on Import Administration's website: www.ia.ita.doc.gov.

Question. On December 4, 2003, the White House Office of Communications issued "The President's Determination on Steel," which stated that President Bush "is committed to America's steel workers and to the health of our steel industry." It also stated that, "[s]teel import licensing, established when the safeguard measures were imposed, will continue to provide WTO-consistent data collection and monitoring of steel imports. This will enable the Administration to quickly respond to future import surges that could unfairly damage the industry."

The President's Proclamation of the same date similarly stated that "the licensing and monitoring of imports of certain steel products remains in effect and shall not terminate until the earlier of March 21, 2005, or such time as the Secretary of Commerce establishes a replacement program."

Secretary Evans, you made several comments to the media on December 4, 2003, regarding your commitment to the U.S. steel import monitoring and licensing system and indicated that it would be expanded to include steel products that were not subject to 201 tariffs and quotas. I want to be certain that you remain fully committed to this effort. Could you please advise me as to whether the Commerce Department has a plan to expedite the adoption of these expanded regulations? Could you also please advise me as to when the Commerce Department intends to request public comment with respect to its new import monitoring and licensing system? When would you estimate that it will be up and running? What assurances can you provide that the system will be operational by that date?

Answer. The Commerce Department is continuing to monitor closely the imports of those steel products for which the President implemented import relief pursuant to Section 201, as well as general market conditions. As a result, accurate information regarding such imports is being made available to the public on an expedited basis. We have been meeting with representatives of the steel industry and other stakeholders to get their input on improvements to the current system. The Administration is continuing to evaluate possible modifications to the current system and will ensure that it remains an effective monitoring tool.

Question. The U.S. Commerce Department currently does not pursue trade remedies under our countervailing duty law against non-market economies like China even though: (1) the U.S. negotiated subsidy disciplines with China as part of its accession to the WTO; (2) the United States has worked to see that China participates in the ongoing OECD steel subsidy negotiations; and (3) USTR reports various agricultural industries are experiencing ongoing export subsidies by China. Can you tell me whether the Commerce Department is reexamining this issue? If not, why not?

Answer. Commerce does not currently apply the CVD law to non-market economies, and this practice has been upheld in the courts in *Georgetown Steel Corp.* v. *United States*. In that case, the court affirmed Commerce's view of NME's as devoid of the kinds of market benchmarks necessary to identify a subsidy. Congress enacted substantial amendments to the CVD law in 1988 and 1994 without disturbing Commerce's practice in this area.

The Department recognizes that the reasoning underlying the *Georgetown* decision may not apply to China today to the extent that it did 20 years ago. However, applying the CVD law to non-market economies would raise complex issues of policy and methodology that the Department has not fully considered, including implications for antidumping policy and practice. Any such shift away from 20 years of trade practice should therefore only be implemented after careful consideration and review.

U.S. DUMPING LAWS

Question. Concerns exist about the adequacy of existing practices in administering the U.S. antidumping duty law against imports from NMEs, but particularly China. With the extraordinary trade deficit that the United States is running with China, can you provide details of what changes in the administration of the U.S. dumping law are being considered for NME cases and when the agency will be implementing such changes?

Answer. The Department will be giving priority attention to issues related to trade with China, which has been the object of a significant number of trade complaints. In fact, during the last three years, we have initiated more antidumping investigations and issued more antidumping duty orders against products from China

than any other country, more than twice as many as the next leading country. In 2003, more than 50 percent of all new antidumping orders put in place were against China (8 of 15 total orders).

The Department will soon establish an office that will focus on cases involving Chinese imports, further cultivating the expertise necessary to address the unique problems encountered in that market.

We have developed practices that allow us to more rigorously examine requests for new shipper reviews before initiation, and to continue to scrutinize eligibility for the reviews after initiation. As a result of these practices, in 2003, we declined to initiate approximately one-third of all new shipper requests, and we rescinded the initiation of several new shipper reviews. We have also increased our scrutiny of fraud and circumvention issues in the context of new shipper reviews. In addition, we are working closely with U.S. Customs and Border Protection to ensure that adequate financial security is provided in connection with merchandise imported during new shipper reviews and that—if our initiation of a new shipper review is ultimately rescinded—we will be able to require in appropriate cases that interest be assessed on merchandise imported during the review.

Single DAS for AD/CVD Operations: By placing all antidumping and countervailing duty case work under a single Deputy Assistant Secretary for Operations, we will facilitate case specialization.

Unfair Trade Practices Team: A new Unfair Trade Practices team will report to the DAS for Antidumping/Countervailing Duty Policy & Negotiations. This new unit will strengthen the Department's ability to advance U.S. trade policies and negotiations and address the root causes of unfair trade.

Efforts to Address Possible Fraudulent Activity: We have been developing more expertise within the Department on how to uncover potentially fraudulent activities, and through the Bilateral Task Force with the Bureau of Customs and Border Protection and the Bureau of Immigration and Customs Enforcement, we are developing new procedures for sharing information that will help us identify problems earlier and deal with them more effectively. For example, we now regularly request samples of actual entry documentation from Customs to compare with the documentation submitted by the foreign respondent or obtained at verification to ensure that the same documentation is provided to both agencies. We also conduct independent research into the foreign respondent's ownership, as well as the U.S. importer's ownership, to determine whether the information about affiliations is accurately reported in the questionnaire responses.

SUBCOMMITTEE RECESS

Senator GREGG. This subcommittee will convene next Tuesday, to hear from the Attorney General. We are recessed.

[Whereupon, at 11:19 a.m., Tuesday, March 2, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2005

TUESDAY, MARCH 23, 2004

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:28 a.m., in room SD–192, Dirksen Senate Office Building, Hon. Judd Gregg (chairman) presiding.

Present: Senators Gregg and Kohl.

DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

STATEMENT OF ROBERT S. MUELLER, III, DIRECTOR

OPENING REMARKS OF SENATOR JUDD GREGG

Senator GREGG. We will begin the hearing. It is my understanding that, unfortunately, Senator Hollings had a close friend pass away and so he is not going to be able to be in attendance today. No other members are planning to be here.

This hearing will have two panels. The first will involve the Federal Bureau of Investigation (FBI) Director and the second will include the Inspector General of the Department of Justice and also two members of the GAO who have spent a considerable amount of time working on issues that are related to national security and counterterrorism and the Bureau specifically.

We very much appreciate your coming here today, Director, and we congratulate you for the effort you have made and the successes you have had. America has not been attacked since 9/11, almost 2 years, and that is an impressive record. In part, a lot of it is due to the efforts of the FBI's counterterrorism capabilities and your focus on this issue. Having arrived a week before 9/11, you had a lot on your plate very quickly and you have certainly tried to address it in a very aggressive way.

The FBI has always been a law enforcement agency, a reaction agency by definition, one which sees a crime and then solves it. Yet, the role of the FBI has changed fundamentally. Instead of being a reactionary agency, it is now a preemptive agency which has to anticipate an event, find out when the event and who the perpetrators of the event might be, and stop the event before it occurs, which is extremely difficult. It involves counterterrorism and

counterintelligence at a level that has never been exercised before domestically, maybe during World War II, but certainly not at this level.

So there has been a huge adjustment for the FBI and we all recognize that. This committee has tried to be of assistance as the FBI has gone through the adjustment in changing the culture, changing the structure, changing the technology, and we want to continue to be of assistance.

But we do have concerns, which I know you are familiar with, and today's hearing is going to address the areas where those concerns take priority. The first is the issue of the FBI adjusting from being a police agency, a reactive agency, to being a proactive intelligence agency and the change of the culture, whether or not the manpower adjustments have resulted—have accomplished what you thought. It is a concern of this committee that there are still too many people who are only temporarily assigned to counterterrorism who come out of different divisions of the FBI and the numbers that you hope to meet haven't yet been fulfilled in the area of getting the Counterterrorism Division up and running.

The second area is the issue of technology, very serious issues which we recognize with the operational aspects, especially bringing online Trilogy. It is $200 million over budget right now. Unfortunately, the hardware and the software do not appear to have been made operable. We are also concerned about the delay, whether there is a plan for the future and enterprise architecture that works, and also, obviously, the cost.

Trilogy is one area. Another area is the IAFIS interrelationship with the IDENT program at the Department of Homeland Security and the question of how people coming into the country are identified and whether the database that we paid for can be adequately used by people coming into the country.

And the third major area is this issue of communications between different agencies which have responsibility for counterterrorism, the relationship with Homeland Security, the relationship with CIA, the relationship with the Defense Department. The setting up of these various cross-agency initiatives and how they are working and where they can be improved is a major concern and has been for many years, long before 9/11, ironically, of this committee.

I would, just for the sake of refreshing people's recollection, and I am sorry Senator Hollings isn't here because he has been on this committee now for over 30 years and he has overseen this agency, the Bureau, for over 30 years and played a major role in trying to get the issue of how we address the Justice Department question of terrorism and fighting terrorism up and coming long before 9/11. This committee was the initial energizer for trying to get an orchestrated approach toward fighting terrorism in the Justice Department. We were resisted, regrettably, by the prior administration in that effort when we tried to set up the National Domestic Preparedness Office (NDPO) and a number of other initiatives.

But the bottom line which we always were stressing was lack of communication between various agencies and the inability of people who have concerns, the first responders, to get the information they need quickly. We continue to be concerned about that.

With that as a background, Director, your statement will be made part of the record. I would be happy to get your input and then we can go on to questions.

Mr. MUELLER. Thank you, Mr. Chairman. I know you asked for it and you will get a brief statement. I do want to start before giving my opening remarks, I do want to thank you for your leadership in this committee, for the leadership of Senator Hollings and for the strong support that you have accorded the FBI, certainly during my tenure and even before that time.

I will tell you that the funding that you have committed to the Bureau has been critical to our mission and to our efforts to transform the FBI in the wake of September 11. As you have indicated, our mission has changed dramatically since September 11 and our budget figures reflect this change.

As you, I believe, have requested, I am going to focus on three areas in my short remarks. I want to talk for a moment about training, second, about management, and third, about information technology.

TRAINING

Turning first to the training, for us to go through a period of transformation such as we have and to continue to go through that transformation, we need relevant and timely and effective training. Since the terrorist attacks of September 11, the new agents' curriculum has been completely revised. Counterterrorism and counterintelligence training is now woven into every facet of our new agents' training. Indeed, an additional week of training has been added in order to accommodate the expanded curriculum.

Our counterterrorism modules now include financial investigative techniques, source development strategies, terrorist groups and domestic terrorism. We have also developed a number of practical problems that have greatly enhanced our counterterrorism training. For example, we have developed a white collar practical set of problems focusing on terrorist fundraising. This enables new agent trainees to experience one of the areas, means, and techniques of identifying and dismantling terrorist networks before they can strike.

Of course, we also include practical problems where the trainees must respond to terrorist events, such as an anthrax attack or an attack involving a substance such as cyanide. In the past, our practical exercises have focused primarily on criminal applications, such as bank robberies and kidnappings, and while these remain an important part of our program, we have refocused our training efforts to address our number one priority of protecting the United States against a terrorist attack.

We also have expanded our legal instruction to include application of the PATRIOT Act, the Attorney General guidelines, the Foreign Intelligence Surveillance Act law, as well as the impact of the Fourth and Fifth Amendments, particularly in the context of overseas investigations.

As well, we now provide cultural diversity training, including a block of instruction on Middle Eastern culture and values to our new agents.

Working with our partners in the intelligence community, we have developed a curriculum to provide relevant training for our analysts. In fiscal year 2003, the FBI's new College of Analytical Studies provided training to 880 analysts during 89 analytical training sessions, a substantial increase from the 193 analysts and 10 courses provided in fiscal year 2002.

And last, in the past year, working with the Kellogg School of Management at Northwestern University, we educated our executive staff on the FBI's intelligence mission, and to date, approximately 250 FBI executives and senior managers have received management training at the Kellogg School.

MANAGEMENT

Let me turn to the second piece, and that is the questions and concerns you have about the ability of the FBI to adapt to change. The FBI has always risen to the challenge and adjusted to meet the intelligence and law enforcement needs of the American people. From organized crime to civil rights, from the savings and loan crisis to espionage, from the war on drugs to the war on terror, the men and women of the FBI have demonstrated the strength, demonstrated the flexibility, and demonstrated the enthusiasm to get the job done.

The September 11 terrorist attacks further defined the need for the FBI to remain flexible, agile, and mobile in the face of the threats to the homeland. As a result, we refocused our mission and shifted priorities. We realigned our workforce to address our new priorities. We restructured management responsibilities at headquarters. And we developed projects to re-engineer our internal business practices and processes.

Mr. Chairman, the FBI's commitment to hard work, integrity, and dedication to protecting the United States is precisely the attribute a workforce needs to embrace and implement the transformation demanded of it. This is especially true in today's FBI, where crimes as diverse as terrorism, corporate fraud, identity theft, human trafficking, trafficking in illegal weapons, and money laundering reach across global boundaries.

INFORMATION TECHNOLOGY

Last, let me return for a moment to the challenge of information technology. As this subcommittee is well aware, providing appropriate training and workforce flexibility is only part of the solution. Today, more than ever, the FBI's successes rely upon having integrated information technology systems. This past year, we improved our data warehousing technology to dramatically reduce stovepiping and cut down on man-hours that used to be devoted to manual searches.

As an example, during the Super Bowl earlier this year, data warehousing tools were used to conduct over 65,000 queries in 3 days. In the past, an analyst would have worked 3 months to accomplish this task. We have made strides in information technology, but as I am sure we will discuss, we have a ways to go.

We have not been able to fully implement all aspects of Trilogy because of delays with the Government contractor regarding the deployment of Full Site Network Capability. This, in turn, has de-

layed our ability to deploy the Virtual Case File. And no one is more disappointed about this than I am. However, we are working closely with the contractor to ensure that we have the network Full Site Capability by this summer and the program is ongoing now and it is promising, but I know the subcommittee has questions regarding the Trilogy program.

In the interest of time, I will conclude at this point and be happy to respond to any questions that you may have, Mr. Chairman.

PREPARED STATEMENT

Senator GREGG. Thank you. Thank you for being concise and giving us a chance to ask you some questions.

[The statement follows:]

PREPARED STATEMENT OF ROBERT S. MUELLER, III

INTRODUCTION

Good morning Mr. Chairman, Senator Hollings, and members of the Subcommittee. Before I begin, I want to take a moment to thank you for your leadership and strong support of the FBI. The funding you have provided has been critical to our mission and our efforts to transform the FBI. Over the past two and a half years, we have moved from an organization that was primarily focused on traditional criminal investigations to one that is actively investigating and disrupting terrorist operations. I welcome the opportunity to come before you today to discuss this transformation and specifically address three areas that have been key to it—information technology, management, and training.

TRAINING

Training is essential for the FBI to achieve its strategic goals. It is the basis for the success of each individual employee, from Special Agents to analysts, and for the FBI as a whole. As threats based on terrorism and technology increase, the FBI must prepare its employees to meet these threats by providing high-quality training. The cornerstone of this training is the FBI Academy at Quantico, Virginia. As you know, new agents complete a 17-week training program at the FBI Academy. All analysts receive training at the College of Analytical Studies, also located at Quantico. In addition, the FBI provides training to state, local, and international law enforcement officials at the National Academy and hosts numerous training conferences.

Over the past few years, the FBI has made significant progress in improving the training we provide to agents, support personnel, and our law enforcement partners.

To prepare Special Agents to meet our highest priority—terrorism prevention—our Counterterrorism modules now include financial investigative techniques, source development strategies, terrorist groups, and domestic terrorism. We have also developed a number of practical problems that have greatly enhanced our counterintelligence and counterterrorism training. For example, we have developed white-collar practical problems focusing on terrorist fundraising that enables New Agent trainees to experience one of the means of identifying and dismantling terrorist networks before they strike. Of course, we also include practical problems where the trainees must respond to a terrorist event such as the release of cyanide or anthrax. In the past, our practical exercises focused exclusively on criminal applications, such as bank robberies and kidnappings. While these remain an important part of our program, we have refocused our training efforts to address our number one priority of protecting the United States against terrorist attack.

We established the College of Analytical Studies (CAS) in October 2001 to provide analysts with a formal training program in support of our counterterrorism mission. The CAS includes a basic course of six weeks for FBI analysts, as well as Joint Terrorism Task Force (JTTF) analysts, who may be Department of Justice (DOJ) employees, state and local law enforcement officials, or analysts from other federal agencies. The CAS trained 880 students in fiscal year 2003—a four-fold increase over the 193 students in fiscal year 2002.

The FBI also provides training to its state, local, and international partners through the National Academy, the National Executive Institute, and the Law Enforcement Executive Development Seminar. In addition, we have partnered with the

Department of Justice to provide a comprehensive "Train the Trainer" program, at the FBI Academy, to teams of agents from each FBI field office. After completing their training, these teams will train state and local police officers in their territory on pre-incident awareness, preparation, and prevention in the areas of antiterrorism and extremist criminal activity. The goal is for each FBI field office to train 120 police officers per quarter, resulting in the annual training of at least 26,800 first responders in basic CT. As of March 9, 2004, one "Train the Trainer" course had been taught, and a second was offered last week, resulting in certification of approximately 55 trainers. Through the University Education Program (UEP), we are providing funding for employees to pursue advanced degrees in critical skills areas as identified by the FBI's list of priorities. This will allow FBI employees to readily adapt to changes in mission and keep pace with rapid advances in technology. In fiscal year 2004, 147 employees were approved to work toward their degrees. Eighty-four are pursuing master degrees or Ph.D.'s. We have also invested in executive management and leadership training, developed by the Kellogg School of Management in Chicago. Approximately 250 Senior Executive Service (SES) managers have already received training at the Kellogg School.

Although the FBI Academy at Quantico supports a tremendous amount of the training the FBI provides, it is over 30 years old and not in a condition conducive to 21st century training. It has become clear that a substantial investment is needed in our infrastructure now in order to prevent further deterioration. The fiscal year 2005 President's budget request includes $21.3 million in nonpersonnel funding in order to renovate the FBI Academy and provide for operations and maintenance of the facility, so we can ensure the future of law enforcement has the best possible training environment.

INFORMATION TECHNOLOGY

We have made substantial progress in the information technology (IT) area since I arrived at the FBI in September 2001, eight days before the terrorist attacks of September 11th. At that time, the FBI's technology systems were several generations behind industry standards, existing legacy systems were approaching 30 years old. IT equipment was inadequate. For example, our personnel were working on hand-me down computers from other federal agencies. We had little to no Internet connections in our field offices, and our networks could not do something as simple as transmit a digital photo.

Much of the progress the FBI has made on the investigative front rests upon a strong foundation of information technology. Nearly 500 counterterrorism and counterintelligence FBI Headquarters employees have been provided with access to Top Secret/Sensitive Compartmented Information (TS/SCI) at their desks. We implemented the Wide Area Network on schedule in March 2003. We improved data warehousing technology to dramatically reduce stove piping and cut down on manhours that used to be devoted to manual searches. We have deployed nearly 30,000 new computers for FBI Headquarters and field offices.

Following the September 11th terrorist attacks, we were required to make an in-depth assessment of our information technology systems. This assessment determined that we needed to address some key areas including the lack of databases that contained current information, limited analytical tools, continual dependency on Automated Case Support (ACS), and outdated equipment.

I have taken specific steps to address our deficiencies in information technology. I made it a top priority that we establish required databases and develop analytical tools. In a post-Robert Hanssen environment, it was critical that we implement new security protocols. I also completely replaced the management team responsible for Trilogy. I brought onboard a new Chief Information Officer (CIO), as well as a project manager from the IT community to monitor the progress of the project.

As you know, during the past year we encountered some setbacks regarding the deployment of Full Site Capability (FSC) and the Virtual Case File, and we are moving quickly to address them. We are working to resolve each issue, and will continue deployment throughout the country.

I believe that we are now on the right track, and we are closing in on the goal of completion. We are being diligent in our efforts to complete this project within the resources available, and I am committed to ensuring the successful completion of this project.

For fiscal year 2005, the FBI requests increases of $20 million in technology investments to continue moving forward. A portion of these resources will allow the FBI to install the TS/SCI Operational Network in up to 10 field offices and add users to the Headquarters TS/SCI Local Area Network (LAN). Expanding the TS/SCI network will provide every agent and analyst with classified e-mail and mes-

sage delivery, as well as an electronically searchable archive on their desktop. I will continue to seek your help and support as the FBI moves forward into an increasingly high-tech future.

FBI CULTURE

The culture of the FBI is now—and always has been—a culture of hard work, integrity, and dedication to protecting the United States, no matter what challenges we face. The FBI was created 96 years ago to fight the spread of traditional crime across county and state lines. Today's FBI faces a world in which crimes as diverse as terrorism, corporate fraud, identity theft, human trafficking, illegal weapons trade, and money laundering traverse easily back and forth across international boundaries. Today, we are dealing with organized crime groups that launder money for drug groups, which sell weapons to terrorists, who commit white-collar crime to fund their operations. In the wake of the September 11, 2001, attacks, it became clear that the FBI must be more flexible, agile, and mobile in the face of these new threats. As a result, the FBI has: refocused its mission and revised its priorities; realigned its workforce to address these priorities; shifted its management and operational environment to strengthen flexibility, agility, and accountability; restructured FBI Headquarters; and undertaken dozens of projects aimed at reengineering our internal business practices and processes.

We are building a workforce for the future by: expanding the FBI's applicant base for critical skills and diversity; updating new agent training to reflect our revised priorities; establishing new career tracks for counterterrorism, counterintelligence, cyber, security, and for analysts; and improving management and leadership development.

We are modernizing FBI technology by implementing Trilogy and developing cutting-edge technology. We have opened and strengthened lines of communication between the FBI and our partners in the federal, state, local, and international law enforcement and intelligence communities. We amended our original core values to accountability for our actions and leadership through example—both at work and in our communities.

In short, we have overhauled the FBI, transforming it into a stronger, more flexible, more proactive, and more modern organization, better equipped to confront the myriad of threats we face in a post-September 11th world. We will continue to evolve and make comprehensive changes in the overall structure, organization, and business practices of the FBI to ensure that we remain the very best law enforcement and intelligence agency in the world.

CONCLUSION

We have made great progress, but our work is not yet finished. The FBI has a duty to protect the United States, secure freedom, and preserve justice for all Americans. The FBI has always answered—and will always answer—this call with fidelity, bravery, and integrity. The men and women of the FBI work tirelessly each and every day to fulfill the FBI's mandate to protect the United States. With the support of this Subcommittee, we can give the men and women of the FBI the resources they need to carry out their mission.

Thank you.

TRILOGY PROGRAM

Senator GREGG. Let us start where you ended, which is a tangible item. Some of the other issues of culture and interchange between various agencies of information are less tangible, but let us begin with the Trilogy program and the problem.

This committee has dedicated a massive amount of dollars and a huge amount of time to trying to assist the Bureau in getting this right, and yet it continues to not work. It is $200 million over budget, months, literally years, really, out of sync on its timetable. The problem, as you mentioned, is that the onsite capability hardware didn't work, and hasn't been brought online on time and the software, Virtual Case File, first round, I guess, was declared to be ineffective.

Now we have got a new time line and a new date to have the onsite capability up and running. Virtual Case File appears to be

still very much a question. And there doesn't appear to be an enterprise architecture plan, something that looks into the future and says, this is where we are going with all this technology.

I guess the first question is, give us specifics as to when you expect this to work. Second, I understand that one of our problems is that we basically have had contracts which haven't put penalties in place and now there is some penalty language. Tell us what the penalty language is and how it is going to create an enforcement of both the Virtual Case File and the onsite capability language and what the game plan is for an enterprise architecture plan.

Mr. MUELLER. If I could, Mr. Chairman, reflect a bit on the history of the program, and I understand this committee's concern. But by way of history, the——

Senator GREGG. I think we should start by making it clear to those who may be listening that the purpose here was to give the agent, all agents, the ability to have access to the database in real time that would be extremely usable and user friendly and would be almost an off-the-shelf capability to allow them to have a computer at their desk where they could communicate with each other and we wouldn't have things happen like happened prior to 9/11.

Mr. MUELLER. Absolutely. And if I can, let me just start with a history. Then I will focus on the specific questions you asked, not the least of which, what is the bottom line? When do you expect this to go online?

But going back a little bit of the history. As, Mr. Chairman, you pointed out, contracts were entered into early on speedily without the language that perhaps we would have liked in retrospect and there were two contracts. One was for basically the hardware side of the house and the other was for the software side of it. These were let in the year 2001, prior to September 11.

After September 11—and the contracts proposed a certain revamping of the archaic, and I have to say archaic, information technology infrastructure of the FBI. But what was proposed in the contracts prior to September 11 was not what the Bureau needed in the wake of September 11.

And when we did a review in the wake of September 11 as to what we would get as a Bureau from these two contracts, we realized they were lacking in a number of ways, the principal area of which was a tremendous concern to me was that given what Trilogy proposed, we were to retain exactly the same database structure that we had had before but put a graphical user interface or a web-based interface on it, and retaining that database would preclude us from doing exactly what you have intimated, having a database that would be accessible to all and upon which would sit the search tools that would help not just our analysts, but all our agents and support staff.

So we made changes to Trilogy in the wake of September 11. I think you are aware of those changes. They cost substantial additional sums of money, but they are, I believe, well spent.

Over a period of time, you could look at Trilogy and the four areas of upgrade. The first is the hardware deployment. Before September 11, the computers that were on the desks of many agents were, 486s, rejects from the Department of Defense. Part of the contract was to replace all of these computers. In the last 2

years, we have replaced anywhere from 28,000 to 30,000 computers for all of our agents and our support staff. So the first part was the hardware, replacing the computers, the printers, scanners, and the like.

The second part was the Local Area Networks and Wide Area Networks. We have 622 sites around the United States, everything from a one- or two-person resident agency to the New York Field Office. Part of the program was to replace the Local Area Networks and the Wide Area Networks. The same contractor that had the responsibility for the upgrades, which I will talk about in a moment, had the responsibility for completing, or not completing, that on schedule and that was completed on schedule March 28, in fact, a couple days before schedule, last year. That is the backbone, the Local Area Networks and the Wide Area Networks.

The third piece was the upgrade of those computer operating systems, what we call a full site capability, which was to be completed in October of last year. We came to find out that the contractor could not do it. We are in the process of doing it now. My expectation is that that will be done by May of this year. We have migrated over 25,000 users from the old operating system to the newer operating system on which you can place the Virtual Case File.

And last, Virtual Case File. We are now negotiating with the contractor who has the responsibility for Virtual Case File on the date of completion of that and changes that we had wanted to improve its capability. My expectation is that sometime, and I can't get a firm date, after we finish with the full site upgrade at the end of April, beginning of May of this year, it will take another 2 months probably to go and get Virtual Case File on board.

Let me, if I could, just make another point about where we will be when we do get Virtual Case File. I had a very real concern when I looked at where the Bureau was going in the wake of September 11 as to what would be the appropriate mechanism for the Bureau to upgrade its capabilities, its investigative capabilities for all agents, and there basically were two options. One is, take something off the shelf and modify it. Another one is to develop our own set of procedures or our own software using contractors and the like, but adopt and build a software capability that would be usable, user friendly, and transform the Bureau.

I have had a number of persons outside the Bureau look at the decision to develop our own, persons, I call them the gray beards, who are from a number of private concerns who would look at the choice we have made and the product we have come up with. I think the reviews are very good for the product we have come up with.

The last point I would make, Mr. Chairman, is that in transforming the upgrade to Virtual Case File, while it absolutely has its risks, as we complete this process, we will upgrade not only the computers, and our investigative capability, but also will change the way we have done business for 95 years of our existence, going from a paper-driven organization to a digital organization.

It has cost money. There have been delays. There have been mistakes that I have made. There have been areas where I could have moved faster and there are areas where I urged people to move

faster that have rebounded and tended to produce a delay as opposed to the speed that I had requested. But I do believe we are on track. I do believe that we will have a state-of-the-art system when we are through.

Senator GREGG. What penalties do you have in place to enforce the April 30 deadline on Full Site Capability?

Mr. MUELLER. If either the costs or the schedule are missed, there will be no award fee, which is in the sum of $5 million, and the FBI and the contractor will pay 50 percent each of any cost overruns past that date.

Senator GREGG. And how about with the Virtual Case File, if it doesn't work? The first Virtual Case File just didn't work.

Mr. MUELLER. Well, there were glitches in it. I wouldn't go so far as to say it didn't work.

Senator GREGG. Well, the GAO said it. The Inspector General said it didn't.

Mr. MUELLER. Yes. We are negotiating with the contractor right now. We are in the course of negotiations with the contractor on the date and the cost.

Senator GREGG. I hope there will be some sort of an enforcement mechanism in that contract, too, because I think one of the things we have learned is that without penalties and without enforcement mechanisms, we just end up with the taxpayers paying huge cost overruns here.

Mr. MUELLER. I am in hearty agreement.

Senator GREGG. The enterprise architecture concept of a plan for the future, you didn't address that. That was part of my question.

Mr. MUELLER. Yes, and I apologize for not having embraced that in my remarks. As I believe you are aware, I had my Chief Information Officer (CIO), a very experienced individual, from July 2002 through May 2003. Quite obviously, one of the challenges for him was the enterprise architecture. I understand the necessity for it, the need for it. He left in May 2003. I hired Zalmai Al Azmi, who is here today in November 2003, after an extensive search. One of the first things on his plate was the architecture. We have just in the last few days entered into a contract to have the architecture developed and we expect that by the end of the year, the first phase of that will be done.

In the meantime, I have given Zalmai Al Azmi the responsibility for approving any IT project as well as the funding for any IT project. As anybody who has reviewed the FBI has known, we have been stovepiped over the many years. We have had any number of IT projects grow up to meet a particular need and there has not been an overarching architecture. By placing the responsibility for both the funding as well as the development of projects in his shop, as well as developing or contracting to have the architecture developed on a very short timeframe, I think we are moving to address that.

Senator GREGG. I have a number of other questions, but I want to yield to the Senator from Wisconsin.

Senator KOHL. Thank you, Senator Gregg.

Director Mueller——

Mr. MUELLER. Senator.

TRANSPORTATION SECURITY

Senator KOHL [continuing]. In lieu of the recent terrorist attacks at four train stations in Madrid, the security of our own mass transportation system has been called into question. Yesterday, Secretary Ridge announced a new plan to secure our rail system. This effort would include rapid deployment teams, which could be deployed to vulnerable rail systems and stations with bomb sniffing dogs. In addition, the Department of Homeland Security will accelerate a pilot program to test equipment for screening passengers and luggage for explosives.

How much confidence do you have in the effectiveness of this proposal to protect against terrorist attacks? How long do you believe it will take to get this program up and running? And what role will the FBI be playing to help protect the transportation infrastructure, Director Mueller?

Mr. MUELLER. The plan proposed by the Department of Homeland Security will go some ways in hardening our transportation, the rail transportation. I will tell you that in the past, even prior to the announcement of the new initiative yesterday from the Department of Homeland Security, the Department of Homeland Security, ourselves, and others have worked closely with both the railroads, but most particularly with the subway systems, particularly New York, Washington, DC, Boston, Los Angeles, and Chicago, to assure heightened protection of those particular targets.

So as to the first part of the question, yes, the new initiative yesterday will go some ways again to deterring terrorists from attacking the rail systems because of the heightened security. We have learned, both from our experience from gathering information from around the world and more particularly from our discussions with detainees who are familiar with al Qaeda's thinking that enhanced deterrence deters terrorist attacks and they look for the softer targets, so yes. Yesterday is yet another step in protecting the rail systems as well as the subways, but the fact of the matter is, while it goes some substantial ways, one cannot have a failsafe system, as we saw in Madrid 2 weeks ago.

So yes, we are protecting the subways in the various cities I mentioned in conjunction with the transit authorities and the local police, but it is not a failsafe system. As we develop these proposals, we work with the Department of Homeland Security to assure that we have the integrated response to assure that whatever threat information we have is immediately passed on to not only the Department of Homeland Security, but to the transit authorities or the police departments in the cities that may be threatened.

If there is a more general threat, that also is basically provided through two means of communication. The one means is through the Department of Homeland Security advisors throughout the United States and in each of our major cities, and the second is through the FBI and law enforcement to each of our joint terrorism task forces, of which there are 84 around the country.

EXPLOSIVES

Senator KOHL. Thank you. Director Mueller, current law requires all domestic manufacturers of explosives to mark their products

with identifying information. This allows investigators to determine the origin of the explosives and aids them in tracking down criminals. Imported explosives, however, do not have to carry such markings.

In 2002, the United States imported 14,900 metric tons of prepared explosives. Without markings, law enforcement has a distinct disadvantage in investigating crimes involving foreign-made explosives. The Justice Department has been working on regulations that would require importers to mark explosives when they enter the country, but these regulations have not been finalized.

What effect does this loophole have on our ability to effectively investigate crimes involving explosives, and would you support legislation that would require appropriate markings to be placed on all imported explosives?

Mr. MUELLER. Well, I do believe markings assist investigators in solving the crime, so to speak, and determining the sourcing of the components to any explosive device will assist you in determining who was responsible for any act using such a device. And so, yes, I think markings are helpful.

I will tell you that in many cases, overseas and actually domestically, our laboratory can identify a sourcing of a particular explosive just because of the vast knowledge that they have gained over a number of years as to the manufacturers of various components and their identifying data. But that is not the same as the markings we have domestically.

With regard to the support of that, again, that would be an administration position and I would have to defer to the Department as to exactly what position they are taking on a specific piece of legislation.

Senator KOHL. Would you like to see personally all imported explosives to be marked?

Mr. MUELLER. I think markings are helpful to the investigator and the laboratory technician who is trying to identify the sourcing of that explosive.

TERRORIST SCREENING CENTER

Senator KOHL. All right. Director Mueller, the media has reported that biological threats may have played a role in the cancellation of numerous commercial flights in December and January. When asked at a hearing last month, Secretary Ridge admitted that our airline security procedures cannot currently protect against these types of biological threats. Secretary Ridge suggested that the best way to prevent such attacks is to concentrate on going after the people who may launch such an attack.

A terrorist watch list is vital to our national security. The FBI, through the creation of the Terrorist Screening Center, known as TSC, is partially responsible for creating a single integrated terrorist watch list. In a recent interview, you said that this integrated list would be completed by March. Is this list fully operational today with a completely integrated watch list, and if it is not, when can we expect such a list to be fully integrated and operational?

Mr. MUELLER. The Terrorist Screening Center was first established on December 1, 2003, and what it brought together was indi-

viduals' access to the databases of all of the watch lists, and there are approximately 12, in a variety of agencies in the Government. What it brought together at that time was the ability, when there was a hit on the watch list, to thereafter determine whether it was valid and then to follow up with action through the joint terrorism task forces or through the border agencies.

In the meantime, since December 1, 2003, the Terrorist Screening Center has been working with each of the agencies that had a relevant watch list to import its data in a way that assures that the name of the person is a valid name, that there is identifying information that supports it, and there is a basis for having the person on a Terrorist Watch List.

I can tell you that the State Department has a list of easily over 100,000, not just terrorists, but others whom they want to bar from the country. So extracting those names is a substantial process, and assuring that there is a basis for that name going into the watch list is also a very extensive process.

We are about halfway through that process at this point. We have a consolidated watch list, but we do not have all of the watch list names in it because we are going through that screening process. I expect it to be finished by this summer.

Senator KOHL. Thank you. Mr. Chairman, I thank you.

Senator GREGG. Thank you, Senator.

DUPLICATION OF EFFORTS/TERRORIST EXPLOSIVE DEVICE ANALYTICAL CENTER

Following up on Senator Kohl's point on the Terrorist Screening Center, we have been setting up these new initiatives that I presume are trying to get away from stovepipes and cross-fertilize the different agencies involved, such as the Foreign Terrorist Tracking Task Force and the Terrorist Screening Center and the Terrorist Threat Integration Center and the Terrorist Explosive Device Analytical Center (TEDAC) and the Joint Intelligence Coordination Council.

I guess my question is, are we spinning here? Are we duplicating? Are some of these groups ending up being redundant and not adding value but actually just shifting deck chairs around? I would take, for example, the Terrorist Explosive Device Analytical Center, which as I understand it is essentially taking over the role, or attempting to take over the role, or attempting to duplicate the role that already exists at ATF, where they have two databases on explosive devices and where they have had the role of overseeing explosive devices for quite a while.

Mr. MUELLER. Let me start with TEDAC, which the ATF quite obviously participates in. It was an idea that came from the Saudi Arabia bombings of May 12, 2003, and our participation in helping the Saudis on that case, and most recently what we have come to find in Iraq.

There was not a worldwide effort to in develop a database in one place with an expertise associated with it to identify explosive devices from around the world used by various terrorist groups. So the idea came out of our work in Iraq, where we along with the Department of Defense (DOD), the British, and a number of others,

are developing the database related to the various incidents occurring in Iraq.

We have expanded that under the auspices of the FBI laboratory to include devices from around the world. Now, the first step was to get our own house in order to make certain that we are working together with DOD, the CIA, with ATF, and NSA to cooperatively develop this database.

And so it was an idea borne out of our experiences in Iraq and elsewhere——

Senator GREGG. Let me get specific, Director. ATF has something called the X-Base, I believe it is called, and then they have something called the Bomb and Arson Tracking System. You are saying that TEDAC is not going to be duplicative of those but will have more of an international flavor than those have?

Mr. MUELLER. I believe it will, but I would have to get back to you on how they can or should be integrated.

[The information follows:]

POSSIBLE INTEGRATION OF X-BASE INTO TEDAC

The mission of the TEDAC is to forensically and technically analyze terrorist explosive devices used against U.S. interests anywhere in the world and to develop actionable intelligence. As such, the TEDAC will require a very robust database with state of the art link analysis software that will enable computers to compare Improvised Explosive Device (IED) components sent in from a variety of sources. This functionality will allow the TEDAC to rapidly recognize otherwise non-observable connections between IEDs that exist with a tremendous volume of detailed technical and forensic information and intelligence. The ultimate goal will be to identify those individuals associated with the IED and the unique signature used to manufacture the bomb. All intelligence gathered from the forensic and technical analyses of IEDs will be disseminated among the military and law enforcement explosives community for technical and tactical purposes.

Currently, the Department of Justice is conducting a review of all explosives-related databases. The Department will, upon completion of the review, advise the relevant committees of the Department's final conclusions.

Senator GREGG. And the other question that goes into that issue is that I understand the FBI is considering taking over all of the explosive activity that was traditionally with ATF. Is that true?

Mr. MUELLER. That is not true.

Senator GREGG. The investigative activity in the area of explosives?

Mr. MUELLER. That is not true.

Senator GREGG. Well, then maybe I am misinformed. It is my understanding that in this budget, we have a shift of that responsibility from ATF over to FBI.

Mr. MUELLER. There is a differentiation of responsibilities between the FBI and ATF. We do have the responsibility for addressing terrorist, or possible terrorist incidents within the United States, and generally, the ATF has a responsibility for most other explosive incidents that you have within the United States.

In terms of training, our training focuses on render safe, that is, how persons render safe the explosive device prior to there being an explosion and the ATF has the expertise in training what you do and how you investigate explosive devices that have gone off.

I can tell you that there is a division of responsibility. There are occasionally tensions, both in the field and here, now that ATF is within the Department of Justice, the Department of Justice has a task force that is looking at that allocation of responsibility.

Senator GREGG. That must be what I was informed of, and I guess I was misinformed, because our impression was that they had gone much further than just looking at it, that there had been sort of a preliminary move to have ATF move explosive activity over to FBI. I am glad to hear that is not the case, because I understand only about 1 percent of the explosions that occur are terrorist related.

Mr. MUELLER. There is no move for us to take over ATF's responsibility when it comes to investigating incidents involving explosions——

Senator GREGG. That are not terrorist.

Mr. MUELLER [continuing]. Beyond the terrorism field.

Senator GREGG. We have had this Madrid incident——

Mr. MUELLER. Yes.

Senator GREGG [continuing]. And my question to you is, Europe is now starting to expedite its efforts in the area of counterterrorism and the European Union is talking about setting up a Europe-wide database that is counterterrorism oriented. I guess they had one, but they are talking about significantly improving it and increasing it.

To what extent have you had discussions post-Madrid as to the role of ourselves and the FBI specifically in this new effort by the Europeans to become more sensitive to and more knowledgeable about the threat?

Mr. MUELLER. Since the Madrid explosions I have not had much opportunity to talk to counterparts overseas other than my counterpart in the Spanish National Police, and the discussion there was not addressed to what Europe could do as a whole itself to integrate terrorism information, and then a subpart of that, involvement of the United States.

For the most part, our relationships with our European counterparts are very good on a bilateral basis and we share a great deal of information, depending on the country, with our counterparts overseas. The European Union has what is called Europol, which is an entity established by the European Union to address law enforcement, terrorism issues and it, I would say, is in its opening stages.

I have had discussions within the FBI, some outside, with regard to a proposal suggested by Congressman Wolf about our participating in an international terrorism information exchange and we are exploring the possibility of doing that under the auspices of NATO. One of the problems you have in terms of exchanging information is having everyone on the same security level so that one is given access to meaningful information. And one of the problems that one has where you have a group of countries working together, you wonder what the security level may be. Who gets the information? One has to work through that. Our thought is that NATO may give us the vehicle to do that because there are security levels, and persons seconded to NATO with the appropriate security clearances. This is a vehicle that we are currently exploring.

Senator GREGG. So right now, there is no formal structure or communication process other than personal relationships between the Director of the CIA and yourself that causes information to move back and forth efficiently?

Mr. MUELLER. No, I would say there is a lot more, a great deal more than that. Ourselves and the agency, we have legal attaché offices in most European capitals, not every one of them, and it is that legal attaché office that meets daily with our counterparts, whether it be in France or the United Kingdom or Spain. So there is an exchange of information between our legal attachés overseas and our counterparts overseas on a daily basis.

We also have the foreign Embassies in Washington, DC. You also have Scotland Yard, MI–5, MI–6, and others who will have persons here who have exchanges with our people daily. And so there is a network of exchange of information that is ongoing that people don't often hear much about but has been tremendously effective since September 11.

What you do not have is Europol, which has been established by the European Union. While we have persons that have spent time at Europol, it is just getting established and whether it will be an effective information exchange for the European Union is still to be seen. In the meantime, we are going to explore this other option of exchanging with a number of countries information relating to terrorism under the umbrella of NATO.

Senator GREGG. Is there compatible Terrorist Screening Center in Europe yet?

Mr. MUELLER. No, there is not at this point.

Senator GREGG. Would you presume that if there were, that we would integrate with it?

Mr. MUELLER. Yes. I think we would exchange lists, yes.

Senator GREGG. Should we help them get that going? It seems to me that a lot of our threat is going to be based there, and granted, you have got your Legats all over the place who I am sure are developing names, but that is a pretty ad hoc approach.

Mr. MUELLER. I met with a representative of Europol maybe 2 to 3 weeks ago in terms of what they have established in terms of capability and it is relatively small at this juncture.

TOPOFF

Senator GREGG. What did you learn from the TOPOFF events that you could impart to us that we need to do in order to improve communication between the various parties who participated? I mean, the purpose of TOPOFF was to simulate an event and see where the weaknesses are. What was the FBI's weakness and what should we do to address it?

Mr. MUELLER. It has been some time since I have looked at TOPOFF. I think one of the basic lessons we learned out of it was the Seattle aspect of it, that is, the necessity of identifying the relative chain of command and the authorities beforehand. Since that time, I know the Department of Homeland Security has identified individuals in most cities, I believe, who would be the representative of the Department of Homeland Security on scene and is training those individuals. I think that was a weakness that I saw.

There were certain weaknesses that we saw out of the TOPOFF exercise in Chicago, which was a chem-bio attack, and I would have to go back and refresh my memory on what those weaknesses were in terms of responding to that attack.

Senator GREGG. Is there a formal structure for responding to the weaknesses that were identified?

Mr. MUELLER. Yes. I know there is an after-action report and that the various items on that after-action report were identified and are being addressed by Homeland Security.

Senator GREGG. Maybe you could give us a summary of what is being addressed for the record.

Mr. MUELLER. I will be happy to do that.

[The information follows:]

SUMMARY OF TOPOFF 2 AFTER-ACTION REPORT

Since the publication of the "TOPOFF 2 After-Action Summary Report," the Department of Homeland Security (OHS) has used the conclusions from this analytical document to lead the federal government's national effort to revamp, centralize, and unify a range of pre-existing federal and other incident response contingency plans. Among the actions undertaken by the DHS in response to TOPOFF 2 arc:

—*Enhanced interagency coordination for incident management*.—At the time of TOPOFF 2, DHS had instituted a Crisis Action Team (CAT) to address incident management requirements. TOPOFF 2 After-Action comments suggested that the DHS develop more formal standard operating procedures with incident-specific interagency staffing requirements. These suggestions led to the transformation of the CAT into the Interagency Incident Management Group (IIMG), which was formed to address decision and coordination processes in elevated threat environments through bringing together federal, state, local, and private sector agencies as one functional entity to address specific contingencies, threats, or events.

—*Enhanced Principal Federal Official (PFO) capabilities*.—The PFO concept, which was first tested in TOPOFF 2, has been enhanced through the establishment of training courses with curriculum that clarifies the mission, roles, and functions of these senior DHS officials in response operations.

—*Improved emergency public information coordination*.—The DHS has led an intensive interagency effort that has resulted in the creation of an interagency incident communications strategy, emergency communications protocols, and vastly improved federal, state, and local coordination.

Senator GREGG. Where do you see the status of training first responders relative to the FBI role, to the extent there is any in that?

Mr. MUELLER. Well——

Senator GREGG. And how do you see our first responder capability these days?

Mr. MUELLER. We do a tremendous amount of training in evidence recovery throughout the country, throughout the world now in crime scene exploration. That is not what traditionally is called first responder, but it is our niche that we will continue to address.

We have a render safe capability that we have continued to grow over the years and we will continue to grow that capability.

In terms of the response from the fire or the ambulances and that form of first responder, as with the TOPOFF exercises, there have been other exercises. Every one of our special agents in charge in each of our cities is integrated now, both through our joint terrorism task forces, but also through various exercises in various cities with those first responders so the communication, the ability to stand up quickly and respond to a devastating attack, is much enhanced since September 11.

Senator GREGG. So you think we are making progress on training first responders?

Mr. MUELLER. Yes.

Senator GREGG. Do you think it should be threat based, where we choose to put the money for this?

Mr. MUELLER. I am going to have to leave that to others. That is a little bit out of my bailiwick. I think that is more in Tom Ridge's. I am not that familiar with the financing——

Senator GREGG. Okay. I will——

Mr. MUELLER [continuing]. Structure, I will just put it that way, of allocating the funds.

Senator GREGG [continuing]. Okay, onto other topics, then. Three, just quickly. Do you believe al Qaeda was responsible for the Madrid attack?

Mr. MUELLER. From what we have seen to date, I believe so. Now, when you say al Qaeda, let me just qualify that to a certain extent. There may well have been a group of individuals who have adopted and believe in Bin Laden's philosophy, theology, who are responsible for this, but may not have had, either sought or had the approval of those remaining leaders of al Qaeda. But I think it is fair to say that the evidence tends to point to individuals who were supportive of the radical fundamentalism and would be supporters of al Qaeda's mission.

COUNTERTERRORISM AGENTS

Senator GREGG. In changing the culture of the FBI, how many agents are you planning to put into the Counterterrorism Division?

Mr. MUELLER. Well, we had——

Senator GREGG. Approximately?

Mr. MUELLER. I moved 518 in fiscal year 2002. I would expect that at the end of 2004, we are authorized 2,418 agents. That is up from 1,351 agents in fiscal year 2001. With the additional increases sought in the 2005 budget, we will be up to 2,592 agents.

Senator GREGG. As I understand it, there are still about 380 agents who are assigned to the Criminal Division that are being used in counterterrorism, is that correct?

Mr. MUELLER. I believe it is about 380 at the end of this year, yes. We are actually overburdening some more than that at this point. But with the 2004 budget increases, I believe we will be 389, is what we anticipate at the end of this year.

Senator GREGG. I guess the obvious question is, and I am sure you have a strong answer to it, but the obvious question is, if counterterrorism is your number one responsibility now and if you have got 12,000 agents overall, approximately, first, why are we only dedicating 2,500 to the effort?

And number two, why haven't we been able to move the full complement into this arena, and is that a reflection of the fact that there is still some significant—resistance is the wrong term, but some significant desire or feeling amongst the line agents that they want to do things other than counterterrorism, that they were trained, they were brought up for 20 years, 30 years, 15 years in white collar crime and chasing the mafia and finding out who robbed the bank and they like that?

Mr. MUELLER. It is not a reflection—of what a particular agent or group of agents want to do. I have sought, as we have discussed before, to request additional resources in counterterrorism, to move additional resources when I thought it was necessary. I moved in excess of 500 agents in fiscal year 2002 and I have sought addi-

tional enhancements so that if we get the 2005 budget, that 389 figure should be down above, just a little above 230.

I am also considering making a move of additional agents to counterterrorism. You will see that in the budget, we are looking at—in the budget submission, we are looking at a number of agents who in the past have been working on Government fraud cases where I believe the Inspector Generals can take up some of those cases. And I am looking for other ways to transfer agents to counterterrorism.

I have looked to see what our continuous level of assignment of agents to counterterrorism would be absent the peaks. We have, as we have discussed before, we have had two peaks in the past, certainly with regard to—in the wake of 9/11 and then in anticipation of the hostilities in Iraq. I do believe that one of the benefits from having a number who are still being reassigned from criminal in some offices reflects the desire to have flexibility in the system.

In the savings and loan crisis, when we were given additional resources, whether it be prosecutors or agents, we identified where the problem was and the agents were put in the particular city and they are there to this date. What we found in terrorism is that terrorism cells can arise anyplace in the United States, and when they arise, we have to do a combination of pushing resources to those particular offices as well as taking persons from those offices who are addressing another priority. Part of the reason that you have the statistics you have as to the overburn is attributable to that desire to be flexible.

The bottom line is I am continuously looking at it. I will look at the end of this year, or as we go through this year, at the feasibility of reassigning agents from other programs to counterterrorism.

Senator GREGG. I noticed you dropped a couple of activities. There were two specific areas that you decided——

Mr. MUELLER. The first one was fraud on the Government. The other one was assistance of EPA.

Senator GREGG. We put a lot of things on the FBI's table over the years before 9/11. There is probably a list that is longer than that that you could drop, isn't there?

Mr. MUELLER. There are areas that I have looked at. I mean, there are some areas that are relatively insignificant that don't make a big cut. The one area where I have reassigned the most agents was from the drug program and we have continued to underburn in the drug program as a result of those agents being reassigned to do counterterrorism.

One of the things, and it may be—I don't think it is that different than what happened in the past, but each of the special agents in charge are directed to expend the resources to do the job in counterterrorism, even if it cuts into other programs. So if you have a terrorism lead that has gone unaddressed and agents assigned to counterterrorism are busy with terrorism matters, then you have to take them from someplace else. That is the type of flexibility that we have not necessarily used in the past that I think is important to use in the future where we have terrorism not limited to one city or two cities, but it can pop up anyplace

around the country. And I say not just international terrorism, but domestic terrorism.

LANGUAGE TRANSLATION

Senator GREGG. I understand that. I noticed that you have something like 65 people who are now trained in language who are fluent in Arabic languages, is that right?

Mr. MUELLER. We have 24 Arabic speakers in the agent population. Now, we have dramatically increased our linguists and our translators in the Bureau, as I think you are aware.

Senator GREGG. That is maybe where the 65 came from. That seems like an awfully small number.

Mr. MUELLER. We are pushing training. We are recruiting as hard as we can for those who speak Arabic. We have had some success, but not as much success as I would like. We are enhancing the language training for our agents and those who receive the training will now be in a position where they can use that training, which has not always been the case.

Senator GREGG. How can we help you get more people on board? Do you need a pay differential?

Mr. MUELLER. We have gotten in our request last year in the 2004 budget as well as in the 2005 budget. You have increased our budget to assist in sending agents as well as analysts and others for language training, not only in Arabic but Mandarin Chinese and other languages that we need to have an agent cadre fluent in.

Senator GREGG. I would hope if there is something further we could do, we would like to do it.

IDENT SYSTEM

In talking with Director Hutchinson at Homeland Security about the new IDENT system, US VISIT, where they are fingerprinting people coming into the United States, he advises us that they are using a flat screen, two index fingers, printing system for the sake of speed, basically was what it came down to, because using all five fingers or a roll system just took too long.

We now built IAFIS, which cost us a huge amount of money, before you arrived. We had the same problems with that that we have had with Trilogy, except I think it even cost more in overruns.

Mr. MUELLER. But it is also, if I can interject, it has been tremendously successful.

Senator GREGG. Well, it took a long time to get there, believe me. It has been successful, and that is my point. It has been successful. It has got 44 million fingerprints on file, and yet it is not compatible with IDENT. This seems to be one of those things which is very hard to explain to a taxpayer, that we are putting in place a system at the State Department and Homeland Security to identify people coming into the country. We have 44 million fingerprints over here. Sure, most of them may be domestic, but there are certainly a lot that aren't and the two systems can't talk to each other. The next terrorist event, we may find out a fellow got through the IDENT system but his fingerprints were over at IAFIS.

Mr. MUELLER. Well, this has been a matter of much discussion, not just recently, but over the last year. Quite obviously, the 10-print roll prints is the gold standard. I know that the Department of Homeland Security was faced with the necessity of establishing very quickly a biometric system that was affordable and could be put up quickly and opted for the two-print system in the meantime. There are discussions about how that can be expanded to a 10-print flat as opposed to a 10-print rolled, which would take a long time for everybody and I don't think we would want at our borders with the fact that 1 million persons go in or out of the country every day.

So it is a combination of, on the one hand, you have the gold standard. On the other hand, you have the practicality of identifying persons coming in swiftly in such a way that you can identify terrorists. The way we do it now is we have a file that we provide to the Department of Homeland Security that includes all the fingerprints and they strip off the two index fingerprints and utilize that to identify persons who may be terrorists, on the wanted list, coming through the country, or coming through the border. We are working with State and the Department of Homeland Security to improve that system.

Senator GREGG. I appreciate that but what are we actually doing?

Mr. MUELLER. We are meeting to decide what the standard will be down the road, taking into account that the 10-rolled print is the gold standard which everybody would like and looking at the practicality both of the software, the hardware and what it would mean to allowing persons through our borders of having a system that is more substantial than the two-fingerprint system that we currently have at the borders.

Senator GREGG. Is it doable to integrate the two systems?

Mr. MUELLER. I think it is. I do believe so. Just in the two-print system, I do think it is doable down the road. We are exploring——

Senator GREGG. What do you need to do to do it?

Mr. MUELLER. Developing the technology, and I am not intimately familiar with the technology that is being used currently, the two in the VISIT system at the borders, but developing the technology and the communications capability so that given just the two-print system, there can be a timely search against the FBI database by a communications carrier.

Senator GREGG. Maybe you could have somebody in your group meet with Mr. Hutchinson and——

Mr. MUELLER. We are.

Senator GREGG. Well, I know you are, daily, I am sure, and with State and get back to this committee with a proposal as to how you plan to do this and a timeframe.

Mr. MUELLER. Yes, sir.

Senator GREGG. It just seems to us, to me, anyway, that we are wasting our resources. We have put a lot of money into it and we should be trying to figure out a way to get the two to talk to each other. It may not be doable if you have got a condition that you are going to have to get people through the checkpoint in 13 seconds or whatever the condition is, but it would seem to me that if there is a way to do it and we need money to do it from a tech-

nology standpoint, we could find the money, because we would hate to see that database just sit there and not be accessed.

I appreciate it. You have been very courteous with your time today. Is there anything further you wish to add?

Mr. MUELLER. The only item I didn't address is the concern that you raised, and that is about the adaptability of the Bureau to the new mission. You read these books about taking a corporation or an agency or a large organization through a transformation. The books will tell you that there are 30 percent that welcome the transformation and see the future, there are 30 percent that have to be persuaded, and there are 30 percent that like the old ways.

There are agents in the FBI, without a question of a doubt, who enjoyed what they were doing before, perhaps enjoyed doing it more than some of the things they are called upon to do at this point, and there will be for a number of years. But I do believe that just about every FBI agent understands the responsibility that the Bureau has, along with other agencies, to prevent another terrorist attack, they understand that responsibility, the necessity of transforming the organization, the new mission, and are pursuing that new mission as we have missions in the past.

It was something new for us to develop a game plan to address La Cosa Nostra or the Mob, to change from doing bank robberies and bank embezzlements to an extended multi-year integrated multi-agency plan to address a threat against the United States and we adapted then. I do believe we are adapting, and will continue to adapt with this new challenge thanks to the dedication and loyalty of FBI agents and analysts and support staff to the Bureau, the Government, the American people, and their understanding the importance of our role in protecting the national security of the United States.

With that, thank you, sir.

Senator GREGG. We thank you for your service and thank your agents for their service and the people who work at the FBI and do an extraordinary job. It is very much appreciated. To the extent we criticize you, we hope it is taken as constructive. That is our goal. Thank you.

Mr. MUELLER. Thank you, sir.

STATEMENT OF GLENN A. FINE, INSPECTOR GENERAL, DEPARTMENT OF JUSTICE

Senator GREGG. Our next panel will include members of the Government Accountability Office and the Inspector General.

We have with us Glenn Fine, who is the Inspector General for the Department of Justice; Dr, Randolph Hite and Dr. Laurie Ekstrand, who both work for the Government Accountability Office. All of them specialize, obviously, in making sure that various agencies function efficiently and effectively and focus especially on the issue of the FBI and other agencies responsible for counterterrorism.

We appreciate you taking the time to come and testify. You all were here to hear, I believe, Director Mueller's thoughts and what we would like to do is get your thoughts on the specific issues of technology and how it is being put in place at the FBI and what we can do to make sure we don't have these continued cost over-

runs, and more importantly, what we can do to make sure the technology works the way it is supposed to work.

We will start with Mr. Fine, anything you wish to say, or if you want to submit a statement, that is fine, too.

Mr. FINE. Thank you, Mr. Chairman. Thank you for inviting me to testify about the FBI's efforts to modernize its information technology systems. Within the past 2 years, the Office of the Inspector General has issued several reports that examined IT issues in the FBI, including a review of the FBI's management of its IT investments as well as the implementation of the FBI's most important IT project, Trilogy.

My written statement provides a detailed description of the history of delays and cost overruns in Trilogy. My statement also describes other reviews that the OIG recently has completed or has ongoing in the FBI, including a report describing the delays in integrating IDENT, the Department of Homeland Security's automated fingerprint identification database, with IAFIS, the FBI's fingerprint database; a review of the FBI's use of investigative resources before and after the September 11 attacks; a report examining the FBI's failure to detect the espionage of Robert Hanssen for more than 20 years; and ongoing reviews of other important FBI programs, such as the FBI laboratory's DNA unit, the FBI's Language Translation Services Program, and the FBI's Foreign Legats, among others.

You have asked me in my oral remarks this morning to briefly focus on the OIG's assessment of the Trilogy project. Trilogy is essential to modernizing the FBI's archaic and inadequate computer systems. The FBI's current systems do not permit FBI employees to readily access and share information throughout the FBI. Without this capability, the FBI cannot efficiently investigate criminal cases, effectively analyze intelligence information, and bring together all the investigative information in the FBI's possession to solve crimes and help prevent future terrorist attacks.

The Trilogy project, as you know, has three main components: One, the upgrade of the FBI's hardware and software; two, the upgrade of the FBI's communications network; and three, the upgrade and consolidation of the FBI's five most important investigative applications.

Our reviews have found that Trilogy has grown from what in the year 2000 was estimated to be a 3-year, $379 million project to what is now a $581 million project that may not even be fully completed before the end of this calendar year. Senior FBI IT managers recently told OIG auditors that the infrastructure components, the first two components of Trilogy, should be completed by April 30. However, there is still a significant risk of missing even the latest deadline.

The third component of Trilogy, upgrading and consolidating the investigative applications, is still ongoing. The most important part of this component is the Virtual Case File, which will replace the FBI's inadequate Automated Case Support System.

In our view, the reasons for the repeated delays and the increased costs in the Trilogy project include poorly defined requirements as Trilogy was developed, the lack of firm milestones and penalties to the contractors for missing deadlines, the FBI's weak

IT investment management structure and processes, the lack of a qualified project integrator to manage the two main Trilogy contractors and take responsibility for the overall integrity of the final product, and the lack of FBI management continuity and oversight, due in part to the frequent turnover of senior FBI IT managers.

These problems with Trilogy were consistent with the OIG's repeated warnings about the FBI's IT systems and its management processes in general. A variety of OIG reports have identified significant deficiencies in the FBI's IT program, including fragmented management, inadequate training, and a failure to adequately respond to recommendations regarding IT improvements.

Although the FBI has had a difficult time developing and deploying Trilogy, at this juncture the completion of at least the initial phase of Trilogy is in site. Director Mueller has made Trilogy a priority and has focused personal attention on this project, to his credit. In addition, the FBI recently appears to have focused its attention on addressing many of the weaknesses we have described. Both the FBI and the Department of Justice now have Chief Information Officers who appear committed to a no-nonsense approach to managing the Trilogy project.

Once completed, Trilogy will significantly enhance the FBI's ability to manage its cases and share information. But more progress is still needed on Trilogy's user applications, particularly the Virtual Case File, and completion of Trilogy will not signal the end of the FBI's IT modernization effort. Trilogy will only lay the foundation for future IT advancements.

The FBI must focus sustained attention on ensuring that it has state-of-the-art information technology systems to permit FBI employees to effectively process and share information. As the FBI looks to the future to meet the continuing threat of terrorism and the increased sophistication of domestic and international crime, it must give its employees the IT tools they need to perform their mission effectively and efficiently. Given the importance of this issue, the OIG will continue to review and report on the FBI's progress or lack of progress in this critical area.

That concludes my prepared statement and I would be happy to answer any questions, Mr. Chairman.

PREPARED STATEMENT

Senator GREGG. I have got a lot of questions, but I want to hear from the whole panel first.

[The statement follows:]

PREPARED STATEMENT OF GLENN A. FINE

Mr. Chairman, Senator Hollings, and Members of the Subcommittee on Commerce, Justice, State and the Judiciary:

INTRODUCTION

I appreciate the opportunity to testify before the Subcommittee as it examines the Federal Bureau of Investigation's (FBI) fiscal year 2005 budget request. I have been asked to speak about the FBI's progress in modernizing its information technology (IT) systems, specifically its agency-wide IT modernization project known as Trilogy. Within the past two years, the Office of the Inspector General (OIG) has issued several reports that examined IT-related issues at the FBI, including the FBI's responsiveness to previous OIG recommendations dealing with IT issues and a review of the FBI's IT Investment Management process. As part of the latter review, issued

in December 2002, we examined the FBI's implementation of Trilogy. In addition, last month we opened a new audit that is currently examining the overall management of the Trilogy project and the extent to which Trilogy will meet the FBI's current and longer-term IT requirements.

Our overall assessment is that the FBI has had a difficult time trying to modernize its information technology systems, and has experienced a series of delays, missed deadlines, and cost increases. However, at this juncture, the completion of Trilogy is in sight. Director Mueller has made Trilogy a priority and has focused personal attention on this project, to his credit. Although more progress is needed on Trilogy's user applications, particularly the Virtual Case File, once completed Trilogy will significantly enhance the FBI's ability to manage its cases and share information.

Trilogy and the first version of the Virtual Case File system are just the start of the FBI's information technology modernization effort. In the years ahead, the FBI will need to focus even greater attention to ensure that it implements state-of-the-art information technology to allow its employees to effectively perform their critical mission.

In the first section of my statement, I will provide a brief overview of the Trilogy project, describe the history of the FBI's progress in developing Trilogy, and summarize the OIG's preliminary assessment of the reasons for the delays in its implementation. In the next section, I will discuss the results of other, recent OIG reviews of the FBI's IT management process. I will conclude the statement by providing a brief overview of recently completed and ongoing OIG reviews that examine other important FBI issues that may be useful to this Committee.

THE TRILOGY PROJECT

Overview

Trilogy is the largest of the FBI's IT projects and has been recognized by the FBI and Congress as essential to modernizing the FBI's archaic and inadequate computer systems. One component of Trilogy, the Virtual Case File, will replace one of the FBI's inadequate database systems, the Automated Case Support (ACS) system, which is used as a case tracking system. Among its many shortcomings, ACS does not permit FBI agents, analysts, and managers to readily access and share case-related information throughout the FBI. Without this capability, the FBI cannot efficiently investigate criminal cases, analyze intelligence information, and bring together all of the investigative information in the FBI's possession to help prevent future terrorist attacks.

The Trilogy project has three main components:

—Information Presentation Component (IPC)—intended to upgrade the FBI's hardware and software;

—Transportation Network Component (TNC)—intended to upgrade the FBI's communication networks; and

—User Applications Component (UAC)—intended to upgrade and consolidate the FBI's five most important investigative applications.

The first two components of Trilogy provide the infrastructure needed to run the FBI's various user applications. The User Application component of Trilogy will upgrade and consolidate the FBI's investigative applications, beginning with the five most critical. However, it is important to note that Trilogy will not replace the 37 other less-critical investigative applications or the FBI's approximately 160 other non-investigative applications. Rather, Trilogy is intended to lay the foundation so that future enhancements will allow the FBI to achieve a state-of-the-art IT system that integrates all of the agency's investigative and non-investigative applications.

Project Schedule and Costs

In the last several years, the FBI's Trilogy project has suffered a continuing series of missed completion estimates and associated cost growth. In November 2000, Congress appropriated $100.7 million for the initial year of what was estimated to be a 3-year, $379.8 million project. The FBI hired DynCorp in May 2001 (in March 2003, DynCorp was merged into Computer Sciences Corporation (CSC)) as the contractor for the IPC/TNC infrastructure components of Trilogy. At that time, the scheduled completion date for the Trilogy infrastructure was May 2004. In June 2001, the FBI hired Science Applications International Corporation (SAIC) to complete the user applications component of Trilogy—including the Virtual Case File—with a scheduled completion date of June 2004.

Infrastructure Components

A stable schedule for Trilogy was never firmly established for much of the project's history. Beginning in 2002, the FBI's estimated dates for completing the

Trilogy project components began to swing back and forth and were revised repeatedly. The FBI moved up the completion date for deploying the Trilogy infrastructure to June 2003 from the original date of May 2004 because the September 11, 2001, terrorist attacks had increased the urgency of completing Trilogy. Later, the FBI said the infrastructure would be completed by December 31, 2002. In February 2002, the FBI informed Congress that with an additional $70 million, the FBI could accelerate the deployment of Trilogy. According to the FBI, this acceleration would include completion of the two infrastructure components by July 2002 and rapid deployment of the most critical analytical tools in the user applications component. Congress therefore supplemented the FBI's fiscal year 2002 Trilogy budget by $78 million, for a total of $458 million, to accelerate the completion of all three components.

The promised milestone for completing the infrastructure components slipped from July 2002 to October 2002 and then to March 2003. On March 28, 2003, CSC completed the Wide Area Network for Trilogy. In April 2003, Director Mueller reported to Congress that more than 21,000 new desktop computers and nearly 5,000 printers and scanners had been deployed. He also reported that the Trilogy Wide Area Network—with increased bandwidth and three layers of security—had been deployed to 622 sites. While this deployment improved the hardware available to FBI staff, it provided no new software capability.

In April 2003, the FBI and CSC agreed to a statement of work for the remaining infrastructure components of Trilogy, including servers, upgraded software, e-mail capability, and other computer hardware, with final engineering change proposals and a completion date of October 31, 2003. In August 2003, CSC informed the FBI that the October 2003 completion date would slip another two months to December 2003. In October 2003, CSC and the FBI agreed that the December 2003 date again would slip.

The General Services Administration's Federal Systems Integration and Management Center, known as FEDSIM, competes, awards, and manages contracts for its federal agency clients. FEDSIM had used its Millennia contracting vehicle to award contracts for Trilogy on behalf of the FBI. In November 2003, the General Services Administration formally announced that CSC failed to meet the deadline for completing work on the infrastructure portions of Trilogy that are required to support the user applications, including the Virtual Case File.

On December 4, 2003, CSC signed a commitment letter agreeing to complete its infrastructure portions of the Trilogy project by April 30, 2004, for an additional $22.9 million, including an award fee of over $4 million. An award fee is used when the government wants to motivate a contractor with financial incentives. The FBI covered these additional costs by reprogramming funds from other FBI appropriations. In January 2004, the FBI converted the agreement with CSC to a revised statement of work providing for loss of the award fee if the April 30, 2004, deadline is not met. In addition, the revised statement of work provides for cost sharing at a rate of 50 percent for any work remaining after the April 30 deadline.

As of early March 2004, CSC was in the process of installing in the FBI's field offices the remaining computer hardware infrastructure needed to use the previously deployed Wide Area Network. If completed by April 30, 2004, the original target set in 2001 for the infrastructure components of Trilogy will be met, but the accelerated schedule funded by Congress will be missed by some 22 months.

Senior FBI IT managers recently told OIG auditors that the infrastructure components appear to be on target for meeting the latest milestone of April 30, 2004, although they cautioned that there is a risk of missing this latest deadline because the schedule is ambitious and there is no slack time. However, other FBI officials involved in the project believed that CSC's ability to complete the remaining engineering work by April 30, 2004, is an open question. A contractor recently hired by the FBI's Chief Information Officer to facilitate solutions with the two Trilogy contractors described the April 30 deadline as "a real management challenge."

User Applications

With respect to development of the Virtual Case File, the first of three system deliveries for the Virtual Case File occurred in December 2003. However, it was not functional and therefore was not accepted by the FBI. FBI officials told our auditors that, as of January 2004, 17 issues of concern pertaining to the functionality and basic design requirements of the Virtual Case File needed to be resolved before the Virtual Case File could be deployed. According to FBI personnel working on the resolution of these problems, the 17 issues were corrected as of March 7, 2004. However, significant work still remains on addressing security aspects and records management issues in the Virtual Case File.

The FBI is now requiring the contractor, SAIC, to provide a new, realistic completion date and cost estimate for delivery of a usable Virtual Case File. Based on this information, expected within the next week or two, the FBI intends to renegotiate the contract for the user applications component to include firm, verifiable milestones and penalties for missing the milestones.

The remaining work required to actually deploy a usable and functional initial version of the Virtual Case File appears significant. The Virtual Case File will be installed in stages, with the first stage including the migration of the ACS database. However, our conversations with FBI IT managers suggest uncertainty about the completion dates for each stage. As noted above, the timetable is currently being negotiated with SAIC.

No one interviewed by our auditors in the FBI, the Department, or the General Services Administration thought the Virtual Case File would be ready when the supporting infrastructure for the system is scheduled to be in place as of April 30, 2004. They said that to speed the delivery of at least a basic functional Virtual Case File system, it is possible that some features initially intended as part of the first delivery of the system will have to be deferred until later. Many FBI managers told us that they are uncertain whether a functional, complete version of the VCF will be deployed before the end of calendar year 2004.

Trilogy Cost

In addition to frequent schedule slippages, Trilogy costs have grown considerably. To accelerate the project, the original estimated project cost of $380 million increased by $78 million to $458 million. Through reprogramming and other funding in fiscal year 2003, the currently authorized total funding level is $581 million. According to an FBI report, as of January 2004 the remaining available funds were about $12 million. As of March 19, 2004, the FBI's Chief Information Officer believed that current funding appears to be adequate to complete Trilogy. However, in our view, until the user applications contractor provides an updated cost estimate, it will be difficult to gauge the approximate total cost of the Trilogy project, particularly since enhanced versions are planned sometime after the initial deployment.

Further, the FBI's ability to track Trilogy costs adequately was questioned by a March 3, 2004, FBI inspection report. The report recognized internal control weaknesses and said that Trilogy-related financial records are fragmented and decentralized with no single point of accountability. Because the FBI's Financial Management System does not capture detailed Trilogy-related expenditures, FBI auditors could not ascertain a "global financial profile" of Trilogy.

Problems in Trilogy's Development

Based on the OIG's previous audit work that examined the FBI's IT management process, together with the preliminary results of our ongoing audit of Trilogy, we believe the reasons for the delays and associated increased costs in the Trilogy project include: lack of firm milestones and penalties for missing milestones; lack of a qualified project integrator who would manage the interfaces between the two contractors and would have responsibility for the overall integrity of the final product; weak IT investment management structure and processes; until recently, lack of management continuity and oversight due, in part, to the frequent turnover of FBI IT managers and the FBI's focus on its other important law enforcement challenges; poorly-defined requirements that evolved as the project developed; and unrealistic scheduling of tasks by the contractors.

Contract Weaknesses

The FBI's current and former Acting Chief Information Officers told us that the primary reason for the schedule and cost problems associated with the infrastructure components of Trilogy is a weak statement of work in the contract with CSC. In addition, despite the use of two contractors to provide three major project components, until recently the FBI did not hire a project integrator to manage contractor interfaces and take responsibility for the overall integrity of the final product. According to FBI IT managers, FBI officials acted as the project integrator even though they had no experience to perform such a role.

According to FBI IT and contract managers, the "cost plus" award fee type of contracts used for Trilogy did not require specific completion milestones, did not include critical decision review points, and did not provide for penalties if the milestones were not met. Under cost plus award fee contracts, the contractors are only required to make their best effort to complete the project. Furthermore, if the FBI does not provide reimbursement for the contractors' costs, under these agreements the contractors can cease work. Consequently, in the view of the FBI managers with whom we spoke, the FBI was largely at the mercy of the contractors.

FEDSIM representatives explained that a cost-plus contract is used for large projects where the requirements and the costs are not defined sufficiently to allow for a firm fixed-price contract. The FEDSIM's Millennia contracting vehicle currently has nine "industry partners" who are eligible to bid on federal projects. Under Millennia, contracts can be awarded relatively quickly because of the limited number of potential bidders. Because the FBI wanted a quick contract and did not have highly defined requirements, it used the cost plus award fee contract vehicle.

In our ongoing audit of Trilogy, we plan to evaluate the effect of the contractual terms on the schedule, cost, and performance of the project.

IT Investment Management Weaknesses

In addition to the lack of controls built into the statements of work for Trilogy, the FBI's investment management process was not well developed. Had the FBI developed a mature IT investment management process, the Trilogy project likely could have been completed more efficiently and timely. The investment management process at the FBI is still in the early stages of development. Absent a mature IT investment process, FBI IT investment efforts are at risk for significant developmental problems.

Management Continuity and Oversight

Part of the problem acknowledged by the FBI for not acting timely on IT recommendations from the OIG over the years has been the turnover of key FBI managers. Similarly, we believe that turnover in key positions affected the FBI's ability to manage and oversee the Trilogy project.

Since November 2001, 14 different key IT managers have been involved with the Trilogy project, including 5 Chief Information Officers or Acting Chief Information Officers and 9 individuals serving as project managers for various aspects of Trilogy. This lack of continuity among IT managers contributed to the problems of ensuring the effective and timely implementation of the Trilogy project. According to contractor personnel who are advising the FBI on Trilogy, the FBI also suffered from a lack of engineering expertise, process weaknesses, and decision-making by committees instead of knowledgeable individuals. In the contractors' opinion, weak government contract management has created more of the problem with Trilogy than the terms of the contracts.

We have spoken to many officials in the FBI, the Department of Justice, and FEDSIM who believe that the FBI has recently improved its management and oversight of Trilogy and of information technology in general. The FBI appears to have hired from other federal agencies and from private industry capable individuals, including the current Acting Chief Information Officer and several key project management personnel. Officials within both the Department of Justice and the FBI now are optimistic that the FBI's current information technology management team has the talent to solve the FBI's problems in this area. We also have been impressed with the quality of the FBI's current managers of Trilogy, including the Acting Chief Information Officer. However, we believe it essential for the FBI to maintain continuity in the management of Trilogy.

Lack of Defined Design Requirements

One of the most significant problems with managing the schedule and costs of the Trilogy project was the lack of a firm understanding of the design requirements by both the FBI and the contractor. Not only were Trilogy's requirements ill defined and evolving as the project progressed, but certain events triggered the need to change initial design concepts. For example, after September 11, 2001, Director Mueller recognized that the initial concept of simply modifying the old Automated Case Support system would not serve the FBI well over the long run, and the FBI created the plans for the Virtual Case File. Other changes to the design occurred because of the experiences and lessons learned from the response to the September 11 terrorist attacks, the Hanssen espionage case, and the belated production of documents to defense attorneys in the Oklahoma City bombing case.

However, during the initial years of the project, the FBI had no firm design baseline or roadmap for Trilogy. The FBI also may have overly relied on contractor expertise to help define the requirements, while the contractor may have overly relied on the FBI to provide direction for the Trilogy design.

Unrealistic Scheduling of Tasks

According to an FBI official monitoring development of the Trilogy infrastructure, CSC has had problems producing an appropriate resource-driven work schedule. Furthermore, SAIC is using a scheduling tool for development of the user applications component with which the FBI is unfamiliar. In our view, unrealistic scheduling of project tasks has led to a series of raised expectations, followed by frustra-

tion when the completion estimates were missed. We intend to examine the schedules more closely in our ongoing audit of the Trilogy project.

Prior OIG Audits on FBI IT Investment Management Practices and FBI's Implementation of IT Recommendations

The problems demonstrated by the Trilogy project were consistent with our concerns about the FBI's IT systems and management process in general. Since 1990, various OIG reports have identified significant deficiencies with the FBI's IT program, including outdated infrastructures, fragmented management, ineffective systems, and inadequate training. Within the past 18 months, the OIG completed two reviews that looked at these and other aspects of the FBI's efforts to modernize its IT systems, one issued in December 2002 and the other issued in September 2003.

The first audit, issued in December 2002, examined the FBI's IT investment management practices. The OIG found that, in the past, the FBI had not effectively managed its IT investments because it failed to: (1) effectively track and oversee the costs and schedules of IT projects; (2) properly establish and effectively use IT investment boards to review projects; (3) inventory the existing IT systems and projects; (4) identify the business needs for each IT project; and (5) use defined processes to select new IT projects. We concluded that despite efforts to improve its IT management, the FBI had not fully implemented the above five critical processes associated with effective IT investment management. Consequently, the FBI continued to spend hundreds of millions of dollars on IT projects without adequate assurance that the projects would meet their intended goals.

Our audit made eight recommendations with respect to Trilogy, including urging the FBI to establish cost, schedule, technical, and performance baselines and track significant deviations from these baselines, and taking corrective action as necessary. The FBI agreed with all eight of the Trilogy-related recommendations, with one minor exception, and to date has taken corrective action on three.

In a September 2003 audit, the OIG comprehensively examined the FBI's implementation of the OIG's prior IT-related recommendations. While the FBI had made substantial progress on many of the recommendations, implementing 93 of 148 total recommendations, we concluded that full implementation of the remaining recommendations was needed to ensure that the FBI's IT program effectively supported the FBI's mission.

OIG Conclusions on Trilogy

In sum, we found various reasons for Trilogy's delays and problems. Initially, the FBI did not have a clear vision of what the FBI's Trilogy modernization project should achieve, let alone specific design requirements, and the contractors were not held to a firm series of achievable milestones. The FBI's investment management process also left it ill equipped to ensure that all three components of Trilogy were developed in an integrated fashion. Moreover, at the outset, the FBI and others did not provide consistent or effective management of Trilogy, leading to technical and scheduling problems.

The FBI recently appears to have focused attention on addressing much of these weaknesses. Our preliminary assessment is that both the FBI and the Department of Justice now have Chief Information Officers who are committed to a successful implementation of Trilogy, with a no-nonsense approach to managing the Trilogy contracts and a commitment to closely monitor its progress. The FBI also appears to be attempting to ensure that Trilogy is completed as soon as possible, and the General Services Administration also is participating fully in this oversight role. In addition, the Department of Justice Chief Information Officer meets regularly with FBI and GSA staff to oversee progress on Trilogy. However, significant work remains, particularly on the Virtual Case File, which may not be fully implemented by the end of this year. Because of the importance of the Trilogy project, the OIG will continue to monitor the FBI's implementation of Trilogy.

ADDITIONAL OIG REVIEWS IN THE FBI

In addition to these IT reviews, the OIG continues to conduct wide-ranging reviews of other priority issues in the FBI. The following are a few examples of recently completed reviews in the FBI, as well as ongoing OIG reviews, that may be of interest to the Committee.

Recently Completed OIG Reviews

IDENT/IAFIS: The Batres Case and the Status of the Integration Project.—In early March 2004, the OIG issued a special report that examined the status of efforts to integrate IDENT, the Department of Homeland (DHS) Security's automated fingerprint identification database, with IAFIS, the FBI's automated fingerprint

identification database. The OIG review described the tragic consequences that can result because these immigration and criminal fingerprint identification systems are not integrated. Victor Manual Batres, an alien who had an extensive criminal history, was caught two times by the Border Patrol attempting to enter the United States illegally. Both times the Border Patrol voluntarily returned him to Mexico without checking his criminal record. He came back into the United States, where he raped and murdered a nun. During this period, the Border Patrol never learned of his extensive criminal history, which should have subjected him to detention and prosecution, partly because IDENT and IAFIS are not linked.

The OIG has reported extensively on the slow pace of the integration of IDENT and IAFIS in several reports over the past few years. In the Batres report, we noted that according to the Department and DHS timetable provided to us by integration project managers, full integration of the two systems was not scheduled to be completed for many years. Since issuance of our Batres report several weeks ago, DHS leaders have publicly stated that the integration process will be expedited, and that hardware to allow Border Patrol agents to check detained aliens in both IDENT and IAFIS will be provided to Border Patrol stations on an expedited timetable. However, additional issues remain to be resolved, such as access to DHS's immigration databases by the FBI and state and local officials and questions about what fingerprint information will be made available to immigration inspectors at ports of entry.

The FBI's Efforts to Improve the Sharing of Intelligence and Other Information.—A December 2003 OIG audit examined the FBI's efforts to enhance its sharing of intelligence and law enforcement information with federal, state, and local officials. The audit noted that fundamental reform with regard to sharing this information is under way at the FBI. The audit also found that the FBI has taken a series of actions to improve its ability to communicate information within the FBI, analyze intelligence, and disseminate information outside the FBI. However, the OIG audit described continued obstacles to the FBI's reform efforts and cited the need for: (1) improving information technology; (2) improving the FBI's ability to analyze intelligence; (3) overcoming security clearance and other security issues concerning the sharing of information with state and local law enforcement agencies; and (4) establishing policies and procedures for managing the flow of information.

FBI Casework and Human Resource Allocation.—A September 2003 OIG audit examined the FBI's use of resources in its investigative programs over a 7-year period—6 years prior to September 11, 2001, and 9 months after that date. The audit provided detailed statistics on the FBI's allocation of resources to its ten program areas during this period. It also examined the FBI's planned allocation of resources during this same period compared to the actual allocation of resources. In addition, the OIG audit detailed the types and numbers of cases the FBI investigated in these program areas. Using data from the FBI's systems, the OIG found that although the FBI had identified combating terrorism as its top priority in 1998, until the September 11 attacks it devoted significantly more of its agent resources to traditional law enforcement activities, such as white-collar crime, organized crime, drug, and violent crime investigations, than to its counterterrorism programs.

In a current follow-up review examining the FBI's use of resources, the OIG is examining in greater detail the operational changes in the FBI resulting from this ongoing reprioritization effort, including the types of offenses that the FBI is no longer investigating at pre-September 11 levels and the changes in the types of cases worked at individual field offices. After completing this follow-up review, the OIG plans to open an additional audit to obtain feedback from federal, state, and local law enforcement agencies regarding the impact of the FBI's reprioritization on their operations.

Review of the FBI's Performance in Deterring, Detecting, and Investigating the Espionage Activities of Robert Philip Hanssen.—In a comprehensive special report released in August 2003, the OIG examined the FBI's efforts to detect, deter, and investigate the espionage of Robert Hanssen, the most damaging spy in FBI history. The OIG review concluded that Hanssen escaped detection not because he was extraordinarily clever and crafty in his espionage, but because of long-standing systemic problems in the FBI's counterintelligence program and a deeply flawed FBI internal security program. The review also found that the FBI has taken important steps to improve its internal security program since Hanssen's arrest, including the implementation of a counterintelligence-focused polygraph examination program, development of a financial disclosure program, and creation of a Security Division. However, the OIG review concluded that some of the most serious weaknesses still had not been remedied fully. The OIG is continuing to monitor the FBI's response to the recommendations in this report.

Ongoing Reviews

In addition to these recently issued reports, the OIG has additional reviews under way that are examining other critical issues in the FBI. Examples of these ongoing reviews include the following.

Terrorist Screening Center.—On September 16, 2003, the President established the Terrorist Screening Center (TSC) to consolidate terrorist watch lists and provide 24/7 operational support for thousands of federal officers who need access to such watch lists. The FBI was assigned responsibility to administer the TSC and is working with the DHS, the Department of State, the Central Intelligence Agency, and other agencies to make the TSC operational. Last week, the OIG initiated an audit to examine whether the TSC: (1) has implemented a viable strategy for accomplishing its mission; (2) is effectively coordinating with participating agencies; and (3) is appropriately managing the terrorist-related information to ensure that a complete, accurate, and current watch list is developed and maintained.

Attorney General Guidelines.—In May 2002, the Attorney General issued revised guidelines that govern general crimes and criminal intelligence investigations. The OIG review is examining the FBI's implementation of the four sets of guidelines: Attorney General's Guidelines Regarding the Use of Confidential Informants; Attorney General's Guidelines on FBI Undercover Operations; Attorney General's Guidelines on General Crimes, Racketeering Enterprise and Terrorism Enterprise Investigations; and Revised Department of Justice Procedures for Lawful, Warrantless Monitoring of Verbal Communications. The OIG review seeks to determine what steps the FBI has taken to implement the Guidelines, examine how effective those steps have been, and assess the FBI's compliance with key provisions of the Guidelines.

Terrorism Task Forces.—The OIG is examining how the law enforcement and intelligence functions of the Department's Terrorism Task Forces support their efforts to detect, deter, and disrupt terrorism. The review is specifically evaluating the purpose, priorities, membership, functions, lines of authority, and accomplishments for the FBI's Joint Terrorism Task Forces, National Joint Terrorism Task Force, Foreign Terrorist Tracking Task Force, the United States Attorneys' Offices' Anti-Terrorism Advisory Councils, and the Deputy Attorney General's National Security Coordination Council.

DNA Laboratory.—The OIG is completing a review that examines the failure of a former technician in the FBI Laboratory DNA Analysis Unit to complete steps designed to detect contamination in the analysis process. In addition, with the assistance of nationally known DNA scientists, the OIG is completing a broader assessment of the DNA Analysis Unit to determine if vulnerabilities exist in its DNA protocols and procedures.

Language Translation Services.—The OIG is reviewing the FBI's language translation services program in light of the FBI's efforts after the September 11 terrorist attacks to hire linguists and to use technology to handle the increasing backlog of counterterrorism and foreign counterintelligence translation work. The OIG review will examine the extent and causes of any FBI translation backlog; assess the FBI's efforts to hire additional translators; and evaluate whether FBI procedures ensure appropriate prioritization of work, accurate and timely translations of pertinent information, and proper security of sensitive information.

Intelligence Analysts.—One of the FBI's primary initiatives after the September 11 terrorist attacks was to enhance the FBI's analytical ability and intelligence capabilities. An OIG audit is examining how the FBI hires, trains, and staffs the various categories of FBI intelligence analysts. The OIG is reviewing the FBI's progress toward meeting hiring, retention, and training goals as well as how analysts are used to support the FBI's counterterrorism mission.

Legal Attaché Program.—The FBI's overseas operations have expanded significantly in the last decade. The FBI operates offices known as Legal Attaché or Legats in 46 locations around the world. The primary mission of Legats is to support FBI investigative interests by establishing liaison with foreign law enforcement agencies. Through interviews and visits to several Legats, an OIG review is examining the type of activities performed by Legats, the effectiveness of Legats in establishing liaison with foreign law enforcement agencies and coordinating activities with other law enforcement and intelligence agencies overseas, the criteria used by the FBI to determine the placement of Legat offices, and the process used for selecting and training FBI personnel for Legat positions.

Smith/Leung Case.—At the request of FBI Director Mueller, the OIG is conducting a review of the FBI's performance in connection with former FBI Supervisory Special Agent James J. Smith, who recently was charged with gross negligence in his handling of national defense information. The OIG's review will examine Smith's career at the FBI and his relationship with Katrina Leung, an asset in

the FBI's Chinese counterintelligence program with whom Smith allegedly had a long-term intimate relationship. The OIG also will examine a variety of performance and management issues related to the Smith/Leung case.

CONCLUSION

The FBI is making significant strides in reevaluating and reengineering many of its historic processes and procedures. Central to this transformation is the FBI's critical need to modernize its archaic IT systems. Development and deployment of the Trilogy system—the centerpiece of the agency's IT modernization project—has until recently been frustratingly delayed and costly. The delays have left FBI managers, agents, analysts, and other employees without the modern tools they need. Considering the antiquated information technology environment in which they have had to operate for many years, FBI employees deserve much credit for what they have been able to accomplish.

Trilogy, when it is finally implemented, will greatly enhance the FBI's information technology capabilities. Much of the Trilogy upgrade is nearing completion, although the Virtual Case File still needs significant effort. However, implementation of Trilogy will not signal the end of the FBI's information technology modernization effort. The project will lay the foundation for future information technology advancements, but constant effort will be needed to ensure that the FBI implements and maintains cutting edge technology that permits its employees to effectively process and share information. This must remain a critical priority for the FBI. The FBI needs to provide sustained and careful management of the continuing upgrades to ensure that FBI employees have the tools they need to perform their mission. The FBI's ability to perform its functions effectively, including counterterrorism, counterintelligence, and criminal law enforcement, depends to a large degree on the success of the FBI's information technology projects. Given the importance of this issue, the OIG will continue to review and monitor the FBI's progress in these efforts.

STATEMENT OF LAURIE E. EKSTRAND, DIRECTOR, HOMELAND SECURITY AND JUSTICE ISSUES, GOVERNMENT ACCOUNTABILITY OFFICE

ACCOMPANIED BY RANDOLPH HITE, DIRECTOR, INFORMATION TECHNOLOGY ARCHITECTURE AND SYSTEMS ISSUES, GOVERNMENT ACCOUNTABILITY OFFICE

Senator GREGG. Dr. Ekstrand?

Ms. EKSTRAND. Thank you, Mr. Chairman. I have a statement, a brief oral statement for both Mr. Hite and myself, and this statement covers overall progress in transformation, specifically in the areas of strategic planning and human capital planning, information technology management, and the realignment of staff resources to priority areas.

Let me start with transformation. Overall, we are encouraged by the progress that the FBI has made in several areas, and of particular note, we want to focus on the completion of a new strategic plan and of a human capital plan. While for both of these plans we can cite areas where they could be improved, on the whole, we believe they contain a number of elements of best practice.

Among the positive elements of the strategic plan include a comprehensive mission statement, results-oriented long-term goals and objectives, and it delineates priorities. But it could be improved by discussions of several additional topics, including how success in achieving goals is going to be measured. We understand that the FBI is going to augment their plan and include some of the information that we are recommending and we certainly commend that effort.

In terms of strategic human capital planning, this also includes a number of the principles of sound human capital planning. Our main concerns in this area are that, first, the FBI has not hired a human capital officer as yet, and second, the performance man-

agement system for non-SES staff is not adequately linked to performance.

Now let me turn your attention to the FBI's effort to leverage the vast potential of information technology, IT, to assist the Bureau in transforming how it operates. While the FBI has long recognized the potential, as evidenced by sizeable sums of money that it has invested in IT projects, not the least of which is Trilogy, what it has not recognized, as well, as is this: How well the Bureau manages IT will ultimately determine how well the Bureau leverages IT as a transformation tool.

Our research has shown that organizations that successfully exploit IT as a change agent employ similar approaches in managing, including adopting a corporate or agency-wide approach to managing IT, having an enterprise architecture, and having portfolio-based investment management processes.

Unfortunately, the FBI has yet to manage its IT efforts in this way. As we have previously reported, the absence of such an approach to IT management results in IT investments that are duplicative, not interoperable, do not support mission goals and objectives, and cost more and take longer to implement than they should. In the case of the FBI, such cost, schedule, and performance problems can be seen in Trilogy.

Now, to the FBI's credit, its strategic plan and its recent proposals and actions recognize longstanding IT management shortcomings. That is the good news. The bad news is that until these recent steps become institutionalized, the prognosis for the FBI's ability to effectively use IT to transform itself is uncertain, at best.

Now, just briefly, let me turn to the staffing of priority areas, that is, counterterrorism, counterintelligence, and cyber, and the effects on more traditional crime areas, specifically drugs, white collar crime, and violent crime.

The FBI's three top priority areas now deploy about 36 percent of field agent positions, and this is the largest single category of agents. But despite the growth in agents in the area, agents from traditional crimes are still needed to work all leads, and this is fairly substantial, as Director Mueller indicated.

Now, as would be suspected, the number of counterterrorism matters have increased substantially since 9/11. Conversely, the number of open matters in drugs, violent crime, and white collar crime has diminished. We have ongoing work to develop further information concerning potential effects of these shifts, particularly in the drug area, and we expect to report our findings later this year.

This concludes our oral statement. Mr. Hite and I would be happy to answer any questions.

Senator GREGG. Did you want to add anything, Mr. Hite?

Mr. HITE. No, sir. We are fully integrated and interoperable up here.

PREPARED STATEMENT

Senator GREGG. That is a first. We appreciate that.

[The statement follows:]

PREPARED STATEMENT OF LAURIE E. EKSTRAND

FBI TRANSFORMATION

FBI CONTINUES TO MAKE PROGRESS IN ITS EFFORTS TO TRANSFORM AND ADDRESS PRIORITIES

What GAO Found

We commend the FBI for its progress in some areas of its transformation efforts since we last testified on this subject in June 2003. We believe that commitment from the top, a dedicated implementation team, involvement of employees in the process, and the achievement of key milestones are encouraging signs of progress. However, we continue to encourage the development of a comprehensive transformation plan that would consolidate the crosswalks between the various aspects of transformation. This could help management oversee all aspects of the transformation.

The FBI's strategic plan has been completed. Overall we found the plan has important strengths as well as some areas in which improvements could be made. For example, the plan includes key elements of successful strategic plans (i.e. a comprehensive mission statement and results-oriented, long-term goals and objectives). However, the plan is missing some elements that could have made it more informative. Officials advised us that some of these elements are available elsewhere (i.e. lists of stakeholders and performance measures). The absence of these elements makes the plan less comprehensive and useful.

The FBI has also developed a strategic human capital plan that contains many of the principles that we have laid out for an effective human capital system (i.e. the need to fill identified skill gaps by using personnel flexibilities). However, the FBI has yet to hire a human capital officer to manage the implementation of this process and the performance management system for the bulk of FBI personnel remains inadequate to discern meaningful distinctions in performance.

The FBI recognizes the importance of information technology (IT) as a transformation enabler, making it an explicit priority in its strategic plan and investing hundreds of millions of dollars in initiatives to expand its systems environment and thereby improve its information analysis and sharing. However, FBI's longstanding approach to managing IT is not fully consistent with the structures and practices of leading organizations. A prime example of the consequences of not employing these structures and practices is the cost and schedule shortfalls being experienced on Trilogy, the centerpiece project to modernize infrastructure and case management applications. Recent FBI proposals, plans, and initiatives indicate that it understands its management challenges and is focused on addressing them.

Another key element of the FBI's transformation is the realignment of resources to better focus on the highest priorities—counterterrorism, counterintelligence and cyber investigations. The FBI resources allocated to priority areas continue to increase and now represent its single largest concentration of field agent resources—36 percent of its fiscal year 2004 field agent positions.

Mr. Chairman and Members of the Subcommittee: We are pleased to be here today to address this committee regarding GAO's work assessing the Federal Bureau of Investigation's (FBI) transformation efforts. As you are well aware, the September 11, 2001, terrorist attacks were the most destructive and costly terrorist events that this country has ever experienced. The event precipitated a shift in how the FBI uses its investigative resources to prevent future terrorist incidents and ultimately led to FBI's commitment to reorganize and transform itself. Today's testimony follows up on our June 2003 testimony before the House Appropriations Subcommittee on Commerce, Justice, State and the Judiciary and Related Agencies on the FBI's transformation efforts.[1]

It also draws on continuing work for the same subcommittee, the House Select Committee on Intelligence and several individual requestors.

We will discuss the FBI's: overall progress in transformation, efforts to update its strategic plan, development of a strategic human capital plan, information technology management capabilities, and realignment of staff resources to priority areas and the impact of the realignments on the FBI's drug and other criminal investigation programs.

In brief, we commend the FBI for its progress in its transformation efforts. We believe that commitment from the top, a dedicated implementation team, involvement of employees, and the development of strategic and human capital plans are

[1] See U.S. General Accounting Office, *FBI Reorganization: Progress Made in Efforts, but Major Challenges Continue*, GAO–03–759T (Washington, D.C.: June 18, 2003).

encouraging signs of FBI's reorganization progress. However, we want to note some activities that may enhance the value of future planning efforts, reiterate the importance of developing and tracking measures of progress toward achieving goals, discuss the history and future of IT efforts, and the shift in resources from the traditional crime areas to the new priority areas.

Our testimony today is based on interviews with management and program officials at FBI headquarters during the last 2 years. We also interviewed management personnel in FBI field offices;[2] and obtained input from special agents and analysts in FBI field offices last spring.[3] Additionally, to assess the progress that the FBI has made in its transformation efforts, we reviewed information from an October 2003 and March 2004 briefing that the FBI provided to GAO on its transformation efforts and FBI's recent strategic plan and strategic human capital plan. We compared these documents against GAO's leading practices in the areas of organizational mergers and transformations, strategic planning, and strategic human capital management.

We focused on assessing the FBI's strategic plan for key elements required by the Government Performance and Results Act of 1993 (GPRA).[4] GPRA provides a set of practices for developing a useful and informative strategic plan that can be applied to any level of the federal government to improve the quality and informative value of strategic plans to Congress, other key stakeholders, and the staff charged with achieving the agency's strategic goals. To make this assessment we used criteria we developed for assessing agency strategic plans under GPRA.[5] Our assessment is based on a review of the FBI's strategic plan with limited information about the process the FBI undertook to develop the plan. We acknowledge that the FBI may be addressing these elements in other ways.

We reviewed FBI's strategic plan to see how it addressed six key elements: mission statement, long-term goals and objectives, relationship between the long-term goals and annual performance goals, approaches or strategies to achieve the goals and objectives, key external factors that could affect achievement of goals, and use of program evaluation to establish or revise strategic goals.

Our analysis of the FBI's information technology (IT) management capabilities is based on our prior work on the FBI's enterprise architecture efforts and follow-up work to determine recent progress, information from the Justice Inspector General's work on evaluating the FBI's IT investment management process, and recent work on the organizational placement and authority of the FBI's Chief Information Officer (CIO). We also used our prior research of CIO management practices of successful organizations and our evaluations of large IT modernization efforts similar to the Trilogy program. Further, we conducted follow up work with the FBI's program management office to determine the cost and schedule overruns for Trilogy.

To address the effect of the FBI's resource realignments on drug and other traditional law enforcement efforts, we analyzed FBI budgetary, staffing, and caseload data and interviewed selected FBI, Drug Enforcement Administration (DEA), and local law enforcement officials.[6]

We performed our audit work in accordance with generally accepted government auditing standards.

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[2] We judgmentally selected field offices with the largest number of special agent positions to be reallocated either away from drug enforcement or to the counterterrorism program areas based on the FBI's May 2002 reallocation plans. As a result, we visited the FBI's Atlanta, Chicago, Dallas, Denver, Detroit, Los Angeles, Miami, Newark, New York City, Phoenix, Sacramento, San Antonio, San Francisco, and Washington field offices in 2003 and the Dallas, Miami, and Washington field offices in 2004.

[3] We obtained input from 176 special agents and 34 analysts. These FBI investigative resources were not randomly selected from all agents and analysts in the 14 offices we visited. In addition, we did not specifically choose the agents who completed our questionnaire. FBI field office managers selected agents and analysts to participate in our inquiry. Consequently, we consider the questionnaire and interview results to be indicators of the FBI's transformation efforts but they cannot be generalized to all agents and analysts in these offices or to the FBI nationwide.

[4] Pub. L. No. 103–62, 107 Stat. 285 (1993).

[5] U.S. General Accounting Office, *Agencies' Strategic Plans Under GPRA: Key Questions to Facilitate Congressional Review*, GAO/GGD–10.1.16 (Washington, D.C.: May 1, 1997). U.S. General Accounting Office, *Executive Guide: Effectively Implementing the Government Performance and Results Act*, GAO/GGD–96–118 (Washington, D.C.: June 1996).

[6] We interviewed officials from the National Sheriffs' Association, National Association of Chiefs of Police, International Association of Chiefs of Police, and local police agencies located in most of the cities in which we made FBI field office visits in 2003.

FBI Continues to Make Progress in its Transformation Efforts but Needs a Comprehensive Transformation Plan to Guide Its Efforts

In our June 2003 testimony on the FBI's reorganization before the House Appropriations Subcommittee on Commerce, Justice, State, the Judiciary and Related Agencies, we reported that the FBI had made progress in its efforts to transform the agency, but that some major challenges continued[7]. We also noted that any changes in the FBI must be part of, and consistent with, broader, government-wide transformation efforts that are taking place, especially those resulting from the establishment of the Department of Homeland Security and in connection with the intelligence community. We also noted that to effectively meet the challenges of the post-September 11, environment, the FBI needed to consider employing key practices that have consistently been found at the center of successful transformation efforts.[8] These key practices are to ensure that top leadership drives the transformation; establish a coherent mission and integrated strategic goals to guide the transformation; focus on a key set of principles and priorities at the outset of the transformation, set implementation goals and a time line to build momentum and show progress from day one; dedicate an implementation team to manage the transformation process; use the performance management system to define responsibility and ensure accountability for change; establish a communication strategy to create shared expectations and report related progress; involve employees to obtain their ideas and gain their ownership for the transformation; and build a world-class organization that continuously seeks to implement best practices in processes and systems in areas such as information technology, financial management, acquisition management, and human capital.

Today, we continue to be encouraged by the progress that the FBI has made in some areas as it continues its transformation efforts. Specifically worthy of recognition are the commitment of Director Mueller and senior-level leadership to the FBI's reorganization; the FBI's communication of priorities; the implementation of core reengineering processes to improve business practices and assist in the bureau's transformation efforts[9]; the dedication of an implementation team to manage the reengineering efforts; the development of a strategic plan and a human capital plan; the efforts to involve employees in the strategic planning and reengineering processes; and the FBI's efforts to realign its activities, processes, and resources to focus on a key set of principles and priorities.

While the FBI has embedded crosswalks and timelines in their various transformation plans that relate one plan to another, we still encourage the development of an overall transformation plan that will pull all of the pieces together in one document. This document can be both a management tool to guide all of the efforts, as well as a communication vehicle for staff to see and understand the goals of the FBI. It is important to establish and track intermediate and long-term transformation goals and establish a timeline to pinpoint performance shortfalls and gaps and suggest midcourse corrections. By demonstrating progress towards these goals, the organization builds momentum and demonstrates that real progress is being made. We will continue to review this issue.

FBI Has Developed a Strategic Plan with a Mission, Strategic Goals, and Approaches That Reflect Its New Priorities

When we last testified in June 2003, the FBI was in the process of compiling the building blocks of a strategic plan. At that time it was anticipated that the plan would be completed by the start of fiscal year 2004. Although delayed by about 5 months, the FBI has since completed its strategic plan.[10] FBI officials indicated that the implementation of two staff reprogrammings and delays in the appropriation of its fiscal year 2003 and fiscal year 2004 budget, as well as initiatives undertaken to protect the homeland during the war in Iraq, delayed the completion of the strategic plan.

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[7] U.S. General Accounting Office, *FBI Reorganization: Progress Made in Efforts to Transform, but Major Challenges Continue* GAO–03–759T (Washington, D.C.: June 18, 2003).

[8] For more information, see U.S. General Accounting Office, *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformation* GAO–03–669 (Washington, D.C.: July 2, 2003).

[9] The FBI has core-reengineering processes under way in the following areas: (1) strategic planning and execution, (2) capital (human and equipment), (3) information management, (4) investigative programs, (5) intelligence, and (6) security management. There are about 40 business process-reengineering initiatives under these six core areas. Appendix I outlines the various initiatives under each core area.

[10] Strategic planning is one of about 40 ongoing reengineering projects the FBI has undertaken to address issues related to its transformation efforts.

Overall we found the plan has some important strengths as well as some areas in which improvements could be made. The strategic plan includes key elements of successful strategic plans, including a comprehensive mission statement; results-oriented, long-term goals and objectives; and approaches to achieve the goals and objectives. The FBI plan presents 10 strategic goals that appear to cover the FBI's major functions and operations, are related to the mission, and generally articulate the results in terms of outcomes the FBI seeks to achieve. For example, one of the plan's strategic goals is "protect the United States from terrorist attack;" another goal is "reduce the level of significant violent crime." The plan also lists strategic objectives and performance goals for each long-term strategic goal. However, the performance goals do not appear to be outcomes against which the FBI will measure progress; rather they appear to describe approaches or be key efforts that FBI will undertake to achieve its long-term strategic goals and objectives.

Importantly, the plan acknowledges that the FBI faces competing priorities and clearly articulates its top 10 priorities, in order of priority. The strategic plan also frequently discusses the role partnerships with other law enforcement, intelligence, and homeland security agencies will play in achieving the plan's goals. The plan discusses the FBI's approach to building on its internal capacity to accomplish its mission-critical goals by improving management of human capital, information technology, and other investigative tools. The plan also discusses the external factors, such as global and domestic demographic changes and the communications revolution, which have driven the development of its strategic goals.

Strategic Plan Could Be Improved by Discussing Other Key Elements

Although the FBI has addressed several key elements in its strategic plan, the plan needs more information on other elements of strategic planning that we have identified as significant to successful achievement of an organization's mission and goals. FBI officials indicated that some of these elements are available in other documents and were not included in the plan for specific reasons. As the FBI moves forward with its new strategic planning and execution process, it should consider addressing in its strategic plan the following key elements:

Involving Key Stakeholders.—As we have previously testified, any changes at the FBI must be part of, and consistent with, broader governmentwide transformation efforts that are taking place, especially those resulting from the establishment of the Department of Homeland Security and in connection with changes in the intelligence community. Successful organizations we studied based their strategic planning, to a large extent, on the interests and expectations of their stakeholders. Federal agency stakeholders include Congress and the administration, other federal agencies, state and local governments, third-party service providers, interest groups, agency employees, and, of course, the American public. Involving customers served by the organization—such as the users of the FBI's intelligence—is important as well. The FBI strategic plan does not describe which stakeholders or customers, were involved or consulted during the plan's development or the nature of their involvement. Such information would be useful to understanding the quality of the planning process FBI has undertaken and the extent to which it reflect the views of key stakeholders and customers. Consultation provides an important check for an organization that they are working toward the right goals and using reasonable approaches to achieve them.

Relationship between Strategic and Annual Goals.—Under GPRA, agencies' long-term strategic goals are to be linked to their annual performance plans and the day-to-day activities of their managers and staff. OMB guidance states that a strategic plan should briefly outline (1) the type, nature, and scope of the performance goals being included in annual performance plans and (2) how these annual performance goals relate to the long-term, general goals and their use in helping determine the achievement of the general goals. Without this linkage, it may not be possible to determine whether an agency has a clear sense of how it will assess the progress made toward achieving its intended results.

It is not clear from the plan how the FBI intends to measure its progress in achieving the long-term strategic goals and objectives because the plan's strategic objectives and performance goals are not phrased as performance measures and the plan does not describe or make reference to another document that contains annual performance measures. The plan also lacks a discussion of the systems FBI will have in place to produce reliable performance and cost data needed to set goals, evaluate results, and improve performance. According to an FBI official and documents the FBI provided, the FBI has developed "performance metrics" for each of its strategic goals.

External and Internal Factors that Could Affect Goal Achievement.—While the plan clearly communicates how its forecast of external drivers helped to shape the

FBI's strategy, the plan does not discuss the external and internal factors that might interfere with its ability to accomplish its goals. External factors could include economic, demographic, social, technological, or environmental factors. Internal factors could include the culture of the agency, its management practices, and its business processes. The identification of such factors would allow FBI to communicate actions it has planned that could reduce or ameliorate the potential impact of the external factors. Furthermore, the plan could also include a discussion of the FBI's plans to address internal factors within its control that could affect achievement of strategic goals. The approach the FBI plans to take to track its success in achieving change within the agency should be an integral part of FBI's strategy. A clear and well-supported discussion of the external and internal factors that could affect performance could provide a basis for proposing legislative or budgetary changes that the FBI may need to accomplish the FBI's goals.

Role of Program Evaluation in Assessing Achievement of Goals and Effectiveness of Strategies.—Program evaluations can be a potentially critical source of information for Congress and others in ensuring the validity and reasonableness of goals and strategies, as well as for identifying factors likely to affect performance. Program evaluations typically assess the results, impact, or effects of a program or policy, but can also assess the implementation and results of programs, operating policies, and practices. The FBI's strategic plan does not explicitly discuss the role evaluation played in the development of its strategic plan or its plans for future evaluations (including scope, key issues, and time frame), as intended by GPRA. The FBI has redesigned its program evaluation process and updated the performance metric for each program. This information could have been, but was not included in the strategic plan. As discussed elsewhere in this testimony, the FBI has a series of reengineering efforts under way that relate to six core processes they are seeking to transform. A discussion of how these reengineering efforts relate to and support the achievement of the FBI's strategic goals would be a useful addition to the FBI's strategic plan.

We believe that an organization's strategic plan is a critical communication tool and the credibility of the plan can be enhanced by discussing, even at a summary level, the approach the organization took in addressing these elements.

FBI Has Involved Employees in the Strategic Planning Process and Communicated its Priorities

As noted earlier, employee involvement in strategic planning, and transformation in general, is a key practice of a successful agency as it transforms. FBI executive management seems to have recognized this. Field office managers and field staff we spoke with last year generally reported being afforded the opportunity to provide input. For example, field management in the 14 field offices we visited in 2003 reported that they had been afforded opportunities to provide input into the FBI's strategic planning process. In addition, 68 percent of the special agents and 24 of the 34 analysts who completed our questionnaire in 2003 reported that they had been afforded the opportunity to provide input to FBI management regarding FBI strategies, goals, and priorities by, among others, participating in focus groups or meetings and assisting in the development of the field offices' annual reports. FBI managers in the field offices we visited and 87 percent of the special agents and 31 of the 34 analysts who completed our questionnaire indicated that FBI management had kept them informed of the FBI's progress in revising its strategic plan to reflect changed priorities.

FBI management also seems to have been effective in communicating the agency's top three priorities (i.e., counterterrorism, counterintelligence, and cyber crime investigations) to the staff. In addition to the awareness of management staff in FBI headquarters and field offices, nearly all of the special agents and all of the analysts who answered our questionnaire indicated that FBI executive management (i.e., Director Mueller and Deputy Director Gebhardt) had communicated the FBI's priorities to their field offices. Management and most of the agents we interviewed in the field were aware of the FBI's top three priorities.[11] Further, over 90 percent of special agents and 28 of the 34 analysts who completed our questionnaire generally or strongly agreed that their field office had made progress in realigning its goals to be consistent with the FBI's transformation efforts and new priorities.

[11] Over 80 percent of the special agents and 24 of the 34 analysts who completed our questionnaire in 2003 ranked counterterrorism, counterintelligence, and cyber crime investigations as the FBI's first, second, and third priorities, respectively.

FBI Has Developed a Strategic Human Capital Plan

In prior testimony, we highlighted the importance of the development of a strategic human capital plan to the FBI's transformation efforts, noting that strategic human capital management is the centerpiece of any management initiative, including any agency transformation effort. We noted that a strategic human capital plan should flow from the strategic plan and guide an agency to align its workforce needs, goals, and objectives with its mission-critical functions. We also noted that human capital planning should include both integrating human capital approaches in the development of the organizational plans and aligning the human capital programs with the program goals. In a September 2003 letter to the FBI director, we specifically recommended that the FBI: (1) hire a human capital officer to guide the development of a strategic human capital plan and the implementation of long-term strategic human capital initiatives and (2) replace its current pass/fail performance management system with one that makes meaningful distinctions in employee performance.

Although the FBI has not yet hired a human capital officer, it has developed a strategic human capital plan. This plan contains many of the principles that we have laid out for an effective human capital system.[12] For example, it highlights the need for the FBI to fill identified skill gaps, in such areas as language specialists and intelligence analysts, by using various personnel flexibilities including recruiting and retention bonuses.[13] Concerning the hiring of a human capital officer, the FBI has efforts under way to recruit and hire a qualified candidate.

The FBI said that it recognizes the need to review and revise its performance management system to be in line with its strategic plan, including desired outcomes, core values, critical individual competencies, and agency transformation objectives. It also recognizes that it needs to ensure that unit and individual performance are linked to organizational goals. A key initiative that has been undertaken by the FBI in this regard is the planning of a system for the Senior Executive Service that is based on, and distinguishes, performance. We have not reviewed the Senior Executive performance management system, but it should include expectations to lead and facilitate change and to collaborate both within and across organizational boundaries are critical elements as agencies transform themselves.[14] As yet, the performance management system for the bulk of FBI personnel remains inadequate to identify meaningful distinctions in performance. The FBI's human capital plan indicates that the FBI is moving in the direction of addressing this need, and we are encouraged by this.

Clearly, the development of a strategic human capital plan is a positive step in this direction. However, the FBI, like other organizations, will face challenges as it implements its human capital plan. As we have noted before, when implementing new human capital authorities, how it is done, when it is done, and the basis on which it is done can make all the difference in whether such efforts are successful.

Effective Information Technology Management Is Critical to the FBI's Ability to Successfully Transform

Information technology can be a valuable tool in helping organizations transform and better achieve mission goals and objectives. Our research of leading private and public sector organizations, as well as our past work at federal departments and agencies, shows that successful organizations' executives have embraced the central role of IT as an enabler for enterprise-wide transformation.[15] As such they adopt a corporate, or agencywide, approach to managing IT under the leadership and control of a senior executive—commonly called a chief information officer (CIO)—who operates as a full partner with the organizational leadership team in charting the strategic direction and making informed IT investment decisions.

In addition to adopting centralized leadership, these leading organizations also develop and implement institutional or agencywide IT management controls aimed at leveraging the vast potential of technology in achieving mission outcomes. These include using a systems modernization blueprint, commonly referred to as an enter-

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[12] U.S. General Accounting Office *A Model of Strategic Human Capital Management*, GAO–02–373SP, Washington, D.C.: (March 2002).

[13] U.S. General Accounting Office *Human Capital: Effective Use of Flexibilities Can Assist Agencies in Managing Their Workforces*, GAO–03–2, Washington, D.C.: (Dec. 6, 2002).

[14] U.S. General Accounting Office, *Results-Oriented Cultures: Using Balanced Expectations to Manage Senior Executive Performance*, GAO–02–966 (Washington, D.C.: Sept. 27, 2002).

[15] U.S. General Accounting Office, *Maximizing the Success of Chief Information Officers: Learning from Leading Organizations*, GAO–01–376G (Washington, D.C.: February 2001) and U.S. General Accounting Office, Architect of the Capitol: *Management and Accountability Framework Needed for Organizational Transformation*, GAO–03–231 (Washington, D.C.: January 2003).

prise architecture,[16] to guide and constrain system investments and using a portfolio-based approach to IT investment decision making. We have also observed that without these controls, organizations increase the risk that system modernization projects (1) will experience cost, schedule, and performance shortfalls; (2) will not reduce system redundancy and overlap; and (3) will not increase interoperability and effective information sharing.

FBI currently relies extensively on the use of IT to execute its mission responsibilities, and this reliance is expected to grow. For example, it develops and maintains computerized systems, such as the Combined DNA (deoxyribonucleic acid) Index System to support forensic examinations, the Digital Collection System to electronically collect information on known and suspected terrorists and criminals, and the National Crime Information Center and the Integrated Automated Fingerprint Identification System to identify criminals. It is also in the midst of a number of initiatives aimed at (1) extending data storage and retrieval systems to improve information sharing across organizational components and (2) expanding its IT infrastructure to support new software applications. According to FBI estimates, the bureau manages hundreds of systems and associated networks and databases at an average annual cost of about $800 million. In addition, the bureau plans to invest about $255 million and $286 million in fiscal years 2004 and 2005, respectively, in IT services and systems, such as the Trilogy project. Trilogy is the bureau's centerpiece project to (1) replace its system infrastructure (e.g., wide area network) and (2) consolidate and modernize key investigative case management applications. The goals of Trilogy include speeding the transmission of data, linking multiple databases for quick searching, and improving operational efficiency by replacing paper with electronic files.

The FBI Director recognizes the importance of IT to transformation, and as such has made it one of the bureau's top 10 priorities.[17] Consistent with this, the FBI's strategic plan contains explicit IT-related strategic goals, objectives, and initiatives (near-term and long-term) to support the collection, analysis, processing, and dissemination of information. Further, the FBI's newly appointed CIO understands the bureau's longstanding IT management challenges and is in the process of defining plans and proposals to effectively execute the FBI's strategic IT initiatives. Nevertheless, the bureau's longstanding approach to managing IT is not fully consistent with leading practices, as has been previously reported by us and others. The effect of this, for example, can be seen in the cost and schedule shortfalls being experienced on Trilogy.

FBI Has Not Had Sustained IT Management Leadership with Bureauwide Authority

Our research of private and public sector organizations that effectively manage IT shows that they have adopted an agencywide approach to managing IT under the sustained leadership of a CIO or comparable senior executive who has the responsibility and the authority for managing IT across the agency.[18] According to the research, these executives function as members of the leadership team and are instrumental in developing a shared vision for the role of IT in achieving major improvements in business processes and operations to effectively optimize mission performance. In this capacity, leading organizations also provide these individuals with the authority they need to carry out their diverse responsibilities by providing budget management control and oversight of IT programs and initiatives.

Over the last several years, the FBI has not sustained IT management leadership. Specifically, the bureau's key leadership and management positions, including the CIO, have experienced frequent turnover. For instance, the CIO has changed five times in the past 24 months. The current CIO, who is also the CIO at the Department of Justice's Executive Office of the U.S. Attorneys (EOUSA), is temporarily detailed to the FBI for 6 months and is serving in an acting capacity while also retaining selected duties at EOUSA. In addition, the IT official responsible for developing the bureau's enterprise architecture, the chief architect, has changed five times in the past 16 months. As a result, development and implementation of key management controls, such as enterprise architecture, have not benefited from sustained

[16] An architecture is a set of descriptive models (e.g., diagrams and tables) that define, in business terms and in technology terms, how an organization operates today, how it intends to operate in the future, and how it intends to invest in technology to transition from today's operational environment to tomorrow's.

[17] For example, see Federal Bureau of Investigation, Statement of Robert S. Mueller, III, Federal Bureau of Investigation before the Subcommittee for the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies, Committee on Appropriations, House of Representatives, (Washington, D.C.: June 2002).

[18] For example, see GAO–03–231 and GAO–01–376G.

management attention and leadership and thus have lagged, as described in sections below.

In addition, the FBI has not provided its CIO with bureauwide IT management authority and responsibility. Rather, the authority and responsibility for managing IT is diffused across and vested in the bureau's divisions. As our research and work at other agencies has shown, managing IT in this manner results in disparate, stove-piped environments that are unnecessarily expensive to operate and maintain. In the FBI's case, it resulted, as reported by Justice's Inspector General in December 2002,[19] in 234 nonintegrated applications, residing on 187 different servers, each of which had its own unique databases, unable to share information with other applications or with other government agencies. According to the acting CIO, the FBI is considering merging bureauwide authority and responsibility for IT in the CIO's office with the goal of having this in place in time to formulate the bureau's fiscal year 2006 budget request. In our view, this proposal, if properly defined and implemented, is a good step toward implementing the practices of leading organizations. However, until it is implemented, we remain concerned that the bureau will not be positioned to effectively leverage IT as an bureauwide resource.

FBI Does Not Have an Enterprise Architecture but Is Taking Steps to Develop One

As discussed in our framework for assessing and improving enterprise architecture management,[20] an architecture is an essential tool for effectively and efficiently engineering business operations (e.g., processes, work locations, and information needs and flows) and defining, implementing, and evolving IT systems in a way that best supports these operations. It provides systematically derived and captured structural descriptions—in useful models, diagrams, tables, and narrative—of how a given entity operates today and how it plans to operate in the future, and it includes a road map for transitioning from today to tomorrow. Managed properly, an enterprise architecture can clarify and help optimize the interdependencies and interrelationships among a given entity's business operations and the underlying systems and technical infrastructure that support these operations; it can also help share information among units within an organization and between the organization and external partners. Our experience with federal agencies has shown that attempting to modernize systems without having an enterprise architecture often results in systems that are duplicative, not well integrated, unnecessarily costly to maintain, and limited in terms of optimizing mission performance.[21]

We reported in September 2003, that the FBI did not have an enterprise architecture to guide and constrain its ongoing and planned IT investments.[22] We also reported that the necessary management structures and processes—the management foundation, if you will—to develop, maintain, or implement an architecture were not in place. At the time, the bureau was beginning to build this foundation. For instance, the bureau had designated a chief architect, established an architecture governance board as its steering committee, and chosen a framework to guide its architecture development. However, it had yet to complete critical activities such as ensuring that business partners are represented on the architecture governance board, establishing a formal program office, adopting an architecture development methodology, and defining plans for developing its architecture. Further, it had not addressed other important activities, including developing written and approved architecture policy and integrating architectural alignment, into its IT investment management process. FBI officials told us then that the architecture was not a top priority and it had not received adequate resources and management attention. Consequently, we recommended, among other things, that the FBI director immediately

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[19] U.S. Department of Justice, Office of the Inspector General, *Federal Bureau of Investigation's Management of Information Technology Investments*, Report 03–09 (Washington, D.C.: December 2002).

[20] U.S. General Accounting Office, *Information Technology: A Framework for Assessing and Improving Enterprise Architecture Management (Version 1.1)*, GAO–03–584G (Washington, DC: April 2003).

[21] See for example, U.S. General Accounting Office, *DOD Business Systems Modernization: Improvements to Enterprise Architecture Development and Implementation Efforts Needed*, GAO–03–458, (Washington, D.C.: February 2003); *Information Technology: DLA Should Strengthen Business Systems Modernization Architecture and Investment Activities*, GAO–01–631 (Washington, D.C.: June 2001); and *Information Technology: INS Needs to Better Manage the Development of Its Enterprise Architecture*, GAO/AIMD–00–212 (Washington, D.C.: August 2000).

[22] U.S. General Accounting Office, *Information Technology: FBI Needs an Enterprise Architecture to Guide Its Modernization Activities*, GAO–03–959 (Washington, D.C.: September 2003) and U.S. General Accounting Office, *Federal Bureau of Investigation's Comments on Recent GAO Report on its Enterprise Architecture Efforts*, GAO–04–190R (Washington, D.C.: November 2003).

designate development, maintenance, and implementation of an enterprise architecture as a bureau priority and manage it as such.

Since our report, the FBI has made architecture development an explicit imperative in its strategic plan, and it has made progress toward establishing an effective architecture program. For instance, the FBI director issued a requirement that all divisions identify a point of contact that can authoritatively represent their division in the development of the architecture. In addition, a project management plan has been drafted that identifies roles and responsibilities and delineates plans and a set of actions to develop the architecture. The FBI is also in the process of hiring a contractor to help develop the architecture. Current plans call for an initial version of the architecture in June 2004. However, until the enterprise architecture is developed, the FBI will continue to manage IT without a bureauwide, authoritative frame of reference to guide and constrain its continuing and substantial IT investments, putting at risk its ability to implement modernized systems in a way that minimizes overlap and duplication and maximizes integration and mission support.

FBI Is Working to Establish Control over IT Resources and Investments

Federal IT management law provides an important framework for effective investment management. It requires federal agencies to focus more on the results they have achieved through IT investments, while concurrently improving their acquisition processes. It also introduces more rigor and structure into how agencies are to select and manage IT projects. In May 2000, GAO issued[23] a framework that encompasses IT investment management best practices based on our research at successful private and public sector organizations. This framework identifies processes that are critical for successful IT investment, such as tracking IT assets, identifying business needs for projects, selecting among competing project proposals using explicit investment criteria, and overseeing projects to ensure that commitments are met.

Using GAO's framework, the Inspector General evaluated the FBI's IT investment management process in 2002, including a case study of Trilogy, and concluded that the process at that time was immature and had hindered the bureau's ability to effectively manage IT.[24] Specifically, the Inspector General reported that the bureau lacked a basic investment management foundation. For instance, the bureau did not have fully functioning investment boards that were engaged in all phases of investment management. In addition, the bureau had not yet developed an IT asset inventory, the first step in tracking and controlling investments and assets. In a January 2004 follow-on report,[25] the Inspector General credited the bureau with developing a plan to implement the recommendations and assigning responsibility to the Project Management Office to execute it, but noted that the office had not been granted authority to carry out this task. Project Management Office officials stated that as of February 24, 2004, they had not yet been provided such authority. According to the acting CIO, the FBI is currently in the process of hiring a contractor to assist with implementing all IT investment management processes bureauwide, including addressing remaining Inspector General recommendations. Until these steps are completed and mature investment processes are in place, the FBI will remain challenged in its ability to effectively minimize risks and maximize the returns of investments, including ensuring projects do not experience cost, schedule, and performance shortfalls.

Until Effective IT Leadership and Management Controls are Implemented, Projects Remain at Risk

As discussed in the previous sections, the FBI has efforts proposed, planned and under way that, once implemented, are intended to establish an IT leadership and management controls framework that is consistent with those used by leading organizations. Until this is accomplished, however, the bureau will largely be relying on the same management structures and practices that it used in the past and that produced its current IT environment and associated challenges. As previously stated, these practices increase the risk that system modernization projects will not deliver promised capabilities on time and within budget. A prime example is Trilogy,

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[23] U.S. General Accounting Office, *Information Technology Investment Management: A Framework for Assessing and Improving Process Maturity, Exposure Draft*, GAO/AIMD–10.1.23 (Washington, D.C.: May 2000). In March 2004, GAO updated this version: U.S. General Accounting Office, *Information Technology Investment Management: A Framework for Assessing and Improving Process Maturity, Version 1.1*, GAO–04–394G (Washington, D.C.: March 2004).

[24] Department of the Justice, Office of the Inspector General Report 03–09.

[25] U.S. Department of Justice Office of the Inspector General, *Action Required on the Federal Bureau of Investigation's Management of Information Technology Investments, Audit Report Number 03–09*, (Washington, D.C.: January 2004).

the FBI's ongoing effort to, among other things, modernize its systems infrastructure and investigate case management applications. It consists of three components:

—Transportation Network Component, which is communications network infrastructure (e.g., local area networks and wide area networks, authorization security, and encryption of data transmissions and storage),

—Information Presentation Component, which is primarily desktop hardware and software (e.g., scanners, printers, electronic mail, web browser), and

—User Applications Component, which includes the investigative case management applications[26]) that are being consolidated and modernized. This component is commonly referred to as the Virtual Case File, which when completed, is to allow agents to have multimedia capability that will enable them to among other things scan documents and photos into electronic case files and share the files with other agents electronically.

To date, the FBI's management of Trilogy has resulted in multiple cost overruns and schedule delays. The table below details the cost and schedule shortfalls for each of the three components that comprise Trilogy. In summary, the FBI established its original project commitments in November 2000 but revised them in January 2002 after receiving additional funding ($78 million) to accelerate the project's completion. About this time, the FBI also revised the Trilogy design to introduce more functionality and capability than original planned. Based on the January 2002 commitments, the first two components of Trilogy were to be completed in July 2002, and the third was to be completed in December 2003. However, the project's components have collectively experienced cost overruns and schedule delays totaling about $120 million and at least 21 months, respectively.

[26] According to the FBI, the existing applications are Integrated Intelligence Information Application (a database of over 20 million records supporting collection, analysis and dissemination of intelligence for national security and counterterrorism investigations); Criminal Law Enforcement Application (a repository for storing, searching, and linking investigative data about people, organizations, locations, vehicles, and communications); Telephone Application (FBI's central repository supporting collection, analysis, correlation and processing of telephone records for investigations); and Automated Case Support (a suite of integrated applications for managing, storing and searching information and documents for FBI investigations and administrative cases).

TABLE 1.—TRILOGY COST AND SCHEDULE SHORTFALLS BY COMPONENT

Trilogy Component	November 2000 commitments (date/funding in millions)	January 2002 commitments (date/funding in millions)	Variance between November 2000 and January 2002 commitments (schedule in months/funding in millions)	March 2004 commitments (date/funding in millions)	Variance between January 2002 and March 2004 commitments (schedule in months/funding in millions)
Transportation Network Component	[1] 5/04	[1] 7/02	[2] (22 months)	Completed 3/03	8 months
	[1] $238.6	[1] $288.1	$49.5	$0.0	.....
Information Presentation Component	[1] 5/04	[1] 7/02	[2] (22 months)	4/04	21 months
	[1] $238.6	[1] $288.1	$49.5	$339.8	$51.7
User Applications Component	6/04	12/03	[2] (6 months)	[3] 6/04	6 months
	$119.2	$139.7	$20.5	[3] $170.0	$30.3
Project management and other funding	$22.0	$30.0	$8.0	$71.3	$41.3
Total funding	$379.8	$457.8	$78.0	$581.1	$123.3

[1] Commitment date and funding amount is for both Transportation Network Component and Information Presentation Component.
[2] Months the schedule commitment was accelerated.
[3] According to a key Trilogy project official, new schedule and cost commitments are being developed for the User Applications Component.

Source: GAO based on FBI data.

These Trilogy shortfalls in meeting cost and schedule commitments can be in part attributed to the absence of the kind of IT management controls discussed earlier. Specifically, in its study of the FBI's investment management processes which included a case study of Trilogy, the Inspector General cited the lack of an enterprise architecture and mature IT investment management processes as the cause for missed Trilogy milestones and uncertainties associated with the remaining portions of the project. In our view, a major challenge for FBI going forward will be to effectively manage the risks associated with developing and acquiring Trilogy and other system modernization priorities discussed in its strategic plan, while the bureau is completing and implementing its enterprise architecture and other IT-related controls and is adopting a more centralized approach to IT management leadership.

FBI Continues to Realign Staff Resources to Address Counterterrorism Related Priorities

As we pointed out in our June 2003 testimony and our follow-up letter to the FBI in September 2003, a key element of the FBI's reorganization and successful transformation is the realignment of resources to better ensure focus on the highest priorities. Since September 11, the FBI has permanently realigned a substantial number of its field agents from traditional criminal investigative programs to work on counterterrorism and counterintelligence investigations. Additionally, the bureau has had a continuing need to temporarily redirect special agent and staff resources from other criminal investigative programs to address higher-priority needs. Thus, staff continue to be redirected from other programs such as drug, white collar, and violent crime to address the counterterrorism-related workload demands. The result of this redirection is fewer investigations in these traditional crime areas.

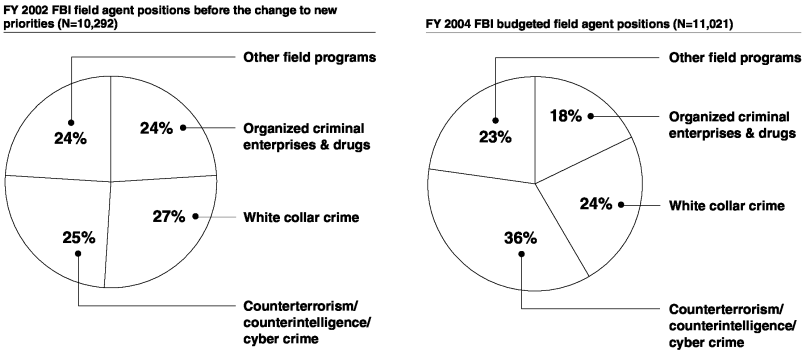
We want to make clear that we in no way intend to fault the FBI for the reassignment of agents from drug enforcement, violent crime, and white collar crime to higher-priority areas. Indeed, these moves are directly in line with the agency's priorities and in keeping with the paramount need to prevent terrorism.[27] In 2002, the FBI Director announced that in keeping with its new priorities, the agency would move over 500 field agent positions from its drug, violent crime, and white collar crime programs to counterterrorism. The FBI has transferred even more agent positions than it originally announced and has augmented those agents with short-term reassignment of additional field agents from drug and other law enforcement areas to work on counterterrorism.[28] As figure 1 shows, about 25 percent of the FBI's field agent positions were allocated to counterterrorism, counterintelligence, and cyber crime programs in prior to the FBI's change in priorities. Since that time, as a result of the staff reprogrammings[29] and funding for additional special agent positions received through various appropriations, the FBI staffing levels allocated to the counterterrorism, counterintelligence, and cyber program areas have increased to about 36 percent and now represent the single largest concentration of FBI resources and the biggest decrease is in organized crime and drugs.

[27] We currently have work under way for the House Appropriations Subcommittee to assess the impact of the FBI's realignment of resources away from drug and other traditional criminal programs, including an assessment of changes in price, purity, and use of illegal drugs. We expect to report out on this effort later in the year.

[28] The FBI later in fiscal year 2003 initiated another reprogramming to permanently reallocate about an additional 160 agent positions from its drug program to one of the priority areas.

[29] The FBI has the authority to reprogram funds (i.e., move funds between activities within a given account) without notifying the relevant Appropriations Committees unless a specific purpose is prohibited or the amount of the reprogramming exceeds a dollar threshold ($500,000 or a 10-percent change in funding level, whichever is less). Any other reprogramming action requires notification of the relevant Appropriations Committee 15 days in advance of the reprogramming.

Figure 1: Increase in Allocation of FBI Field Agent Positions to Priority Areas[30]



Source: FBI.

[30] These percentages differ from those reported in our June 18, 2003 testimony (GAO–03759T), which were limited to direct funded field agent positions.

The FBI's staff reprogramming plans, carried out since September 11, have now permanently shifted 674 field agent positions[31] from the drug, white collar crime, and violent crime program areas to counterterrorism and counterintelligence. In addition, the FBI established the Cyber program, which consolidated existing cyber resources.

Despite the reprogramming of agent positions in fiscal year 2003 and the additional agent positions received through various supplemental appropriations since September 11, agents from other program areas continue to be temporarily redirected to work on leads in the priority areas, including counterterrorism-related leads.[32] This demonstrates a commitment on the part of the FBI to staff priority areas.

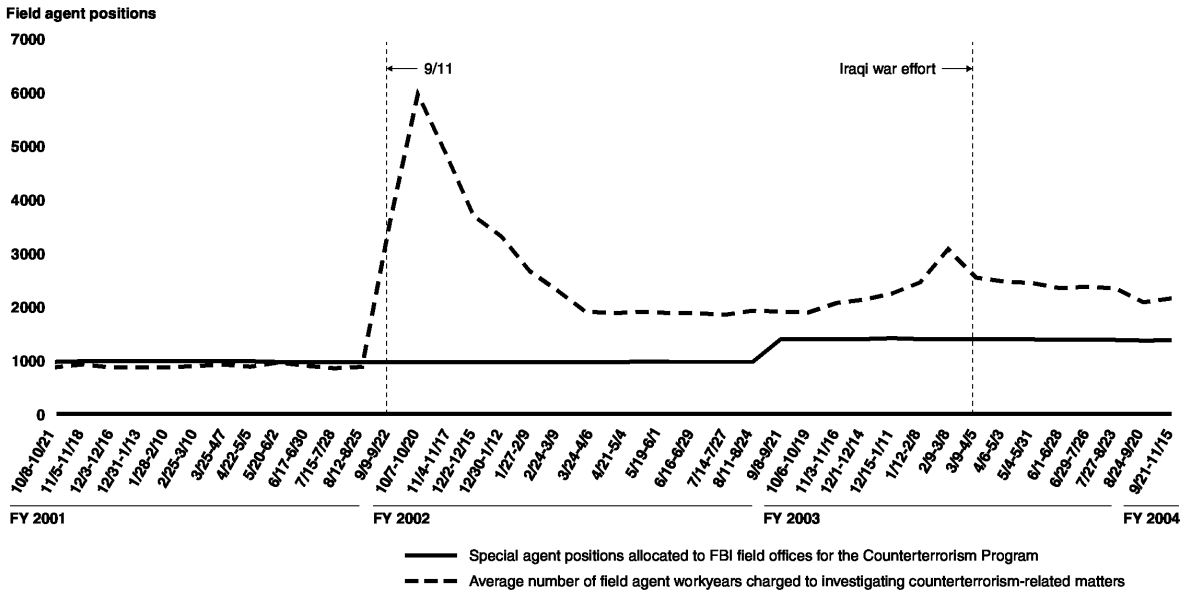
As figure 2 shows, the average number of field agent workyears charged to investigating counterterrorism-related matters has continually outpaced the number of agent positions allocated to field offices for counterterrorism since September 11.[33] The FBI's current policy is that no counterterrorism leads will go unaddressed even if addressing them requires a diversion of resources from other criminal investigative programs such as the drug, violent, and white collar crime.

[31] The figure of 674 positions excludes 11 supervisory positions that were returned to the drug program.

[32] The FBI has certain managerial flexibilities to temporarily redirect staff resources to address critical needs and threats.

[33] A workyear represents the full-time employment of one worker for 1 year. For this statement, a matter is an allegation that is being or has been investigated by the FBI.

Figure 2: Comparative Analyses of FBI Field Agent Non-Supervisory Positions Allocated and Agent Workyears Charged to Counterterrorism Matters



Source: GAO analysis of FBI TURK data.

Note: The Time Utilization and Recordkeeping (TURK) system is used by the FBI to record the proportion of time spent by field agents on various types of investigative matters such as organized crime, white-collar crime, and counterterrorism. The FBI uses the TURK system to track and project the use of field resources. Data derived from the TURK system are only as valid as the information reported by FBI field agents.

As we previously reported, as the FBI gains more experience and continues assessing risk in a post-September 11 environment, it should gain more expertise in deciding which matters warrant additional investigation or investment of investigative resources. However, until the FBI develops a mechanism to systematically analyze the nature of leads and their output, the FBI will have to continue its substantial investment of resources on counterterrorism-related matters to err on the side of safety. We are not intending to imply that, even with more information from past experience, that all leads should not be investigated, but more analytical information about leads could help prioritize them.

Neither the FBI nor we were in a position to determine the right amount of staff resources needed to address the priority areas. However, the body of information that might help to make these determinations is growing. Since the September 11 attacks, the FBI has updated its counterterrorism threat assessment and has gained additional experience in staffing priority work. This development, along with an analysis of the nature of all leads (those that turn out to be significant and those that do not) and the output from them, could put the bureau in a better position to assess the actual levels of staff resources that the agency needs in counterterrorism, counterintelligence, and cyber programs. Of course, any new terrorist incidents would again, upset the balance and require additional staff in the priority areas.

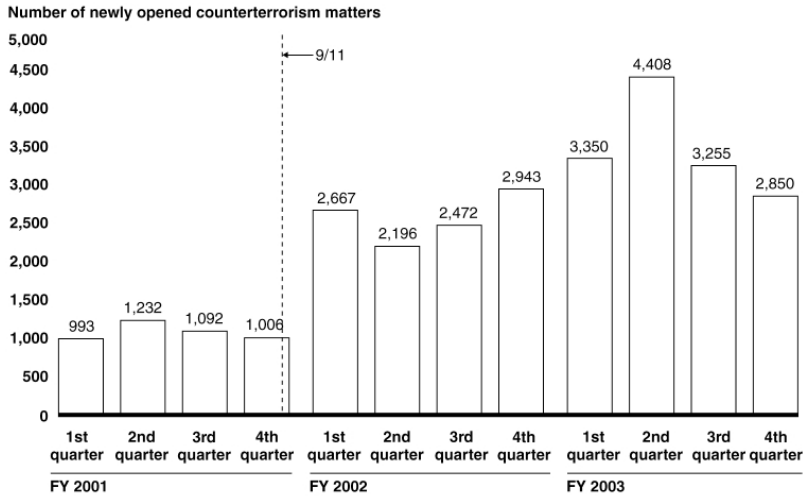
An FBI counterterrorism manager we spoke with during a recent field office visit said that to develop a system to determine which terrorist leads to pursue and which ones to not pursue would be a complex task. He noted that in the past there would have been some citizen contacts that the FBI may not have generally pursued, but said that now any lead, regardless of its nature, is followed up. He observed that following up on some of these leads have resulted in the arrests and convictions of terrorists. For example, the FBI manager recounted a telephone lead from a tour boat operator who reported concerns about a passenger who was taking photographs of bridges and asking unusual questions about infrastructure. That lead started an investigation that led to the arrest of, and criminal charges against, the suspect, who was alleged to be plotting a terrorist attack.

According to FBI officials, information from leads is collected in a database that can be searched in a number of ways to help in investigations. To the extent that more systematic and sophisticated analysis routines can be developed and applied to these data (or any expansions of this data set) the FBI may be able to develop richer information about the relative risk of leads. This information could help prioritize work and manage scarce resources. While we agree with the FBI counterterrorism manager we cited above who labeled this a complex task, the potential value of the output, given that resources are always limited, seems worth the investment.

Counterterrorism Matters Have Continued to Increase

The level of effort in counterterrorism is further reflected in the number of counterterrorism matters that have been opened following September 11. As figure 3 shows, the number of newly opened counterterrorism matters has remained significantly above the pre-September 11 levels, peaking in the second quarter of fiscal year 2003 and dropping somewhat in the most recent quarters.

Figure 3: Number of Counterterrorism Matters Newly Opened, Fiscal Year 2001 through Fiscal Year 2003



Source: GAO analysis of FBI data.

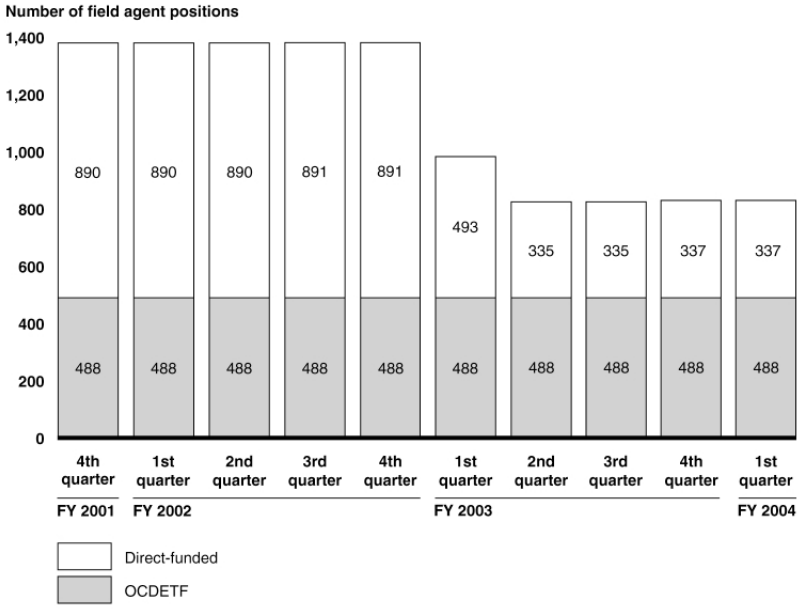
Reallocation of FBI Resources Has Affected the FBI's Drug Enforcement and Other Traditional Law Enforcement Efforts

Use of field agent staff resources in other traditional criminal investigative programs (such as drug enforcement, violent crime, and white collar crime) has continuously dropped below allocated levels as agents from these programs have been temporarily reassigned to work on counterterrorism-related matters. As would be expected, the number of newly opened drug, violent crime, and white collar crime cases has fallen in relation to the decline in the number of field agent positions allocated or assigned to work on these programs.

The change in priorities and the accompanying shift in investigative resources have affected the FBI's drug program the most. Nearly half of the FBI field agent drug positions have been permanently reallocated to priority program areas. Since September 11, about 40 percent of the positions allocated to FBI field offices' drug program have been reallocated to counterterrorism and counterintelligence priority areas. As figure 4 shows, just prior to September 11, about two-thirds (or 890) of the 1,378 special agent positions allocated to FBI field offices for drug program matters were direct-funded.[34] The remaining one-third (or 488) of the special agent positions was funded by the Organized Crime and Drug Enforcement Task Force program (OCDETF). As of the first quarter of fiscal year 2004, the number of direct-funded positions allocated to FBI field offices for the drug program had decreased over 60 percent, going from 890 to 337. OCDETF-funded agent positions, which have remained constant, now account for about 60 percent of the FBI field offices' drug program staff resources.

[34] FBI's drug program workforce is composed of field agent positions funded through direct FBI appropriations and those supported with OCDETF funds. The OCDETF Program was established in 1982 to focus federal, state, and local law enforcement efforts against organized crime drug-trafficking organizations that pose the most serious threat to our national interests.

Figure 4: Number of Special Agent Positions Allocated to FBI Field Offices for Drug Work since September 11

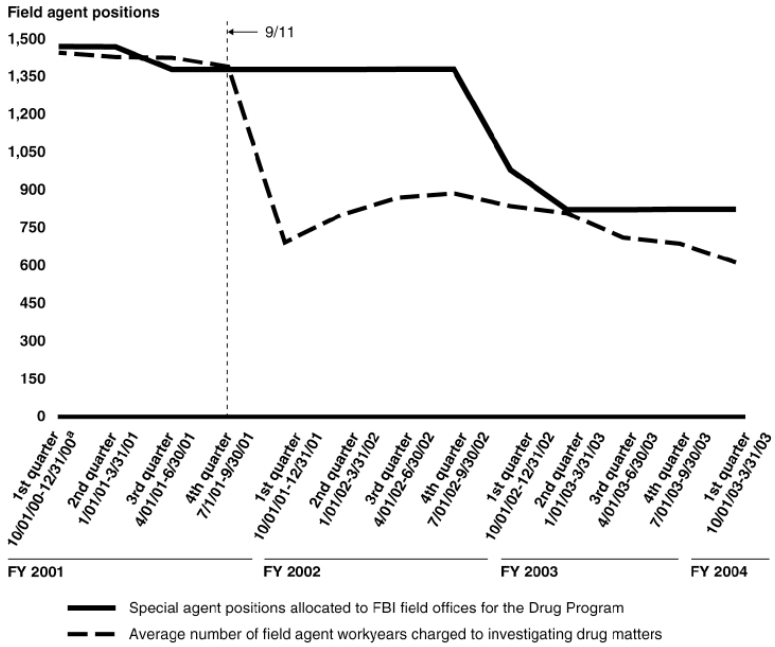


Source: GAO analysis of FBI data.

While this reduction represents a substantial decline in the number of field agent positions allocated to drug work, in fact, the reduction in drug enforcement workyears was actually larger than these figures reflect. Specifically, as needs arose for additional agents to work counterterrorism leads, field agents assigned to drug program squads were temporarily reassigned to the priority work. As figure 5 shows, at the extreme, during the first quarter of fiscal year 2002 (just after the events of September 11), while 1,378 special agent positions were allocated to drug work, only about half of these staff resources worked in the FBI drug program. In mid-fiscal year 2003, the allocated number of drug agent positions and the average number of field agent workyears charged to drug matters started to converge toward the new targeted levels. Since that time, however, the FBI has had to redirect additional field agents allocated to its drug program to counterterrorism and other priority areas. As of the second quarter of fiscal year 2004, about a quarter (225 of 825) of the agents assigned to the FBI's drug program were actually working in higher-priority areas. The reduction in drug enforcement resources has reduced both the number of drug squads in FBI field offices as well as the number of FBI agents supporting the High-Intensity Drug Trafficking Area (HIDTA) program initiatives, according to FBI officials.[35]

[35] The HIDTA program began in 1990 to provide federal assistance to help coordinate and enhance federal, state, and local drug enforcement efforts in areas of major illegal drug production, manufacturing, distribution, transportation, and use.

Figure 5: Comparative Analyses of FBI Field Agent Non-Supervisory Positions Allocated and Agent Workyears Charged to Investigating Drug Program Matters

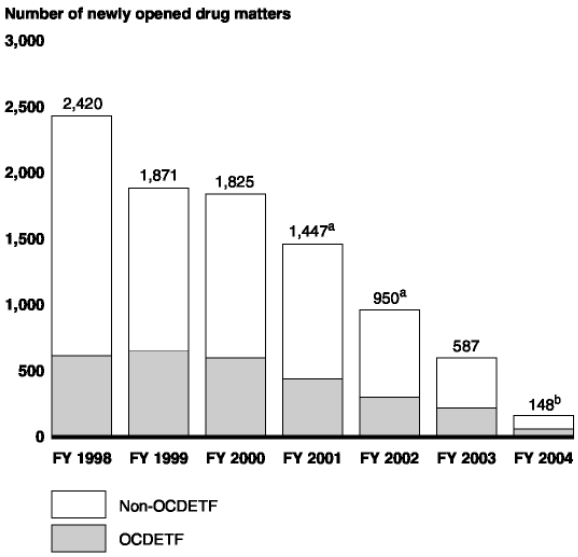


Source: GAO analysis of FBI TURK data.

The significant reduction in agent strength in the drug enforcement area is likely to be an important factor in the smaller number of FBI drug matters opened in fiscal year 2003 and the first quarter of fiscal year 2004. As figure 6 shows, the number of newly opened drug matters went from 2,420 in fiscal year 1998 to 950 in fiscal year 2002 and to 587 in fiscal year 2003.

The openings for the first quarter of fiscal year 2004 indicate a rate for the entire year at about fiscal year 2003 levels.

Figure 6: Number of FBI Drug Matters Newly Opened, Fiscal Year 1998 through First Quarter, Fiscal Year 2004

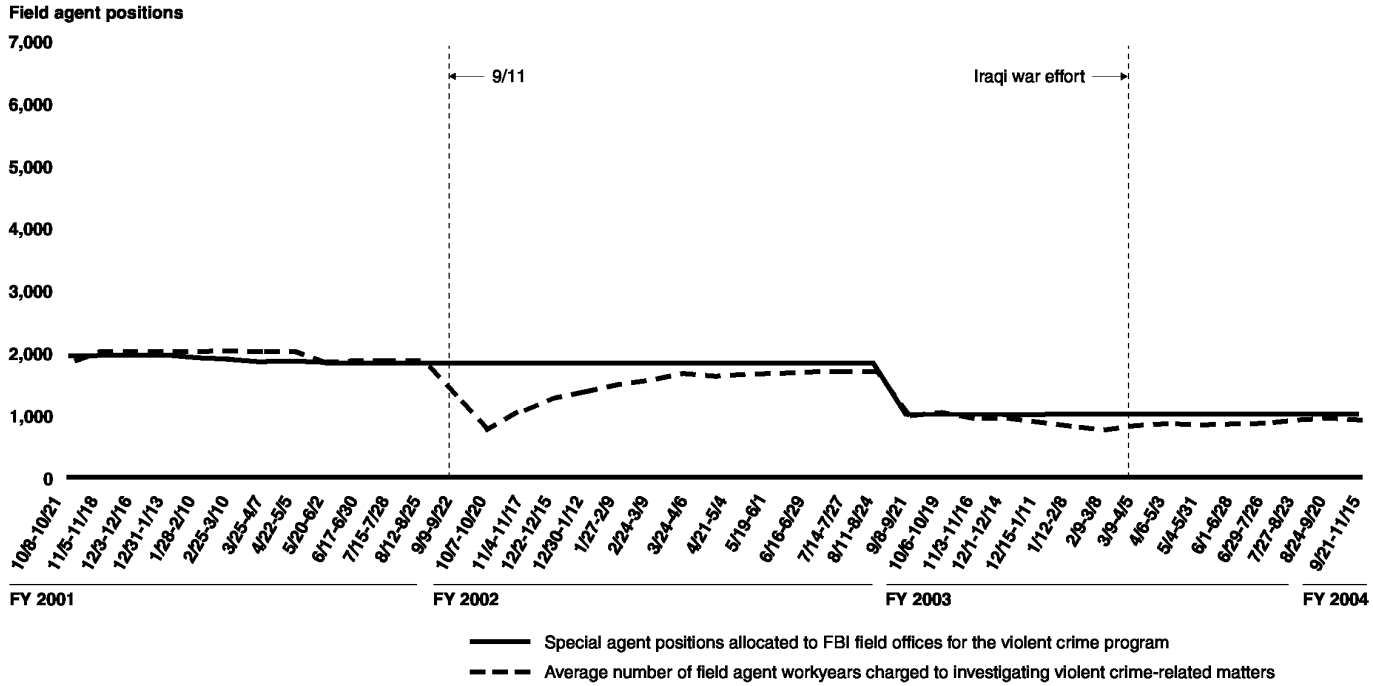


Source: GAO analysis of FBI data.

[a]This figure includes only the first quarter of fiscal year 2004.

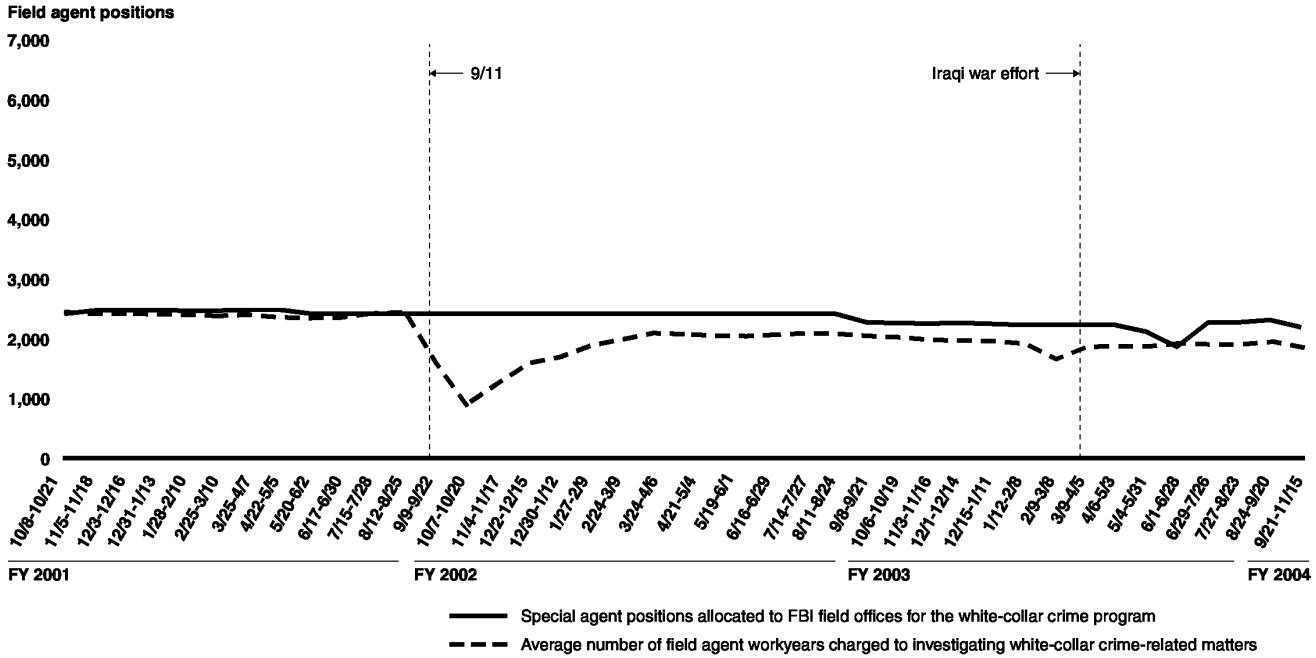
Similarly, as figures 7 and 8 show, the average number of field agent workyears charged to violent crime and white collar crime matters also declined below the number of allocated agent workyears as these agents too have been temporarily redirected to counterterrorism-related matters.

Figure 7: Comparative Analysis of FBI Field Agent Non-Supervisory Positions Allocated and Agent Workyears Charged to Investigating Violent Crime Matters



Source: GAO analysis of FBI TURK data.

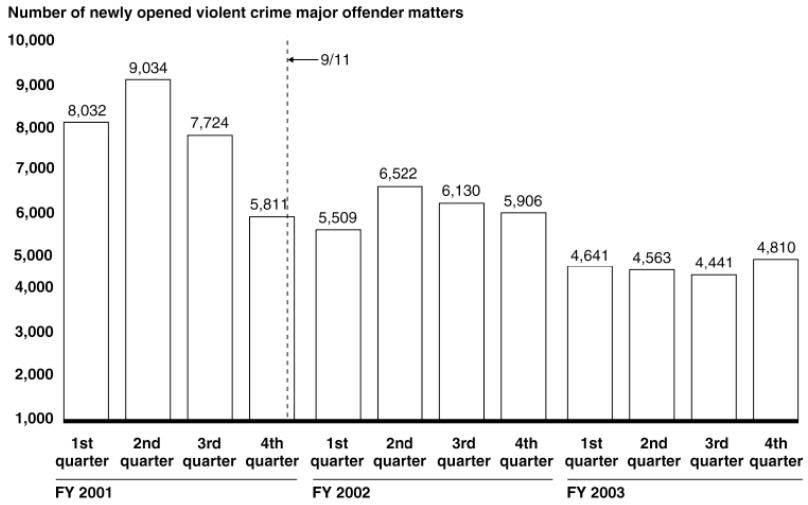
Figure 8: Comparative Analysis of FBI Field Non-Supervisory Positions Allocated and Agent Workyears Charged to Investigating White-Collar Crime Matters



Source: GAO analysis of FBI TURK data.

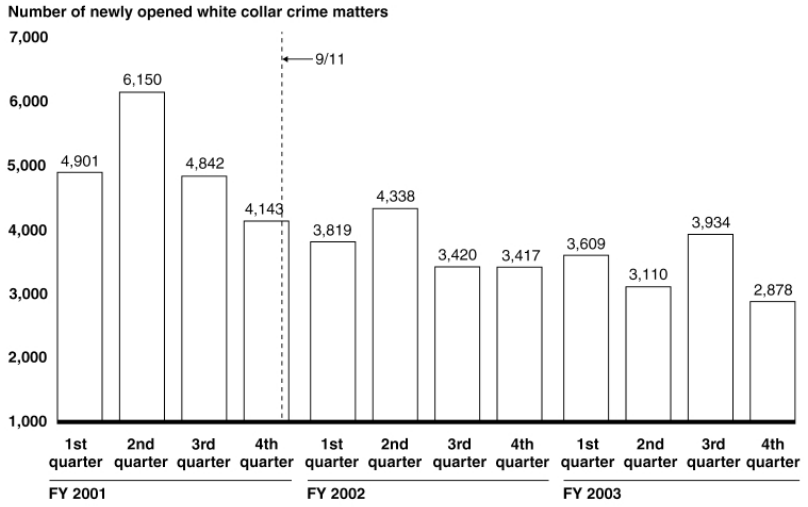
As figures 9 and 10 show, the number of newly opened violent crime and white collar crime matters has declined since September 11.

Figure 9: Number of FBI Violent Crime Matters Newly Opened, Fiscal Years 1998 through First Quarter Fiscal Year 2004



Source: GAO analysis of FBI data.

Figure 10: Number of FBI White Collar Crime Matters Newly Opened, Fiscal Years 1998 through First Quarter Fiscal Year 2004



Source: GAO analysis of FBI data.

CONCLUSIONS

The FBI's transformation effort is driven in part by challenges facing the federal government as a whole to modernize business processes, information technology,

and human capital management. It is also driven by the need to make organizational changes to meet changes in its priorities in the post-September 11 environment. This effort will require a structure for guiding and continuously evaluating incremental progress of the FBI's transformation. It must also be carried out as part of, and consistent with, broader government-wide transformation efforts that are taking place, especially those resulting from the establishment of DHS and in connection with the intelligence community. The FBI has made substantial progress, as evidenced by the development of both a new strategic plan and a strategic human capital plan, as well as its realignment of staff to better address the new priorities. Although the new strategic plan and strategic human capital plans include cross walks to each other, we still believe that an overall transformation plan is more valuable in managing the transformation process. The FBI is also making progress in strengthening its management of IT, including establishing institutional IT management controls and considering changes to the scope of CIO's authority over IT spending.

Impacts of the FBI shift in field agent resources on crime programs including the FBI's drug, white collar, and violent crime programs should be monitored. Our ongoing work, which we expect to complete later this year, will provide information on whether other federal and state resources are replacing lost FBI resources in the traditional crime areas and on whether reductions in FBI drug program field agents have had an impact on the price, purity, availability, and use of illegal drugs.

Mr. Chairman and Members of the Subcommittee, this concludes my prepared statement. I would be pleased to answer any questions you and the Subcommittee members may have.

APPENDIX 1.—FBI REENGINEERING PROJECTS COMPLETED AND UNDERWAY

Core processes	Reengineering projects
Strategic planning and execution (6)	HQ organizational structure
	Strategic planning process
	Communication strategy
	Executive secretariat
	Project management
	Inspection process
Capital (human and equipment) (17)	Career development/succession planning
	Executive development and selection program (EDSP)
	File/clerical support
	Office of Professional Responsibility
	Training
	Hiring and recruiting
	Fitness test/height-weight standards
	Preparation for legal attaché assignment
	Administrative officer position upgrade
	Analyst professionalism
	Culture/values
	Time utilization record keeping system (TURK)
	Asset Management
	Financial audit streamlining
	Management of supplies purchase and distribution
	Field office reorganization
	Resident agency consolidation
Information management (4)	Trilogy
	Top secret/sensitive compartment information (TS/SCI) local area network
	Records management division reorganization
	Rapid start/ICON
Investigative programs (6)	Counterterrorism strategy
	Counterintelligence strategy
	Cyber strategy
	Criminal investigation division strategy
	Manual of Investigative Operations and Guidelines (MIOG)/Manual of Administrative Operations and Procedures (MAOP) Project
	Foreign Intelligence Surveillance Act
Intelligence (2)	Review criminal informant program (CIP) and asset program issues
	Analytical tools for intelligence analysts

Core processes	Reengineering projects
Security Management (5)	Continuity of operations planning (COOP) FBI headquarters space strategy Vital records Security manual pilot project Repository for Office of Professional Review (OPR) appeals/ security violations

Source: FBI.

ENTERPRISE ARCHITECTURE

Senator GREGG. Dr. Ekstrand, what should the enterprise architecture plan be?

Ms. EKSTRAND. I defer to my counterpart.

Mr. HITE. An enterprise architecture is not a one-size-fits-all proposition. It is a function of what the organization is about, its complexity, its size, its mission, and it is also a function of what it is intended to be used for.

So in the case of FBI, you have a very large organization, huge in scope, important mission, and the intended purpose ultimately is to drive IT modernization and these are very demanding goals. So, therefore, it would argue to have a very well-defined, robust enterprise architecture.

So having said that, what it would be is a set of interrelated models, diagrams, tables and narrative that define what the FBI does, where it does it, how it does it, when it does it, who does it, defines all these things both in business terms, in mission or logical terms, and also in terms of the technology that is going to be employed in order to exercise those kinds of operations. So it would include the standards and the protocols and the rules that are going to govern the types of technology that are going to be employed, both from an application standpoint and from a supporting infrastructure standpoint. It is like the mother of all system change tools.

Senator GREGG. How should it be developed? Should it be developed by outside consultants or should it be developed internally, and how do you perceive that the FBI intends to develop it?

Mr. HITE. It could be developed either way. We recently did a survey of the state of enterprise architecture across the Government and looked to see how agencies were doing this. The vast preponderance hire a contractor to assist them in doing this and they work with the contractor. There are very few who actually contract out the entire operation to a contractor, and there are a few that do it in-house.

My understanding of how the FBI is going to proceed is to—and they have, I believe as of yesterday, awarded a contract for development of its enterprise architecture. It has a draft plan to set up an organization to lead this effort and to manage the contractor. So it will be done largely by a contractor under the FBI's direction and guidance. The FBI will, in essence, be acquiring its enterprise architecture product from a contractor.

Senator GREGG. Have you looked at the contract that they have developed and signed and do you think that this is a game plan that makes sense? Have they outlined a game plan that makes sense?

Mr. HITE. No, sir, I have not. I have not seen that. That is a fair question to ask.

Senator GREGG. Since you have been actively involved in this, wouldn't it have been logical that they would have come to you and said, does this make sense, before they signed the contract?

Mr. HITE. That is certainly a service that we would be willing to work with them on. We——

Senator GREGG. Did they do that?

Mr. HITE. We have had FBI-initiated dialogue by the acting CIO for him to share with us what his plans and proposals are going forward and it allowed us to provide feedback. We have not spoken specifically about the contractual terms for this enterprise architecture development area.

Senator GREGG. Well, I would like to ask you if you could take a look at what they have proposed as to how they are going to develop this enterprise zone conceptually and then in the specifics of the contract and get back with this committee with your assessment of whether it is an approach that is going to work.

Mr. HITE. Yes, sir.

Senator GREGG. I don't want to do another thing where we—I mean, we have got a track record here of approaches that don't work.

Mr. HITE. Understood.

Senator GREGG. Although I have to admit, this Director has really tried to address the issue aggressively.

FEDERAL BUREAU OF INVESTIGATION/DRUG ENFORCEMENT ADMINISTRATION RELATIONSHIP

You mentioned that you have been looking at the effect that the reallocation of FBI people has had on drug enforcement efforts. Have you looked at the relationship between DEA and FBI and whether we should have DEA even take a—obviously, it is their name, it is what they should be doing. Why is the FBI in drug enforcement at all? Where are we going here? Have you done a study of that at all?

Ms. EKSTRAND. We haven't done a study of that, but when we testified last June before House Appropriations, we had had a substantial amount of interaction with DEA in terms of how they perceived their role changing with the withdrawal, to some extent, of FBI presence in the area. We are planning to do some additional work in that area and report out this summer for House Appropriations.

Senator GREGG. I would be very interested in an assessment of, as FBI migrates over to counterterrorism and has to give up some of its portfolio, the Director was quite up front. He said most of the portfolio they are giving up is in drug interdiction. What is DEA's role in picking that up? Can it do more? In other words, could DEA step in and do more of what the FBI has been doing in this arena so the FBI could actually free up more agents? Are you looking at that?

Ms. EKSTRAND. We are looking at some of that. We do know that as of last June, there had been a number of new positions authorized at DEA and that even more were requested for the following year. So we do know that DEA's resources, number in terms of

agents, has been growing. But we haven't had the opportunity as yet to get into this in detail.

Senator GREGG. To the extent you could, that would be useful to us because this committee has the unique position of being able to move resources and we don't mind doing that if it is constructive, but we would like to have some substance upon which to make those decisions. But it seems logical to me that DEA's role has got to significantly increase and you have got to give them more resources and we have got to then expect the FBI to move resources out of drug enforcement and into counterterrorism as a result of freeing those up.

Mr. Fine, there are so many areas I would like to talk to you about, but I will focus on this IT issue. I thought it was good that everybody said the FBI appears to be getting on the right track here and things are moving well. How do we sustain that as we move forward and especially with the Virtual Case File issue? We have got all this hardware and we have got the communications capability, but if you don't have anything to put on the hardware or the communications capability that works, what good is it?

Mr. FINE. I do think the FBI is making progress in improving things, but it does need to do more. It has to ensure that they have definitive milestones that the contractors have to meet. They have to hold them accountable for those milestones. They have to keep sustained attention on this. They have to define their requirements right up front so that the contractor knows what it has to deliver and be held accountable if it doesn't deliver that.

I think there has also been, unfortunately, a fair amount of turnover and not necessarily stability in the senior FBI IT management structure, so that people are moving on and not having responsibility, sustained responsibility, to assure a project through to completion. I do think they have a new acting CEO that is technically astute and seems committed to this. But there has to be that constant attention on that, as well.

So I think there has to be a hard-nosed approach to this that perhaps in the past the FBI has not fully implemented.

VIRTUAL CASE FILE CONTRACT

Senator GREGG. Have you looked at what they are doing now in the Virtual Case File contract that they are negotiating right now? Have you been involved in that process to put in place that type of a discipline?

Mr. FINE. Yes. We have an audit opened. We recently opened it. We have done it in the past and recently opened a new audit on Trilogy, on all the aspects of Trilogy. So our auditors are talking to the FBI IT managers every day and trying to find out where they are going, how they are doing it, and ensuring that there is this aggressive approach to ensuring that it comes in without excessive cost overruns or delays.

Senator GREGG. If I understood the Director correctly, and maybe I didn't hear him correctly, but my impression was that he said, with regard to the Virtual Case File, that they were in the process of developing a new contract, essentially, to get the program into the next phase and that it had not been agreed to and that he agreed that disciplines should be put into it. He didn't necessarily

say they were going to be put into it. And I would be interested in getting your current assessment, not now, but as this moves forward as to how effectively that is being done.

Mr. FINE. We would be happy to do that. Our understanding is that there was a contract, but they are negotiating and renegotiating the requirements of it and when to do it, and they are in the process of defining that now. And we will be involved with monitoring and overseeing it because of the importance of this issue.

IDENT/IAFIS INTEGRATION

Senator GREGG. You mentioned IAFIS and you have done an IDENT/IAFIS paper.

Mr. FINE. Report, yes.

Senator GREGG. Report.

Mr. FINE. We have done a number of studies on that, but most recently, a report on the *Batres* case and the status of the IDENT/IAFIS integration.

Senator GREGG. Is this possible? I mean, the Director seemed to think it was possible to integrate these two. But, the IDENT people want to have a very short timeframe to get the person through and IAFIS is built on the concept of what he refers to as the gold standard, which takes 20 minutes probably to take fingerprints under that scenario. Is there some capacity to resolve this?

Mr. FINE. I think there is and I think it is technologically possible. I think there are three main issues with the IDENT/IAFIS integration. One, along the border, having the Border Patrol ensure that it checks detained aliens against IAFIS. And they are getting the machines out there but they don't have the machines out there, the 10-print machines that would connect IAFIS at all the border stations. As a result, or after our report, the Department of Homeland Security said it would expedite a process of getting——

Senator GREGG. Is that an issue of money or just an issue of the machines not being available or bureaucracy——

Mr. FINE. I think it is an issue of money, to some extent, but also attention and urgency to the process. I think there is an urgency now, and there needs to be that urgency. That is the first issue.

The second issue is ensuring that the FBI and State and local law enforcement has access to IDENT and access to the information in IDENT, and going that way, as opposed to simply having the immigration authorities have access to the FBI system.

And the third issue is the issue that you raised, at ports of entry, US VISIT, and what information is going to be taken from people who are coming to enter the country and what it is going to be bounced off against. I don't believe they have determined what they intend to do and how they intend to do it. And part of the issue is getting the parties together and determining what they can do and what they should do. Prior to this, I don't think there has been that focus on that issue.

Senator GREGG. How do we get that focus? I have raised it now at two different hearings and I have gotten very nice responses, but is there actually something happening?

Mr. FINE. I think there is something happening. I have spoken to Director Mueller. I speak with him regularly and he has indicated that they are talking with the Department of Homeland Se-

curity, with the State Department, and even, my understanding, the National Security Council is also involved in the process. It is a cross-agency issue, but there needs to be that focus on it and a decision made on a government-wide basis how they are going to do it.

It was hard enough when the INS was in the Department of Justice, getting them on the same page with the FBI. It is even harder now that they are in separate agencies, but that is what needs to happen. There needs to be clear terms. There needs to be memoranda of understanding, and they need to decide how they are going to go forward with this.

Mr. HITE. Mr. Chairman——

Senator GREGG. Yes?

Mr. HITE [continuing]. If I could just add a couple of comments on that, I testified last week on US VISIT and we have issued a number of reports on it. We actually have one coming out for the Appropriations Committee next month, which is an update on the status of US VISIT, and the way US VISIT is being developed and deployed. It is going to be in increments and some of these near-term increments are designed to meet legislative requirements for deployment of a capability to certain ports of entry by a certain time.

The initial deployment that has occurred at airports and seaports does provide for a biweekly download of certain files from IAFIS to the IDENT component of US VISIT. It is not a real-time download of information, but it is every 2 weeks. That is all part of an interim solution approach to US VISIT that is needed in order to meet these very aggressive milestones.

They are also in the process of bringing on an integration contractor and one of the responsibilities of that integration contractor will be to develop the long-term solution for US VISIT, which will get into some of these other issues about how many fingerprints are necessary, and I know they are working with NIST and the other agencies on that. There was talk about whether eight fingerprints would be a sufficient standard, and I think there has been talk that maybe dropping back to two prints for the intended purpose of US VISIT will be enough. But there is this dialogue. There are memorandums of understanding and working groups among all these agencies involved in US VISIT.

Senator GREGG. Well, I hope you are right. I have the feeling this is deja vu all over. This committee has been down this road before 9/11, when we tried to get these various agencies to talk to each other. As Mr. Fine points out, we couldn't even get Border Patrol and FBI to talk to each other when we had them both under our jurisdiction.

There is a real frustration in seeing 44 million fingerprints sitting over here and setting up a system which is supposed to fingerprint people coming into the country and knowing that the ones you are doing as you fingerprint people coming into the country does not have the capability of accessing that database. I hope that there is some greater being up there that is straightening this out, but I don't really sense it. I haven't seen any reaction that gives me that impression.

Mr. HITE. We did, in our issued report 6 months ago, we made a recommendation about having a government-wide governing structure for US VISIT because it is a government-wide program, and based on the steps that have been taken in the last 6 months, we have closed out that recommendations as having been satisfied. They have a three-tiered approach to establishing this government-wide governance structure.

Senator GREGG. That is good news. I hope it translates into results. It is always nice to hear that there is movement.

LEGAT PROGRAM

You also, Mr. Fine, have a report coming out, I think, on the Legat program. I would be interested in just your reaction to it. It has expanded dramatically with this committee's very strong support, although sometimes occasional words of caution from our most senior member, Senator Hollings. But it has been expanded. It was a priority of the prior Director and has been proven to be, I think, an invaluable resource in light of what our present threat is and the changed personality of the FBI and the international role it has.

But I would be interested in where you see the weaknesses are and where are the strengths, or aren't you going to be able to tell us yet?

Mr. FINE. Well, we haven't issued the report, so I don't want to get into all of it, but I do agree with you that it has been an important component of the FBI's efforts. With the globalization of crime, with the increase of international terrorism, it had to do this and I think it deserves credit for moving forward in that regard.

I think it is working generally well. I do think there are some issues, particularly with training of the people who are going abroad, with language training, with training of them to pursue their roles in foreign countries immediately. So I think that is an important issue. But beyond that, I think we should wait for the report. But I think it is a critical issue that the FBI has taken on and that we need to follow up on.

Senator GREGG. What about the language issue? The Director said they have 24 agents who speak Arabic. I think there are 65 who are in the backup who aren't agents who speak Arabic. There are 250 or something like that as I recall that speak Mandarin. Not a lot of people. There is a lot of information floating around for that few people to be on top of.

Mr. FINE. I think that is absolutely right. We do have an ongoing review of that issue. We have a review of the FBI's efforts to hire and train linguists, for example, to ensure that they are able to translate all the information they have. There are backlogs. There are backlogs of translations. And when that happens and they have information in the FBI in their files, in their transcripts that they can't translate, it undermines their mission. So I think it is a critical issue that the FBI has to focus on.

I know that the Director is focused on that. It is not easy. But we are going to review how they can improve their efforts to be able to translate all that they have and to expand the pool of agents who have foreign language capabilities.

LINGUISTS

Senator GREGG. Has GAO looked at this issue of an overriding centralized translation center capability?

Ms. EKSTRAND. We have not. We had reported last June in terms of the number of linguists hired and they are substantially the same numbers that Director Mueller just gave. But we have not had a renewed opportunity to look at that——

Senator GREGG. So you haven't discussed whether we should have basically a translation capability that is independent of the Bureau?

Ms. EKSTRAND. No, sir, we have not looked at that.

Senator GREGG. Have you looked at that?

Mr. FINE. I think we are sort of involved in the issue, but I don't think that is the focus of our review, how government-wide to address this issue.

Senator GREGG. Is there something else this committee should know about specifically the technology area or the personnel allocations that would help us as we try to make sure we have a more effective and aggressive Bureau?

Mr. FINE. I think the committee's efforts in this regard are very important. It is important to monitor and ensure that the FBI does upgrade its technology. I think that the FBI recognizes this. But it is important to point out that even when Trilogy is online, and it is not clear when it will be online, I am not completely optimistic that it will happen, the first two components at the end of April and then a Virtual Case File, as the Director said, 2 months later.

To have a real operating system that works, that the agents know about and are trained on and accept is, in my view, going to take longer than that. But I do think it is important to focus attention on the fact that Trilogy itself is not the end of the road. It is only a portion. It is only the foundation. As one, I think, FBI manager has said, it gets the FBI out of the ditch and gets them on the road, but it doesn't get them on the highway. And the FBI needs to sustain its attention on these efforts because without it, FBI employees can't do the job that they are assigned to do. It is actually a credit to them that they have done well with the archaic systems they have. But we need to give them better systems.

Senator GREGG. Isn't that what the enterprise architecture should do, give them the road map to getting on the highway?

Mr. HITE. That will be part of the—one variable in the equation, to that end. I would echo what Mr. Fine said and use a different metaphor, that Trilogy is the beginning of a long marathon of systems modernization. It is not a sprint. And in order to finish a marathon, you have got to be trained and equipped to finish it. You have got to be ready to finish it.

And being ready means you have the tools at your disposal to effectively execute a modernization. Enterprise architecture is one of those tools. Mature investment processes are another. There is a whole host of things that need to be in place, and unfortunately, the FBI historically has not been a favorable poster child for good IT management. Now you have got some people in place——

Senator GREGG. It has been behind.

Mr. HITE [continuing]. I believe who understand that and are trying to change that. But changing that is not going to be an overnight endeavor, so there is going to be hundreds of millions of dollars to modernize systems. There is going to be hundreds of millions of dollars going into operating and maintaining existing systems, and it is not going to change overnight.

Senator GREGG. Should we have a more disciplined approach from the appropriations side in funding IT at the FBI so there is not a peak and a valley approach, or are we approaching it appropriately as appropriators?

Mr. FINE. It is hard to answer that question, but I do believe and appreciate the fact that the committee is asking these questions, is keeping the pressure on the FBI. In my understanding, it is regularly asking for updates from the FBI and I think that is important rather than to appropriate the money and wait to see what happens. So I think the committee's efforts are instrumental in this regard.

Mr. HITE. There are mechanisms that other subcommittees use with regard to IT modernization programs like US VISIT. The CBP's, Custom and Border Protection's, Automated Commercial Environment, which is an import-export processing system, for the IRS, what has the Tax Systems Modernization, now the Business Systems Modernization, where the Appropriations Committees ask, or actually direct in their appropriation language that the agency develop each year a plan of expenditure, how they plan to invest the money, which gets into what they are going to spend it on, when, and how are they going to ensure that the money is spent wisely and there is adequate control surrounding the use of that money.

They require that the expenditure plan be approved by the head of the Department for that agency, to be approved by OMB, and to be reviewed by GAO, and then we support the committee in reviewing it and giving them information to make decisions about their oversight of the use of that money. I am not advertising——

Senator GREGG. Is the FBI at the level where it can do that? I mean, right now, we are just trying to get it up and running.

Mr. HITE. And so that would be the focus of any plan for how they are going to invest the funds, to deal with how they are going to get it up and running, the near-term priorities as well as setting the groundwork for the long-term disciplined approach to wholesale systems modernization.

Senator GREGG. I don't think the FBI is the only organization that needs to be disciplined and systematized. I think we do, too, as appropriators. So I would be interested in getting that information. Maybe you could sit down with our staff and review how that is done in other committees. I am sure they are probably familiar with it. I think we should have a systematized approach, also.

I thank you very much. This hearing has been very informative. I appreciate the work you folks do in keeping these various agencies on track. It is very constructive and very much appreciated.

SUBCOMMITTEE RECESS

The next hearing is scheduled for this Thursday. It will be with the Secretary of State, Colin Powell, at the office in the Capitol Building at 10 o'clock. Thank you.

[Whereupon, at 12:14 p.m., Tuesday, March 23, the subcommittee was recessed, to reconvene at 10 a.m., Thursday, March 25.]

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2005

THURSDAY, MARCH 25, 2004

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:01 a.m., in room S–146, the Capitol, Hon. Judd Gregg (chairman) presiding.

Present: Senators Gregg, Stevens, Domenici, Hollings, Kohl, and Byrd.

DEPARTMENT OF STATE

OFFICE OF THE SECRETARY

STATEMENT OF COLIN L. POWELL, SECRETARY OF STATE

Senator GREGG. First off, we want to thank the Secretary for coming before the subcommittee today. He certainly had a hectic schedule, just back from Spain and we very much appreciate your time, Mr. Secretary, in light of all the responsibilities you have and especially in light of your extraordinary travel schedule. You have got to be a little tired and we appreciate that, but we do thank you for taking time to come in.

This subcommittee has a lot of involvement obviously in the State Department. We have tried and we are going to continue to try to be supportive of the State Department. There are a lot of issues I know we want to get to so I am going to reserve an opening statement so we can get your statement and then move to questions. But I will obviously yield to Senator Hollings for any statement he wishes to make.

Senator HOLLINGS. I think that is the best approach and I yield also.

Senator GREGG. Then we will start right out unless, Senator Byrd, did you want to say anything?

Senator BYRD. I will follow the same standard here.

Secretary POWELL. I am almost reluctant to say anything after that.

Senator GREGG. We came to hear you.

Secretary POWELL. Mr. Chairman, I thank you and Senator Hollings, and Senator Byrd. I am just back from Madrid. I flew overnight the night before last, attended a very moving memorial service for the Spaniards who were killed in the terrible tragedy of

3/11, had meetings with outgoing Prime Minister Aznar and with the new incoming Prime Minister, Mr. Zapatero. Although we have some disagreements with Mr. Zapatero on Iraq and we will work through that, one thing there is no disagreement on is that the United States and Spain will be united in this fight against terrorism. Spain has been fighting terrorism long before 3/11 or 9/11. They have had to face the ETA terrorists, so I am confident that we will find ways to cooperate in this battle against terrorism.

It is always a pleasure to appear before this subcommittee. This is not like the old army story like we are always glad to see the inspector general. But in this case really it is true because, Mr. Chairman, you and the members of the committee have been supportive of what we have been trying to do in the Department for the last 3 years. I remember during my transition pre-confirmation period when we talked about some of the problems that you saw in the Department with respect to management, with respect to construction of our Embassies and things of that nature. I have tried in the 3 years I have been Secretary to be responsive to your concerns.

Before I go further, let me take this opportunity to especially acknowledge Senator Hollings, since this may well be the last chance we will have to see each other in this particular capacity, to thank you for your support, your prodding, and your friendship for so many years, Dr. Hollings.

Senator HOLLINGS. Thank you. He and I got honorary degrees at Tuskegee together. That is Dr. Powell.

Senator GREGG. Very appropriate.

Senator HOLLINGS. We had Cappy James and the Air Force down there. The Tuskegee flyers trained in South Carolina.

Secretary POWELL. Tuskegee Airmen.

Mr. Chairman and members of the subcommittee, I thank you for the opportunity to testify on the State Department's portion of the President's budget request for fiscal year 2005. I have a longer statement I would submit for the record, Mr. Chairman, with your permission.

Senator GREGG. Absolutely.

Secretary POWELL. While I know that this subcommittee's specific oversight deals with that part of the request that involves State Department operations, I want to give you as well an overview of what those operations will support in the way of foreign policy. So let me give you the overall budget picture first and then touch on foreign operations. Finally I will deal with the top priorities of our specific funding request before you.

The 2005 international affairs budget for the Department of State, USAID, and other foreign affairs agencies totals $31.5 billion broken down as follows, foreign operations $21.3 billion, State operations of principal interest to this subcommittee, $8.4 billion, Public Law 480, food aid, $1.2 billion, international broadcasting $569 million and the Institute of Peace $22 million.

President Bush's top foreign policy priority reflected in this budget is winning the war on terrorism. Winning on the battlefield with our superb military forces is just one step in this effort. To eradicate terrorism altogether, the United States must help create stable governments and nations that once supported terrorism like

Iraq and Afghanistan. I visited both of those places last week and I hope in the course of our questioning I can say a word about what I saw.

We must go after terrorist support mechanisms as well as the terrorists themselves, and we must help alleviate conditions in the world that enable terrorists to bring in new recruits. To these ends, the 2005 budget will support our foreign affairs agencies as they focus on the reconstruction of Iraq and Afghanistan. We will continue to support our coalition partners to further our counterterrorism, law enforcement and intelligence cooperation, and we will continue to expand democracy and help generate prosperity, especially in the Middle East.

Forty-eight percent of the President's foreign affairs budget supports the war on terrorism. For example, $1.2 billion supports Afghanistan reconstruction, security and democracy building in 2005. More than $5.7 billion provides assistance to countries around the world that have joined us in the war on terrorism. And $3.5 billion indirectly supports our war on terrorism by strengthening our ability to respond to emergency and conflict situations. And finally, $190 million is aimed at expanding democracy in the greater Middle East; crucial if we are to attack successfully the motivation to terrorism.

Two of the greatest challenges facing us today are the reconstruction of Iraq and the reconstruction of Afghanistan. With respect to Iraq, the Coalition Provisional Authority and the Iraqi Governing Council, in my judgment have made great strides in the areas of security, economic stability and growth, and democratization. Iraqi security forces are now in the forefront of our security efforts, and you can see that they are taking casualties as they go about securing their country for their people.

In addition, the CPA has established a new Iraqi army, issued a new currency, and refurbished schools, hospitals, the sanitary infrastructure, working on the oil infrastructure. So much good work is going on with respect to reconstruction that it is unfortunate that the continuing security situation we face tends to drown out or put a black cloud over the good work that is being done.

But much work remains to be done. Working with our coalition partners we will continue to train Iraqi police, border guards, the civil defense corps and the army in order to ensure the country's security. At the same time, as I noted, we are going to work on these critical infrastructure needs.

But there is progress taking place. The definitive example of that progress, on March 8 the Iraqi Governing Council adopted a transitional administrative law, which is essentially an interim constitution for Iraq. This was a remarkable milestone. You will recall that Friday when we thought it was going to be signed and suddenly there was a signing table, 25 pens and nobody showed up because there was a problem over it. And over the weekend that problem was solved, through argument, through debate, through democratic process; something that they had never had experience with before. But it happened.

This administrative law recognizes freedom of religion and puts the judiciary on an independent track. It puts the military firmly under civilian control. It gives women the access to civil society and

the political life of the country. It is a huge step for the Iraqi people and we should not sell short what an accomplishment this is.

The U.N. Secretary General's special advisor Mr. Brahimi, Ambassador Brahimi, has been invited back to Iraq by the Governing Council in order to work with the Council and the CPA to put in place a revised interim government that will take sovereignty from the CPA on the first of July. In my visit with Ambassador Bremer last week we talked about the transition from the CPA to a very large State Department chief of mission operation, a very large Embassy. Already I have four Ambassadors over there working with Ambassador Bremer and trying to make this transition as smooth as possible.

Mr. Chairman, Afghanistan is another high priority and I was there last week. We are committed to helping build a stable and democratic Afghanistan. They had a very fine constitutional process at the end of last year where they adopted a constitution for this country that just a few years ago was a basket case, a despotic basket case. Now it has a constitution, and as you saw in press reporting this morning, President Karzai has scheduled elections for early September for both a new president as well as for a legislature.

Still there are problems along the Afghan-Pakistan border, still problems out in Herat but as I drove through Kabul last week you could see buildings going up, you could see women who felt secure enough in their life now to remove the burkha; about 50 percent covered and 50 percent not covered. I visited a registration place in a school where women were registering to vote, filling out the forms, stepping forward, getting their registration card and proudly showing it to me that they are now part of the life of the new Afghanistan. So we have accomplished a lot in Afghanistan, but here too there is much more work to do.

I was watching some footage yesterday that we are going to use at the Donors' Conference next week that shows some of our reconstruction efforts in Afghanistan, and one shot on this video is of the new blacktop road, complete with markers that goes from Kabul to Kandahar. We will continue that road around to Herat, in working with our Saudi partners, our Japanese partners, and provide a beltway for this country. But it is more than just a beltway. It is a road that will link the country together, give the central government the ability to control the regions a little more effectively. It will contribute to the economic life of the country. But more importantly, it will also link Afghanistan with the other nations of central Asia.

Pakistan is looking at this and is starting to readjust its infrastructure, its port activities, to take into account that there will be peace in this part of the world as we go into the years ahead. The old silk route of 2,000 years ago is going to be recreated, except this time it will be with hard roads and ports, with an information infrastructure, and hope eventually with pipelines that criss-cross this area and move oil and natural gas from central Asia to the east and not just to the west.

So the opportunities here are enormous. We have to deal with security. We have got to get rid of those remaining Taliban and al Qaeda elements. But we should not sell short not only our accom-

plishments of the last couple of years, but the potential that lies ahead for a region, the Caucuses, central Asia, south Asia all being linked in a new hub of transportation and trade as long as we can keep the peace and security, and that is what we are committed to.

The 2005 budget, as I said, includes $1.2 billion in assistance for Afghanistan, which is on top of the $2.2 billion in 2004; $1.2 billion already out there and I will make a public announcement of the other $1 billion at the Afghan Donors' Conference in Berlin next week.

As important as waging the war on terrorism is to America, we have other priorities in our foreign affairs budget; HIV/AIDS, 8,000 people a day are dying of this terrible disease. It is extremely difficult to make economic improvements in a country if you are not working on these kinds of problems, and the President is with his HIV/AIDS program. Over the past year we have worked with Congress to pass legislation laying the groundwork for this fight.

In marking our progress, earlier this month, Ambassador Tobias who heads the program for us, Secretary Thompson, Administrator Natsios of AID, and I rolled out the strategy for the HIV/AIDS plan and announced the first dispensation of dollars for these programs; $350 million in contracts will roll out to some of the NGOs and PDOs. As a crucial next step, the 2005 budget request expands on the President's plan with $2.8 billion to combat AIDS in the most affected countries in Africa and the Caribbean. Together, the Department of State, USAID, and the Department of Health and Human Services, will use the significantly increased resources quickly and effectively to achieve the President's ambitious goals in the fight against global AIDS.

Just as a digression, we are also seeing polio back in certain parts of Africa, and this has to be part of our health efforts as well, coming out of the Department of State and coming out of USAID.

Of course, there are other dimensions of economic success in Africa, and the program that we are pushing forward and you know a great deal about, the Millennium Challenge Corporation. The corporation has now been formed. I am the chairman of the board. We have sent a nominee to the Senate to be the CEO of this board, Mr. Paul Applegarth. The Millennium Challenge Corporation will fund infrastructure and other similar proposals to those countries that are committed to democracy, the free enterprise system, individual rights of men and women, the rule of law, and the end of corruption. We have other foreign assistance accounts, but the millennium challenge account will invest in those countries that are moving in the right direction.

Let me turn now, gentlemen, to the part of the budget request that is of particular interest to you, State operations. As you recall, we created the diplomatic readiness initiative in 2002 to address staffing and training gaps that had become very averse to the conduct of America's diplomacy. The goal of the diplomatic readiness initiative was to hire 1,158 new foreign and civil service employees over a 3-year period. These new hires, the first over-attrition hires in years, would allow us to provide training opportunities for our people and greatly improve the Department's ability to respond to

crises, to ramp up when we needed to, such as we have had to do in Iraq and Afghanistan.

I cannot say strong enough what a dynamic impact this program has had on the Department. The Department sees that its leadership, but more importantly its leadership in Congress cares about the Department. Your are willing to invest in the readiness of our people, bring in new people. I got a report from the Under Secretary for Management yesterday that close to 30,000 people have already signed up for the next giving of the foreign service exam. We have been averaging 50,000 people a year for the last 2 years wanting to become part of this new team, which I think has been energized by the support we have been receiving from the Congress and for that I am very appreciative.

We also created new mandatory leadership and management training. It is great for our people to learn how to speak different languages and learn all about foreign policy and to be experts and write papers. But they also have to be able to lead and manage people in these very, very complicated missions that we have around the world. So beginning from the first day that you come into the foreign service and go to the junior officers' course, the entry level course, you will receive leadership and management training and will continue throughout your whole career. If this bears a marked similarity to the way they do it in the military, it is not coincidental or accidental. We are essentially adopting what I learned in the military and bringing it over to the foreign service and to the civil service. We are giving leadership training to our senior civil service employees as well.

The other thing I am very proud of, of course, is the information technology investment that we have made with your support. It has paid off. Every desk in the State Department, everywhere in the State Department now has an Internet capable computer sitting there. We did it in-house for the most part.

Senator GREGG. And it worked.

Secretary POWELL. It works.

Senator GREGG. Not like some of our other agencies.

Secretary POWELL. Frankly, we looked outside and then we decided, we can do this ourselves. You may recall, gentlemen, that you had a real problem with the way we were running our Diplomatic Telecommunications Service for years, and Mr. Tenet and I sat down and said, let us figure out who can deliver the capacity best, and we solved that. Mr. Tenet provides the capacity, and the person working for Mr. Tenet to do that also works for me. So we have a good deal and it is working. Our capacity has increased, the cost has gone down considerably, and everybody is happy. Therefore, I can put broadband capability in every mission around the world.

Just a little war story on how this works, as you know, part of our effort to reach out to the Congress was to create a State Department office up here to respond to Members of Congress. I was able to get an office in the House. I do not want to point any fingers but I have not yet been able to get a room on the Senate side. Be that as it may, 30 percent of the work of my House office comes from the Senate side. I was in there the other day waiting for a hearing to begin and just talking to my folks who work there.

There are three people in there. I said, what kind of requests are you getting? Constituent requests, visa problems, all this, hundreds and hundreds—the volume is going up 300 percent in the last year.

I said, give me an example of how you solve a problem that a Member of Congress brings to you. They said visa problems are common ones. Somebody will come in and say, why didn't a friend of mine get a visa when they applied in New Delhi or Mumbai or somewhere like that? I said, how do you handle that? Do you go to the Department and ask Consular Affairs? They said, no, we go right to the Embassy. How do you go right to the Embassy? Information technology. I said, show me. Sandra Shipshock, the officer who was working in the office, went to her computer and in 10 seconds she had not only gotten to the Embassy, she got into the Embassy's consular section data base. And in less than 20 seconds she had pulled up the specific visa application with a picture of the individual who had applied for the visa and why the visa was denied.

This data base is all secure. We have firewalls. Not anybody can just go in like you are going to Google. But the fact of the matter is that the kind of information technology system we have put in place allows us to provide that kind of service, not only to Members of Congress but to the public.

In that same vein, now that we have this information technology system coming along, we have to change the way we do business. We cannot just be an information system without a change in the process and the thinking of the Department. That is what our SMART Project is all about that we are asking for your support. We want to get rid of cables. Get rid of the way we used to do it in World War II. My staff gave me a chart the other day and it was recognizing that the last Wang computer left the Department 3 months ago. I am pleased to hear that. It should have left 10 years ago. But we are now in the information age and I ask for your support for our SMART program so that we can change the thinking in the Department as well as just put new computers and software into place.

Mr. Chairman, the Department has the responsibility to protect more than 60,000 Government employees who work in Embassies and consulates abroad. I know how interested you have been in this program over the years. You know that we have reorganized our efforts. We reorganized the Office of Overseas Building Operations to manage the effort with speed, efficiency and effectiveness under the leadership of General Chuck Williams. At the beginning of this administration we were building one new secure Embassy a year. Today we are building 10 new secure Embassy compounds a year. Many of these compounds also have separate facilities for USAID. They are also deserving of protection.

Moreover, we have reduced the Embassy's program cost by 20 percent using modern management techniques, using common components among our Embassy projects. Within the budget we are watching a plan to replace the remaining 150 Embassies and consulates that do not meet current security standards over the next 14 years for a total cost of $17 billion.

To fund construction of these compounds we will begin the capital security cost-sharing program in 2005. Not everybody is crazy with this cost-sharing program, but it has to be done and I am

working with my Cabinet colleagues on it. Each agency with staff overseas will contribute annually toward construction of new facilities based on the number of positions that that Department or agency wants in the type of space that we are preparing for them. We arrived at the cost shares in the 2005 President's budget request in consultation with each agency and Department.

Along with securing our facilities we have focused on assuring that overseas staffing is deployed where they are mostly needed to serve U.S. interest. As agencies assess the real cost of maintaining staff overseas I hope they will adjust their overseas staffing levels to the minimum absolutely necessary since they will now have to contribute to the cost of maintaining them overseas.

Our budget request also, I might say, touches on physical security improvements to those soft targets in our missions, schools, recreational facilities. You know that we have an extensive plan to go after the soft targeting possibility, providing physical security improvements to overseas schools attended by dependents of Government employees and other citizens. Our 2005 request includes $27 million for this effort, including $10 million for the schools, $5 million to improve security at employee association facilities, and $12 million for residential security upgrades. Protection of Americans living and working overseas is one of our highest priorities.

We also appreciate the ongoing support from this committee for our peacekeeping budget. U.N. peacekeeping operations in troubled and fragile regions have been and remain critical to ensuring that such places are given stability and the time they need to work on long-term solutions to their underlying conflicts and problems. UNAMSIL in Sierra Leone and UNMISET in East Timor have been effective in helping new governments to establish themselves. We are also supporting peacekeeping missions in Liberia and Ivory Coast, and I would just ask for your continued support.

I am going to have difficulty meeting all of the peacekeeping financial responsibilities that I expect to arise over the next year, but the 2005 submission is certainly a good start on meeting those responsibilities. We will just have to see how the cost flows out in the course of the fiscal year.

PREPARED STATEMENT

Mr. Chairman, Senator Hollings, Senator Byrd, thank you for this opportunity to present our case. I thank you for your past support and I will thank you in advance for your future support.

[The statement follows:]

PREPARED STATEMENT OF COLIN L. POWELL

Mr. Chairman, members of the subcommittee, thank you for the opportunity to testify on the State Department's portion of the President's Budget Request for fiscal year 2005. While I know that your specific oversight is of the State Department operations portion of that budget request, I want to give you as well an overview of what those operations will support in the way of foreign policy. So let me give you the overall budget picture first and, then, touch on foreign operations. Finally, I will deal with highlights of our funding request for State Department operations.

The President's fiscal year 2005 International Affairs Budget for the Department of State, USAID, and other foreign affairs agencies totals $31.5 billion, broken down as follows: Foreign Operations—$21.3 billion; State Operations—$8.4 billion; Public Law 480 Food Aid—$1.2 billion; International Broadcasting—$569 million; and U.S. Institute of Peace—$22 million.

Mr. Chairman, the President's top foreign policy priority is winning the war on terrorism. Forty-eight percent of the President's budget for foreign affairs directly supports that priority by assisting our allies and strengthening the United States' diplomatic posture. For example: $1.2 billion supports Afghanistan reconstruction, security and democracy building, and more than $5.7 billion is provided for assistance to countries around the world that have joined us in the war on terrorism, and $3.5 billion indirectly supports the war on terrorism by strengthening our ability to respond to emergencies and conflict situations. Moreover, $190 million is aimed at expanding democracy in the Greater Middle East, in part to help alleviate the conditions that spawn terrorists.

In addition, $5.3 billion is targeted for the President's bold initiatives to fight HIV/AIDS and create the Millennium Challenge Corporation, both of which will support stability and improve the quality of life for the world's poor—and, again, help to relieve conditions that cause resentment and despair.

Mr. Chairman, let me elaborate a bit on how some of these dollars will be spent.

WINNING THE WAR ON TERRORISM

Winning on the battlefield with our superb military forces is just one step in defeating terrorism. To eradicate terrorism, the United States must help create stable governments in nations that once supported terrorism, go after terrorist support mechanisms as well as the terrorists themselves, and help alleviate conditions in the world that enable terrorists to bring in new recruits. To this end, in fiscal year 2005 the State Department and USAID will continue to focus on the reconstruction of Iraq and Afghanistan, support our coalition partners to further our counterterrorism, law enforcement and intelligence cooperation, and expand democracy and help generate prosperity, especially in the Middle East.

Building a Free and Prosperous Iraq

The United States faces one of its greatest challenges in developing a secure, free and prosperous Iraq. The USG is contributing almost $21 billion in reconstruction funds and humanitarian assistance to this effort. The World Bank and the International Monetary Fund are expected to provide another $4 to 8 billion in loans and grants over the next three years. These resources, coupled with the growing assistance of international donors, will ease the transition from dictatorship to democracy and lay the foundation for a market economy and a political system that respects human rights and represents the voices of all Iraqis.

The Coalition Provisional Authority (CPA) and the Iraqi Governing Council (IGC) have made great strides in the areas of security, economic stability and growth, and democratization. Iraqi security forces now comprise more than half of the total security forces in the country. In addition, the CPA has established a New Iraqi Army, issued a new currency and refurbished and equipped schools and hospitals. And, as you know, the CPA is taking steps to help the Iraqis form a fully sovereign government this summer.

Much work remains to be done. Working with our coalition partners, we will continue to train Iraqi police, border guards, the Civil Defense Corps and the Army in order to ensure the country's security as we effect a timely transition to democratic self-governance and a stable future.

At the same time, we are helping provide critical infrastructure, including clean water, electricity and reliable telecommunications systems which are essential for meeting basic human needs as well as for economic and democratic development. Thousands of brave Americans, in uniform and in mufti, are in Iraq now working tirelessly to help Iraqis succeed in this historic effort. Alongside their military colleagues, USAID, State Department and the Departments of the Treasury and Commerce are working to implement infrastructure, democracy building, education, health and economic development programs. These efforts are producing real progress in Iraq.

As a definitive example of this progress, on March 8, the IGC formally signed the Transitional Administrative Law (TAL)—essentially an interim constitution for Iraq. This was a remarkable milestone. The TAL recognizes freedom of religion and expression, the right to assemble and to organize political parties, and other fundamentally democratic principles, as well as prohibiting discrimination based on gender, nationality or religion. This is a huge step for the people of Iraq and for the region—a step toward constitutional democracy. It is a step that just a year ago, Iraqis would not have imagined possible.

The U.N. Secretary General's Special Advisor, Lakhdar Brahimi, was invited back to Iraq by the IGC last week. He will help the Iraqis to determine what sort of transitional Iraqi government will be developed and to prepare for elections at the end of this year or early in the next. Creating a democratic government in Iraq will be

an enormous challenge. But Ambassador Bremer, working with the Iraq Governing Council and with the United Nations and our coalition partners, is committed to success. And when the CPA, funded and directed by the Department of Defense, goes out of business on June 30 and the State Department assumes the lead role in representing and managing U.S. interests in Iraq, we will carry on that commitment. We are already thoroughly involved. I was just in Baghdad last week meeting with Ambassador Bremer, members of the IGC, and talking to some of our troops. I know how thoroughly involved we are. And we will all succeed.

Winning the Peace in Afghanistan

Mr. Chairman, Afghanistan is another high priority for this Administration. The United States is committed to helping build a stable and democratic Afghanistan that is free from terror and no longer harbors threats to our security. After we and our coalition partners defeated the Taliban government, we faced the daunting task of helping the Afghan people rebuild their country. We have demonstrated our commitment to this effort by providing over $3.7 billion in economic and security assistance to Afghanistan since 2001.

Through our assistance and the assistance of the international community, the government of Afghanistan is successfully navigating the transition that began in October 2001. Afghanistan adopted a constitution earlier this year and is preparing for democratic national elections this summer. With technical assistance from the United States, Afghanistan successfully introduced a new stable currency in October 2002 and is working to improve revenue collection in the provinces. The lives of women and girls are improving as women pursue economic and political opportunities and girls return to school. Since 2001, the United States has rehabilitated 205 schools and 140 health clinics and trained fifteen battalions of the Afghan National Army (ANA). Also, President Bush's commitment to de-mine and repave the entire stretch of the Kabul-Kandahar highway was fulfilled. The road had not been functional for over 20 years. What was once a 30-hour journey can now be accomplished in 5 or 6 hours.

While the Afghanistan of today is very different from the Afghanistan of September 2001, there is still much left to accomplish. In the near-term, the United States will assist the government of Afghanistan in its preparations for elections this summer to ensure that they are free and fair. To demonstrate tangible benefits to the Afghan people, we will continue to implement assistance on an accelerated basis. The fiscal year 2005 Budget contains $1.2 billion in assistance for Afghanistan that will be focused on education, health, infrastructure, and assistance to the ANA, including drawdown authority and Department of Defense "train and equip". For example, U.S. assistance efforts will concentrate on rehabilitation and construction of an additional 275 schools and 150 health clinics by June 2004, and complete equipping of the fifteen army battalions. The United States will also extend the Kabul-Kandahar road to Herat so that people and commerce will be linked East and West across Afghanistan with a ground transportation link between three of the largest cities.

Last week, when I was in Kabul to meet with President Karzai and his team, I had the chance to visit a voter registration site. I saw how far Afghanistan has progressed, in only two years, along the path to constitutional democracy. I saw also clear evidence of the Afghan people's commitment to continue on that path despite the many challenges ahead. I met 9 or 10 women at the site and they knew what was at stake in their country. They were eager for the free and fair elections called for in the Bonn Agreement and I assured them that America was solidly behind them. I told them that as long as they are committed to building a new, democratic Afghanistan, we will stand shoulder to shoulder with them.

Support for Our Coalition Partners

As part of the war on terrorism, President Bush established a clear policy to work with other nations to meet the challenges of defeating terror networks with global reach. This commitment extends to the front-line states that have joined us in the war on terrorism and to those nations that are key to successful transitions to democracy in Iraq and Afghanistan.

Our assistance enables countries cooperating closely with the United States to prevent future attacks, improve counter-terrorism capabilities and tighten border controls. As I indicated earlier, the fiscal year 2005 Budget for International Affairs provides more than $5.7 billion for assistance to countries around the world that have joined us in the war on terrorism, including Turkey, Jordan, Afghanistan, Pakistan, Indonesia and the Philippines.

U.S. assistance has also resulted in unparalleled law enforcement and intelligence cooperation that has destroyed terrorist cells, disrupted terrorist operations and pre-

vented attacks. There are many counterterrorism successes in cooperating countries and international organizations. For example:

—Pakistan has apprehended more than 500 al Qaeda terrorists and members of the Taliban through the leadership of President Musharraf, stronger border security measures and law enforcement cooperation throughout the country. I talked with President Musharraf when I was in Islamabad last week. As you know, his military forces were over the weekend hotly engaged with Taliban and al Qaida fighters in the border areas. More of the terrorists were being killed or captured. Fighting will likely continue.

—Jordan continues its strong counterterrorism efforts, including arresting two individuals with links to al Qaeda who admitted responsibility for the October 2002 murder of USAID Foreign Service officer Lawrence Foley in Amman.

—The North Atlantic Treaty Organization has endorsed an ambitious transformation agenda designed to enhance its capabilities by increasing deployment speed and agility to address new threats of terrorism.

—Colombia has developed a democratic security strategy as a blueprint for waging a unified, aggressive counterterror-counternarcotics campaign against designated foreign terrorist organizations and other illegal, armed groups.

The United States and its Southeast Asian allies and friends have made significant advances against the regional terrorist organization Jemaah Islamiyah which was responsible for the Bali attack in 2002 that killed more than 200 people. In early August 2003, an Indonesian court convicted and sentenced to death a key figure in that bombing.

Since September 11, 2001, 173 countries have issued orders to freeze the assets of terrorists. As a result, terror networks have lost access to nearly $200 million in more than 1,400 terrorist-related accounts around the world. The World Bank, International Monetary Fund and other multilateral development banks have also played an important role in this fight by strengthening international defenses against terrorist finance.

While progress has been made attacking terrorist organizations both globally and regionally, much work remains to be done. The fiscal year 2005 President's Budget strengthens our financial commitment to our coalition partners to wage the global war on terror. Highlights of the President's request include $700 million for Pakistan to help advance security and economic opportunity for Pakistan's citizens, including a multi-year educational support program; $461 million for Jordan to increase economic opportunities for Jordanian communities and strengthen Jordan's ability to secure its borders; and $577 million for Colombia to support President Uribe's unified campaign against drugs and terrorism.

In September 2003, at the United Nations, President Bush said: "All governments that support terror are complicit in a war against civilization. No government should ignore the threat of terror, because to look the other way gives terrorists the chance to regroup and recruit and prepare. And all nations that fight terror, as if the lives of their own people depend on it, will earn the favorable judgment of history." We are helping countries to that judgment.

Mr. Chairman, one of the aspects of the War on Terrorism that gives us a particular sense of urgency is proliferation of weapons of mass destruction. These terrible weapons are becoming easier to acquire, build, hide, and transport.

On February 11, President Bush spoke at the National Defense University (NDU) and outlined the Administration's approach to this growing danger. The President described how we have worked for years to uncover one particular nefarious network—that of A.Q. Khan.

Men and women of our own and other intelligence services have done superb and often very dangerous work to disclose these operations to the light of day. Now, we and our friends and allies are working around the clock to get all the details of this network and to shut it down, permanently.

We know that this network fed nuclear technology to Libya, Iran, and North Korea.

At NDU, President Bush proposed seven measures to strengthen the world's efforts to prevent the spread of WMD:

—Expand the Proliferation Security Initiative (PSI) to address more than shipments and transfers; even to take direct action against proliferation networks.

—Call on all nations to strengthen the laws and international controls that govern proliferation, including passing the UNSCR requiring all states to criminalize proliferation, enact strict export controls, and secure sensitive materials.

—Expand our efforts to keep Cold War weapons and other dangerous materials out of the hands of terrorists—efforts such as those accomplished under Nunn-Lugar.

—Close the loophole in the Nuclear Nonproliferation Treaty that allows states such as Iran to produce nuclear material that can be used to build bombs under the cover of civilian nuclear programs.
—Univeralize the IAEA Additional Protocol.
—Create a special committee on the IAEA Board of Governors to focus on safeguards and verification.
—And, finally, disallow countries under investigation for violating nuclear nonproliferation treaties from serving on the IAEA Board of Governors.

As the President said at NDU, the nexus of terrorists and WMD is a new and unique threat. It comes not with ships and fighters and tanks and divisions, but clandestinely, in the dark of the night. But the consequences are devastating. No President can afford to ignore such a threat. And President Bush will not ignore it.

Expansion of Democracy in the Middle East

We believe that expanding democracy in the Middle East is critical to eradicating international terrorism. But in many nations of the Middle East, democracy is at best an unwelcome guest and at worst a total stranger. The United States continues to increase its diplomatic and assistance activities in the Middle East to promote democratic voices—focusing particularly on women—in the political process, support increased accountability in government, assist local efforts to strengthen respect for the rule of law, assist independent media, and invest in the next generation of leaders.

As the President emphasized in his speech last November at the National Endowment for Democracy (NED), reform in the Middle East is of vital importance to the future of peace and stability in that region as well as to the national security of the United States. As long as freedom and democracy do not flourish in the Middle East, resentment and despair will continue to grow—and the region will serve as an exporter of violence and terror to free nations. For the United States, promoting democracy and freedom in the Middle East is a difficult, yet essential calling.

There are promising developments upon which to build. The government of Jordan, for example, is committed to accelerating reform. Results include free and fair elections, three women holding Cabinet Minister positions for the first time in Jordan's history, and major investments in education. Positive developments also can be found in Morocco, which held parliamentary elections last year that were acclaimed as free, fair and transparent.

In April 2003, the Administration launched the Middle East Partnership Initiative (MEPI), an intensive inter-agency effort to support political and education reform and economic development in the region. The President continues his commitment by providing $150 million in fiscal year 2005 for these efforts.

To enhance this USG effort with a key NGO, the President has doubled the NED budget to $80 million specifically to create a Greater Middle East Leadership and Democracy Initiative. NED is a leader in efforts to strengthen democracy and tolerance around the world through its work with civil society. We want that work to flourish.

As President Bush said in his November speech at NED: "The United States has adopted a new policy, a forward strategy of freedom in the Middle East. This strategy requires the same persistence and energy and idealism we have shown before. And it will yield the same results. As in Europe, as in Asia, as in every region of the world, the advance of freedom leads to peace."

Public Diplomacy in the Middle East

And the advance of freedom is aided decisively by the words of freedom.

Democracy flourishes with freedom of information and exposure to diverse ideas. The President's fiscal year 2005 Budget promotes expansion of democracy in the Middle East by providing public access to information through exchange programs and the Middle East Television Network.

New public diplomacy efforts including the Partnerships for Learning (P4L) and Youth Exchange and Study (YES) initiatives have been created to reach a younger and more diverse audience through academic and professional exchange programs. In fiscal year 2005, the P4L and the YES programs, funded at $61 million, will focus more on youth of the Muslim world, specifically targeting non-traditional, non-elite, often female and non-English speaking youth.

U.S. broadcasting initiatives in the Middle East encourage the development of a free press in the American tradition and provide Middle Eastern viewers and listeners access to a variety of ideas. The United States revamped its Arabic radio broadcasts in 2002 with the introduction of Radio Sawa, which broadcasts to the region twenty-four hours a day. As a result, audience size for our Arabic broadcasting

increased from under 2 percent in 2001 to over 30 percent in 2003. Based on this successful model, the United States introduced Radio Farda to broadcast to Iran around the clock. Building on this success, the fiscal year 2005 President's Budget Request provides over $70 million for Arabic and Persian radio and television broadcasts to the Middle East. Last month, the United States launched the Middle East Television Network, an Arabic language satellite network that will have the capability of reaching millions of viewers and will provide a means for Middle Easterners to better understand democracy and free market policies, as well as the United States and its people. This network kicked off on February 14 with nine hours per day of broadcasting. Today, the broadcasting is 24/7. The network—Al-Hurra, or "the Free One"—reaches 22 countries, including Iraq. President Bush has already appeared on the network and I did an interview several weeks ago.

OUR NEW APPROACH TO GLOBAL PROSPERITY

President Bush's approach to global economic growth emphasizes proven American values: governing justly, investing in people, and encouraging economic freedom. President Bush has pledged to increase economic engagement with and support for countries that commit to these goals through an ambitious trade agenda and new approaches to development assistance focusing on country performance and measurable results.

The Millennium Challenge Account (MCA)

In February of 2003, we sent the Congress a budget request for the MCA and legislation to authorize the creation of the Millennium Challenge Corporation (MCC), the agency designed to support innovative development strategies and to ensure accountability for results.

The MCC will fund only proposals for grants that have clear, measurable objectives, a sound financial plan and indicators for assessing progress.

The Congress appropriated $1 billion for MCA for fiscal year 2004. The fiscal year 2005 budget request of $2.5 billion makes a significant second year increase to the MCA and paves the way to reaching the President's commitment of $5 billion in fiscal year 2006.

Trade Promotion Authority (TPA)

President Bush recognizes that the fastest, surest way to move from poverty to prosperity is through expanded and freer trade. America and the world benefit from free trade. For this reason, one of his first actions upon taking office in 2001 was to seek TPA, allowing him to negotiate market-opening agreements with other countries. The President aims to continue vigorously to pursue his free trade agenda in order to lift developing countries out of poverty, while creating high-paying job opportunities for America's workers, businesses, farmers and ranchers and benefiting all Americans through lower prices and wider choices. As the President said in April, 2001 at the Organization of American States: "Open trade fuels the engines of economic growth that creates new jobs and new income. It applies the power of markets to the needs of the poor. It spurs the process of economic and legal reform. It helps dismantle protectionist bureaucracies that stifle incentive and invite corruption. And open trade reinforces the habits of liberty that sustain democracy over the long term."

Since receiving TPA in 2002, the President has made good on his promise, completing free trade agreements with Chile and Singapore, which were quickly approved by Congress and went into effect on January 1. We have recently completed negotiations with five Central American countries on the Central America Free Trade Agreement (CAFTA) and our work to bring the Dominican Republic (DR) into that agreement concluded successfully on March 14 with the signing of an FTA with that country. Now, the DR can join CAFTA. In February, we announced the conclusion of an agreement with Australia. More recently, negotiations have been completed with Morocco and an agreement announced, and negotiations are ongoing with the Southern African Customs Union (SACU), Bahrain, and on the Free Trade Agreement of the Americas (FTAA). We are concluding comprehensive agreements that include market access for goods and services, strong intellectual property and investment provisions, and include commitments for strong environmental and labor protections by our partners. These arrangements benefit Americans and our trading partners.

Building on this significant progress, the President intends to launch free trade negotiations with Thailand, Panama, and the Andean countries of Colombia, Ecuador, Bolivia and Peru. The President has also stated his vision for a Middle East Free Trade Area by 2013, to ignite economic growth and expand opportunity in this critical region. Finally, the President is committed to wrapping up successfully the

World Trade Organization's Doha agenda. The United States has taken the lead in re-energizing these negotiations following the Cancun Ministerial.

CARING FOR THE WORLD'S MOST VULNERABLE PEOPLE

Emergency Plan for AIDS Relief

When President Bush took office in January 2001, the HIV/AIDS pandemic was at an all time high, with the estimated number of adults and children living with HIV/AIDS globally at 37 million, with 68 percent of those individuals living in sub-Saharan Africa. From fiscal years 1993 to 2001 the total U.S. Government global AIDS budget was about $1.9 billion. As part of the Emergency Plan for AIDS Relief, the President proposed $2 billion in fiscal year 2004 as the first installment of a five-year, $15 billion initiative, surpassing nine years of funding in a single year. The President's Emergency Plan for AIDS Relief represents the single largest international public health initiative ever attempted to defeat a disease. The President's Plan targets an unprecedented level of assistance to the 14 most afflicted countries in Africa and the Caribbean to wage and win the war against HIV/AIDS. In addition, programs will continue in 75 other countries.

By 2008, we believe the President's Plan will prevent seven million new infections, treat two million HIV-infected people, and care for 10 million HIV-infected individuals and those orphaned by AIDS in Botswana, Cote d'Ivoire, Ethiopia, Guyana, Haiti, Kenya, Mozambique, Namibia, Nigeria, Rwanda, South Africa, Tanzania, Uganda and Zambia.

Announced during President Bush's State of the Union address on January 28, 2003, the Emergency Plan provides $15 billion over five years for those countries hardest hit by the pandemic, including $1 billion for the Global Fund to Fight AIDS, Tuberculosis and Malaria. The fiscal year 2005 Budget provides $2.8 billion from State, USAID, and the Department of Health and Human Services (HHS) to combat global AIDS, more than tripling funding for international HIV/AIDS since the President took office.

Over the past year, we have worked with the Congress to pass legislation laying the groundwork for this effort and to appoint a senior official at the State Department to coordinate all U.S. Government international HIV/AIDS activities. Ambassador Randall Tobias has been confirmed by Congress and has now taken steps to assure immediate relief to the selected countries.

Earlier this month, Ambassador Tobias, Secretary Thompson, USAID Administrator Andrew Natsios, and I rolled out the strategy for this plan and announced the first dispensation of dollars—$350 million in contracts to some of the NGOs and PVOs who will be carrying out the fight at the grass-roots level. It was a thrilling moment, I can assure you.

As a crucial next step, the fiscal year 2005 Budget Request expands on the Emergency Plan. By working together as a highly collaborative team, and placing primary ownership of these efforts in the hands of the countries that we are helping—just as you will recall the Marshall Plan did so successfully in post-WWII Europe—the Department of State, USAID and HHS can use significantly increased resources quickly and effectively to achieve the President's ambitious goals in the fight against global AIDS.

Mr. Chairman, President Bush summed it up this way in April of last year, "There are only two possible responses to suffering on this scale. We can turn our eyes away in resignation and despair, or we can take decisive, historic action to turn the tide against this disease and give the hope of life to millions who need our help now. The United States of America chooses the path of action and the path of hope." These dollars put us squarely on that path.

Emergency Humanitarian Assistance—Helping Others in Need

The President's Budget Request reflects a continued commitment to humanitarian assistance. The request maintains U.S. leadership in providing food and non-food assistance to refugees, internally displaced persons, and other vulnerable people in all corners of the world. In addition, the budget reflects the findings of the Program Assessment Rating Tool (PART) evaluations completed for the United Nations High Commissioner for Refugees and for USAID's Public Law 480 Title II international food assistance, which confirmed a clear purpose for these programs.

In 2003, the Administration provided funding to several international and non-governmental organizations to assist nearly 200,000 Angolan refugees and internally displaced persons return home after decades of civil war.

In an Ethiopia enveloped by drought, the Administration led international efforts to prevent widespread famine among 13 million vulnerable people, providing over one million metric tons of emergency food aid (valued at nearly half a billion dollars)

to the World Food Program and NGOs, funding immunizations for weakened children, and supplying emergency seeds to farmers.

In Sudan, the Administration worked with the United Nations and the Government of Sudan so that vital assistance could be delivered to the Sudanese people. This year the United States will provide about $210 million in vital assistance to the people in the south, including approximately 125,000 metric tons (valued at nearly $115 million) in food aid, as well as non-food assistance, such as sanitation and water. We anticipate that a comprehensive peace agreement in Sudan will allow us to expand significantly our development assistance to help the Sudanese people in effecting a long-awaited recovery following decades of civil war. The fiscal year 2005 Budget includes $436 million in humanitarian and development, economic, and security assistance funding, much of which will be contingent upon a peace settlement between the government and the south.

The fiscal year 2005 Budget ensures that the Administration can continue to respond quickly and appropriately to victims of conflict and natural disasters and to help those in greatest need of food, shelter, health care and other essential assistance, including those in areas starting to recover from conflict and war, such as Liberia. In particular, the budget requests funding for a flexible account to give the President the ability to respond to unforeseen emergency needs, the Emergency Fund for Complex Foreign Crises, funded at $100 million.

Now, Mr. Chairman, let me turn to the State Department operations portion of the President's Budget Request which, as you will recall, totals $8.4 billion.

KEEPING AMERICANS SAFE AT HOME AND ABROAD

The State Department has the responsibility to protect more than 60,000 U.S. Government employees who work in embassies and consulates abroad. Since the 1998 bombings of two U.S. embassies in East Africa, the State Department has improved physical security overseas; however, as many of you are well aware, many posts are still not secure enough to withstand terrorist attacks and other dangers. To correct this problem, in 1999, the State Department launched a security upgrade and construction program to begin to address requirements in our more than 260 embassies and consulates.

Capital Security Cost Sharing Program

Working with the Congress, President Bush has accelerated the pace of improving and building new secure facilities. Moreover, we have reorganized the Overseas Buildings Office to manage the effort with speed, efficiency, and effectiveness. Within the budget, we are launching a plan to replace the remaining 150 embassies and consulates that do not meet current security standards over the next 14 years, for a total cost of $17.5 billion. To fund construction of these new embassy compounds, we will begin the Capital Security Cost Sharing (CSCS) Program in fiscal year 2005. We will implement this program in phases over the next five years.

Each agency with staff overseas will contribute annually towards construction of the new facilities based on the number of positions and the type of space they occupy. We arrived at the cost shares in the fiscal year 2005 President's Budget Request in consultations with each agency and the State Department's Overseas Buildings Office.

CSCS is also a major component of the President's Management Agenda Initiative on Rightsizing. Along with securing facilities, we have focused on assuring that overseas staffing is deployed where they are most needed to serve U.S. interests. As agencies assess the real cost of maintaining staff overseas, they will adjust their overseas staffing levels. In this way, new embassies will be built to suit appropriate staffing levels. The program is already producing rightsizing results. Agencies are taking steps to eliminate unfilled positions from their books to reduce any unnecessary CSCS charges, which in turn is leading to smaller embassy construction requirements.

Border Security

Prior to September 11, 2001, the State Department's consular officers focused primarily on screening applicants based on whether they intended to work or reside legally in the United States. In deciding who should receive a visa, consular officers relied on State Department information systems as the primary basis for identifying potential terrorists. The State Department gave overseas consular officers the discretion to determine the level of scrutiny that should be applied to visa applications and encouraged the streamlining of procedures.

Today, Consular Affairs at the State Department, working with both Customs and Border Protection and the Bureau of Citizenship and Immigration Services at the

Department of Homeland Security, are cooperating to achieve our goals more effectively by sharing information and integrating information systems.

The Department of State has invested substantial time, money, and effort in revamping its visa and passport process as well as its provision of American Citizen Services. The Department has more than doubled its database holdings on individuals who should not be issued visas, increased training for all consular officers, established special programs to vet applications more comprehensively, increased the number of skilled, American staff working in consular sections overseas, and improved data-sharing among agencies. The State Department, along with the Department of Homeland Security, is currently developing biometrics, such as fingerprints, digital photographs or iris scans, for both visas and passports in order to fulfill requirements of the Patriot and Border Security Acts and the International Civil Aviation Organization.

As a part of the State Department's efforts to screen visa applicants more effectively, and in particular to ensure that a suspected terrorist does not receive a visa to enter the United States, we will be an active partner in the Terrorist Screening Center (TSC). The TSC, established in December 2003, will maintain a single, consolidated watchlist of terrorist suspects to be shared with Federal, state, local and private entities in accordance with applicable law. The Department of State will also participate in the Terrorist Threat Integration Center (TTIC), a joint-effort aimed at reducing the potential of intelligence gaps domestically and abroad.

To achieve our goal of secure borders and open doors, in fiscal year 2005 the State Department plans to expand the use of biometrics to improve security in the visa and passport processes; more effectively fill gaps worldwide by hiring people with specific skills including language expertise; improve and maintain all consular systems; and more broadly expand data sharing with all agencies with border control or immigration related responsibilities. The budget in fiscal year 2005 includes $175 million for biometric projects including photographs and fingerprints to comply with Border Security and Patriot Acts.

The Border Security program underwent a PART analysis in the development of the fiscal year 2004 and fiscal year 2005 budgets and this budget request reflects the results of those analyses. The Department is moving ahead on program management improvements that clearly link to the Department of Homeland Security goals related to visa policy.

The Critical Importance of Diplomatic Readiness

You will recall, Mr. Chairman, members of the subcommittee, that we created the Diplomatic Readiness Initiative (DRI) in 2002 to address staffing and training gaps that had become very adverse to the conduct of America's diplomacy. The goal of DRI was to hire 1,158 new foreign and civil service employees over a three-year period. These new hires, the first over-attrition hires in years, would allow us to provide training opportunities for our people and greatly improve the Department's ability to respond to crises and emerging priorities overseas and at critical domestic locations. To bring these new people on board—and to select the best men and women possible—we significantly improved Department hiring processes, to include recruiting personnel from more diverse experience and cultural backgrounds and people who could fill critical skill gaps. In the process, we broke records in recruiting and thus had the best and the brightest from which to select. The Department of State will be reaping the benefits from this process for many years to come. We also created new mandatory leadership and management training, enhanced public diplomacy and consular training, and made significant increases in the amount of language training available for new Foreign Service Officers. DRI hiring has supported the Department's efforts in responding to crises since September 11th and provided the additional resources necessary to staff overseas locations that truly represent the front line in the war on terrorism.

Some of these positions, however, are being diverted to support new requirements not envisioned by DRI, such as permanently staffing new embassies in Afghanistan, Iraq, Sudan, and possibly in Tripoli. Because of this, the fiscal year 2005 Budget Request provides additional resources to continue our DRI commitment.

DRI has allowed the Department to focus on recruiting, training and retaining a high quality work force, sized to requirements that can respond more flexibly to the dynamic and demanding world in which we live. We need to continue it.

USAID has begun a similar effort to address gaps in staffing in technical skills, calling it the Development Readiness Initiative. USAID plans to hire approximately 40 Foreign Service Officers in fiscal year 2004 under this initiative. This Budget Request includes authority for USAID to hire up to 50 additional Foreign Service Officers in fiscal year 2005, in order to fill critical skill gaps identified through a comprehensive workforce analysis.

Information Technology

Mr. Chairman, with your help and support, last year was a watershed year for the Department of State in the field of Information Technology. Shortly after assuming my position, I identified Information Technology as one of my highest priorities. Our objective was faster, smarter, simpler, and more effective diplomacy at every level. Three years later, we now have worldwide Internet access on desktops, as well as classified communications at every appropriate post. This has changed the way the State Department does business and could not have been accomplished without your support and that of the other members of the subcommittee, as well as the full Appropriations Committee. As we move forward with our efforts to replace our decades old cable system with the SMART program, the Committee's continued support of our IT modernization efforts will be as important as ever.

Soft Target Protection

Mr. Chairman, I also want to tell you that your subcommittee's leadership in ensuring the protection of so-called "overseas soft targets" including overseas American schools is greatly appreciated. The Department has established a three-phased, multi-year program to provide physical security improvements to overseas schools attended by the dependents of U.S. government employees and other U.S. citizens. Our fiscal year 2005 request includes $27 million for this effort including $10 million for the schools, $5 million to improve security at employee association facilities, and $12 million for residential security upgrades. The protection of Americans living and working overseas is our highest priority.

Peacekeeping Operations

We also appreciate the ongoing support from this Committee for our peacekeeping budget. U.N. Peacekeeping Operations in troubled and fragile regions has been and remains critical to ensuring that such places are given the stability and time they need to work on long-term solutions to their underlying conflicts. UNAMSIL in Sierra Leone, and UNMISET in East Timor have been effective in helping the new governments to establish themselves. We also supported peacekeeping missions in Liberia and Ivory Coast to assist their fragile transitional governments to implement peace agreements in those war-torn states. Your support in meeting these important needs has been indispensable. We look forward to working with you on helping us meet additional peacekeeping obligations as they emerge.

CONCLUSION AND QUESTIONS

Mr. Chairman, I have focussed your attention for long enough. There is more in the President's Budget Request for fiscal year 2005; but what I have outlined above represents the top priorities for the State Department. I will be pleased to answer any questions you have about these priorities or about any other portion of the budget request in which you are interested. If I cannot answer the question myself, I have a Department full of great people who can; and I will get you an answer for the record.

Thank you.

Senator GREGG. Thank you, Mr. Secretary. We will try to be helpful. There are so many issues that we would like to take up, and I know each of us has a series of areas. Let me just do a couple and then turn it over to Senator Hollings and Senator Byrd and then we will go around again.

FAILURE OF CLINTON ADMINISTRATION WITH TERRORISM

The first one is, I think you ought to be given the opportunity to respond to what Mr. Clarke said yesterday, although you were in Madrid. This committee dealt a great deal with the prior administration on the way it ramped up for terrorism and therefore with Mr. Clarke directly and indirectly, and we had some issues which are fairly well documented, with the failure of the prior administration to really get its act together and get coordinated.

One of the big problems we had was the terrible stovepipe approach in the other administration. We tried to set up something called the National Domestic Preparedness Office (NDPO), and we

tried to set up a number of major initiatives, a Deputy Attorney General to focus activity on terrorism, and quite honestly we ran into a lot of resistance and most of it came out of Mr. Clarke's shop, because I think he had much more of a centralized rather than cross-fertilization approach. So, I personally have reservations about his own track record in this area, but his criticism is there and he is a professional in this area.

However you came into the office of Secretary of State and he has stated essentially that this administration did not put a high priority on terrorism. It focused primarily on China and Russia and the relationship on the Korean peninsula. Of course, the attack on the American observer ship, was the first major foreign crisis of this administration, and that terrorism was a backburner issue, to paraphrase from his viewpoint, once this administration came into office. I think you are probably the fairest broker around here, to be very honest. I think the American public views you as a straight shooter who has seen it all, both as, obviously, the Chairman of the Joint Chiefs of Staff and as Secretary of State, and Chairman of Joint Chiefs under both Republican and Democratic Presidents.

TERRORISM—HIGH PRIORITY

So I would be honest in your assessment as a fair broker as to what level of interest you folks put into terrorism, what the priority was when you took office as Secretary of State, and do you agree with Mr. Clarke's characterizations?

Secretary POWELL. No, I do not. Terrorism was an important issue for President Bush and for all of us coming in. We were not unmindful of the fact that the *Cole* had just been attacked. We were not unmindful of the fact that our Embassies had been blown up, and terrorism was a danger. As I testified before the commission the other day, the very first briefing I received during my transition period, some 4 days after President Bush announced me, was from Mr. Clarke. The other colleagues that he had and that were becoming my colleagues, and the outgoing administration were involved in intelligence and terrorism. This is not the sign of somebody who did not have an interest in terrorism. It was also something the President made clear we had to be interested in.

But you cannot ignore when a China problem comes along or a Russia problem. All of these are important issues, and terrorism was an important issue.

I did not have adequate opportunity in my presentation the other day to describe all of the things that the State Department was doing in the name of the President throughout the spring and summer of 2001 to warn and alert American citizens around the world, to warn and alert our Embassies, all the things that Mr. Rumsfeld was doing to make sure that our military forces were secure, sending fleets to sea, taking our ships and our other military forces out of areas of vulnerability. The CIA was hard at work. We saw the threat. We did not ignore the threat. We responded to the threat.

The suggestion, however, that there was one magic moment or one magic bullet or one moment in time when you could connect two dots and say, we know that these individuals are in our country and we know that they are planning to fly planes into the World Trade Center is not right. We never connected the dots like

that, and I am not sure that except in hindsight could one have seen that the dots might have been connected in that way. So I think all of us were working hard.

The question about, you did not have enough meetings, I had all kinds of meetings in the Department. But the whole thing did not rest on all the principals getting together every day to talk to one another or to stare at one another. You do that when something is unfolding in a crisis atmosphere, as Mr. Clarke makes reference to, just before the millennium Y2K period. That is different. That is when you were in a real-time mode and you were expecting something to happen over New Year's Eve Y2K.

But I can tell you that the President was interested in this. He gave instructions to the chiefs of mission. The President sends a letter to every Ambassador who is taking over as a chief of mission, and one of the elements in that letter was, you are responsible for the security of your Embassy. I was charged by the President to work with those Ambassadors.

We did not see, to the best of my knowledge and you have heard from Mr. Tenet, and the FBI will be presenting before the commission next week, we did not see enough information to say that we knew that there was a threat already inside the country, nor did I see in my first several months until 9/11 came along, those first 7 months—the previous administration had 7, 8 years. But in our first 7 months I never saw a case come together that was of sufficient power of persuasion that you could say, we know enough about al Qaeda and we know enough about the Taliban that we could simply on our own, without getting Pakistan on our side, to go and invade Afghanistan and look for Osama bin Laden. It would not have been possible without the support and cooperation of the countries in the region, Uzbekistan, Pakistan, and not just say what we had to work out with the Russians and others in the region.

So I have thought about this. I have listened to the testimony. Mr. Clarke says that he tried to get access to various people in the administration. Dr. Rice has responded to this. She was available to him. He worked directly for her. There has been a discussion of memos sent, memos not sent, e-mails sent, e-mails not sent. I hope all of this will be balanced by the commission as they complete their work. I will wait for the commission's final report as opposed to daily comments that come from members of the commission in the press.

UPDATE ON IRAQ AND AFGHANISTAN

Senator GREGG. Thank you for that evaluation. You mentioned that you have been to Afghanistan and Iraq, and of course, that is the future of how we fight terrorism. You said you wanted to give us an update on what is going on there. Tell us what your thoughts are.

Secretary POWELL. Yes, sir. Afghanistan, it has been 2 years since I was there. I was there shortly after the Taliban was booted out, when there was only one telephone available for the whole government and money was being moved around by the half-ton in order to pay for something. I went back this time and we have a functioning government. We have a government that is slowly ex-

tending its reach out to the provinces. It is still difficult but it is slowly moving in that direction. We have a government that now rests on a solid constitution, and we should be proud of our effort in making that happen.

We have buildings going up all over. The Pakistanis were noting to me that 95 percent of the capacity of their cement industry has been reached because of construction that is taking place next door in Afghanistan. They are very delighted with that, of course. We have a road that has been rebuilt. We have restored hope to a people, and we have got to stay the course. We have got to stay the course with our NATO allies, who are now taking an active role under the leadership of NATO for security in Kabul and for putting it place more provincial reconstruction teams. I think it is up to 12 now.

So Afghanistan has shown a lot of progress over the last 2 years. Even though there are problems that remain, we should not sell ourselves short on what we have been able to accomplish. This is a country that 3 years ago had every woman walking around covered, that had nothing but the most despotic regime imaginable on the face of the Earth. That was the home office for al Qaeda and the home office for international terrorism. Now it has a government resting on a constitution, rights for the people, people are registering to vote. If there are remaining al Qaeda elements in the country or along the border with Pakistan, they are running and hiding. The remnants of the Taliban are causing trouble but they are also running and hiding.

We have gotten Pakistan to completely reverse its strategy from being a supporter of the Taliban to being an enemy of the Taliban; losing men in the fight along the border now to go after these remnants. So we have got to stay the course, and because we have created a better life for the Afghan people, we have got to finish the job.

With respect to Iraq, Ambassador Bremer and I spent a long time going over the progress that has been made. I see in the future an interim government coming in place, a full constitution being written. I see a new national assembly coming into being, a new national government coming into being. I see the United Nations getting involved. The major problem is security. Remnants of the old regime, terrorists and criminals who are operating inside of Iraq, and it is a problem for us, a serious problem. We have got to get on top of it.

But we cannot say that just because we are having this security problem that this therefore makes this a mission that should not have been undertaken. It was the right mission to be undertaken. We have freed 25 million people. We have given them the beginning of a democratic system, and what we have to do now is not shrink back from the fight that is ahead of us but to fight this fight, fight it well with our friends and allies, and work with the Iraqi people who by any poll that anyone has taken, wants us to be involved. Wants us to leave, of course, but wants us to help them get the kind of country and the kind of system we are talking about, and then leave. And create a place, a country that we will not be arguing about with respect to weapons of mass destruction,

who will be living in peace with its neighbors. This is a sound objective for us to pursue and we should pursue it.

STATE BUDGET IN IRAQ

Senator GREGG. One more question and then I will turn to Senator Hollings. On that point, the Coalition Provisional Authority is using approximately $1 billion this year, projected to basically try to reconstruct Iraq. This gets handed off from the DOD to you on July 1, as you mentioned. Yet as we look at the budget that was sent up, there does not appear to be any funding to support the State Department on this. The question is obvious.

Secretary POWELL. Yes, there is not a specific line item in 2005. We believe that, and Ambassador Bremer and I had very candid talks about this because, you are quite right, it becomes the responsibility of the State Department on the first of July. But right now we believe that there will be sufficient funds available to the Department on the first of July that will carry us through the end of the year.

FUNDS FROM THE DEPARTMENT OF DEFENSE

Senator GREGG. Will they be coming from DOD?

Secretary POWELL. Yes, the funds that are available to the CPA do not suddenly disappear on the first of July. A lot of the things that are being done now for the CPA will continue be done for the State Department. Just a brief example. The Program Management Office that the Department of the Army runs now, that is getting policy direction from the CPA as well as from the Department of Defense, that the same Program Management Office will continue to provide that contracting, administrative fund flow service, but now it will be getting its policy direction and its supervision from the chief of mission.

DEPARTMENT OF DEFENSE SHARING WITH STATE

Senator GREGG. Have you ever found the DOD to be very generous about sharing funds with the State Department?

Secretary POWELL. No, nor has the State Department been very generous about sharing funds with DOD. But when both Departments know what they have to do and the President wants done, I have found that both Departments over time will what the President wants. In this case, the funds that are going to be used are funds that are for this purpose.

WHO PAYS THE COALITION PROVISIONAL AUTHORITY

Senator GREGG. Will the CPA employees become State employees? Will you be paying them directly or will their payment continue to flow through DOD?

Secretary POWELL. It will be a combination. Some of them are State employees now working within the CPA, and of course, they remain on my rolls when we change over to the chief of mission. But a lot of people who are there we hope will continue to do their work on non-reimbursable details from their Department. I am not going to pay the Army Program Management Office.

Senator GREGG. Can we get a projection as to how this is going to be handled?

Secretary POWELL. Yes.

[The information follows:]

Secretary Powell asked me to respond to your question at his March 25, 2004, hearing about how the State Department plans to fund personnel costs as operations transition from the Coalition Provisional Authority (CPA) to U.S. Embassy Baghdad.

We are currently working with our colleagues in the Department of Defense (DOD), the CPA, and many other U.S. Government agencies to address this question.

We plan to establish, by July 1, 2004, a U.S. Ambassador and U.S. Embassy staff and U.S. Mission facilities that will house the USG agencies in Iraq serving under Chief of Mission authority. The State Department has announced positions for 142 American employees. On average, the cost to establish a new State Department position overseas is about $350,000. Of course, in Iraq, a number of additional cost factors are thrown into the mix that are not considered within this average.

We do not yet have refined cost estimates for how much the U.S. Mission will cost the State Department in fiscal year 2004. Estimates of personnel costs must include not only base salaries, but also certain additive costs for being posted in Iraq (e.g., allowances and differentials), locally engaged staff costs, travel, and rough order of magnitude logistics/life support costs for the currently planned State Department staffing. Estimates must also include certain staffing assumptions for provincial teams.

However, as you are aware, the big ticket costs for our Iraq presence will be incurred to provide security, facilities, logistics/life support, and information technology/communications for the U.S. Mission complex. The cost of these requirements in fiscal year 2004 will depend on the total size of the U.S. Mission, including USG agencies other than State, and the support arrangements now being discussed with CPA, DOD, and other agencies.

As of April 15, ten other agencies have requested a presence in Embassy Baghdad, for a total of 254 American positions. In the long term, we estimate a total of 350–400 permanently assigned Americans from some 12–15 other agencies will serve under the Chief of Mission in Iraq.

Together with other agencies, we continue to refine plans and budget estimates for our operations in Baghdad after June 30. We should soon have more accurate estimates to share with you.

Senator GREGG. Because it does seem to us that you are going to end up getting the ball handed to you but it will not have any air in it.

Secretary POWELL. We will have air in it, sir. I have Ambassador Ricciardone, our Ambassador from Manila has been working this for me. He stayed on in Baghdad after I left last week with retired General Mick Kicklighter, representing Secretary Rumsfeld, so that we can have a smooth baton pass.

TRANSFER

Senator GREGG. Maybe your staff could brief our staff on how the baton pass is coming along.

Secretary POWELL. Yes, it is coming along.

Senator GREGG. Senator Hollings.

ARMED SERVICES WILL NOT GIVE MONEY

Senator HOLLINGS. The Armed Services Committee has already provided in law that DOD shall not pay you. Did you know that?

Secretary POWELL. They shall not——

Senator HOLLINGS. The Armed Services authorization bill, the defense authorization bill, there is a proviso in there that they shall not pay you.

Secretary POWELL. Shall not pay me?

Senator HOLLINGS. Any money into the cost sharing program.

Secretary POWELL. Cost sharing. I thought we were still on Iraq.

Senator HOLLINGS. That is what I am talking about too. So you better get it straightened out. I think we are getting a policy where all departments are going to take care of cost sharing and I am worried about State Department ending up holding the bag for all of these departments. Even though the President, the White House has set out that policy and it is understood, we are signing legislation into law that says, none of these monies can be used for cost sharing.

Secretary POWELL. But I do not think that relates directly to Iraq. That relates to our worldwide effort to get cost sharing in our facilities.

Senator HOLLINGS. That is right.

Secretary POWELL. We will push back on that provision of law, and maybe some people who are not willing to participate in cost sharing will not find that we provide facilities for them.

CLARKE AND STATE CONNECTION

Senator HOLLINGS. I think you are the gentleman to push back on it. Now I was not even going to get into Clarke, but how many times did he meet with you? Was he in your loop at the Department of State?

Secretary POWELL. I saw Mr. Clarke at various meetings that were held, interagency fora, whenever the subject of terrorism was being discussed or counterterrorism, and we were in the White House meetings and Mr. Clarke was there. I know Mr. Clarke very well. I have known him for many years. The day he briefed me he came over to the Department on the 20th of December with his colleagues at my invitation.

CLARKE LACKING

Senator HOLLINGS. And he did brief you on counterterrorism. Did you find him wanting in his task as a terrorism czar as they call him?

Secretary POWELL. Wanting in his task?

Senator HOLLINGS. Yes.

Secretary POWELL. He knew the subject well. He had been working on the subject for many years. He was engaged in it and he was pushing it. But I have no reason to believe that he was not able to press his case to his immediate supervisors in the White House.

Senator HOLLINGS. But you could not know.

Secretary POWELL. I cannot tell you what he did day to day in the White House.

Senator HOLLINGS. You cannot tell me what went on with him and Condoleezza Rice and the National Security—you are over at the Department of State.

Secretary POWELL. Yes.

SECRETARY WITNESS CLARKE

Senator HOLLINGS. I love the effort here, because you do have the credibility. I agree with the distinguished chairman that you have got credibility with us all. It is nice to try to superimpose your understanding and everything else about this situation with the Clarke matter, but in truth you are not a witness about all of that, are you?

Secretary POWELL. I am a witness to the extent that I participated in discussions on terrorism and counterterrorism matters, and my Department and people working for me participated in this on a very, very regular basis, and interacted on a regular basis with Mr. Clarke. It is not just principals meetings that were being held, but counterterrorism security group meetings were held on a regular basis. My intelligence officials, I have my own intelligence bureau, I have my own counterterrorism coordinator in the Department, and they all worked on a regular basis with Mr. Clarke and with the CIA and with the FBI. That is why whenever the threat level was modified, it went up or went down, it was a matter of immediate interest to us. We put out warnings and advisories. We sometimes told Embassies to close down for a couple days. We responded on a constant, continuous basis to the threat information that we had.

Senator HOLLINGS. I am totally familiar with your intelligence operation because some people have questioned it. But I investigated it in 1954 when it was run by Scott MacLeod and Park Armstrong. They were the individuals in the Department of State.

Be that as it may, I want to commend you—we were together Friday night in Islamabad and you really did the country credit in your little presentation at that dinner. We were very proud of you, and later on on CNN going into it that night.

Secretary POWELL. Thank you, Senator.

Senator HOLLINGS. With relation, and that is why I am asking on Afghanistan. You take Iraq and you take Afghanistan, Afghanistan has got 4 million more people than Iraq. And different than Iraq, we have got the people with us. They are solid with us in Afghanistan. You got the Taliban there, but the people are with us. We have got a history of having helped defeat the Soviets and so they are glad to have us. Specifically when they tell us about weapons and cache of weapons and any kind of munitions and everything else, we go there and find it. In Iraq, we have got 11,000 leads and come up dry on 11,000 leads with nothing.

MONEY TO AFGHANISTAN

We have got NATO there in Afghanistan and we do not have NATO or really an alliance in Iraq. I cannot, for the life of me watching and listening and working with both of them, here we have got over $100 billion, they say $125 billion on Iraq. I know they requested only $1.2 billion for Afghanistan and we got it up to $2 billion. And that was the big meeting that we had with your folks, with the Ambassador and all of his folks, even with Karzai and everyone else. They just needed more help. The opportunities were galore. The AID fellow was slipping me one card with $600

million and all. It just seemed to me that we were not following through.

Specifically, I want you to comment on it and see if you cannot help it. Let us get right to helicopters. And I will name the gentleman, General Stone. General Stone, he came on board last June and they had no attack operations whatsoever. It took him until about September and October to train them, and the first one they pulled off was in the end of November, December. Now as you and I both know, they are doing darn good up there on the border. They are putting their lives on the line and everything else like that.

We were told with respect to helicopters they had yet to arrive. He says, you know my word is my success out here. If I cannot give my word and follow through with it, he says, I am nothing. I told him back in September, and in fact the contractor has already been manufacturing the helicopters and everything else of that kind, but the State Department has not authorized the Defense Department or the Defense Department—I never could get it exactly straight, but there is some snarl in the bureaucracy. When you and I were there they did not have any, and the next say, on Saturday they brought over a couple of them from Nepal so they could make some raids.

So here, 2½ years later we have yet to equip them with night goggles. They said they were on the way. But I am 2½ years behind looking for Osama and I am finally getting some operations, and I still do not have the helicopters, and you can help us there.

And as you indicate with that election coming off, we ought to be putting way more in the National Endowment for Democracy. We got it up to $30 billion and then we added another $60 billion and everything else, but relatively nothing in Afghanistan.

I learned with the foreign minister in Tunis, because we took that in World War II, and I was amazed coming out of Morocco where they had 65 percent illiteracy, they had 65 percent literacy in Tunis, 80 percent homeownership and everything else of that kind. The foreign minister said, the secret, Senator, is let the women vote. In Muslim countries, you let the women vote, they want good schools, they want good homes. Karzai is doing just as you have attested, getting the women to participate in that September election. But he does not have the money to follow through and everything else of that kind.

We are pennypinching. We are just throwing, like you say, the largest State Department facility in history, almost $900 billion to go into Baghdad where the jury is out. I am not as sanguine as you are. I am worried about it.

PUTTING MORE AID IN AFGHANISTAN

But we know, and you and I both agree on Afghanistan, but let us put the money to it. Karzai needs about $5 billion to really follow through. General Jones, as you know, the commander of NATO says, one, two, three, he will have three areas secured by September and the fourth area where the Taliban is, there are about 1,300 there and he can get rid of those by the end of the year. So we are on course. I am very hopeful about Afghanistan. Like I saw, the jury is out on the other. That is one of the main things. I have

got two or three other questions, but if you would like to comment——

Secretary POWELL. Let me just touch on a few, if I may, Senator. With respect to Pakistan, we are working the helicopter issue. They need more helicopter capacity in that part of the tribal areas. On night vision goggles, when we were there last week they had not——

Senator HOLLINGS. They had not arrived.

Secretary POWELL. They had not signed the letter of agreement (LOA). They are working on it.

Senator HOLLINGS. Whatever the snarl is, good God, you and I are trying to get Osama for 2½ years and we just had not signed the papers to get——

Secretary POWELL. No, they had not signed the LOA.

Senator HOLLINGS. They had not signed or whatever it is.

Secretary POWELL. It is being worked now.

One other indicator of how things are going in Afghanistan, and we should not dismiss the fact that this is an example of what we can do if we stick with it, and it is an example that might apply to Iraq, 3 million refugees have come home from the largest refugee population in the world. Three million people who are being accommodated, slowly but surely, but they will be accommodated.

With respect to NATO in Afghanistan, I think ultimately there will be a NATO role in Iraq as well as an alliance. But most of the nations of NATO are already involved in Iraq as part of our coalition efforts. We should not dismiss that. So they have expressed their support for what we are trying to do.

There is a difference in the funding that has been made available to Afghanistan and the funding that is made available to Iraq, but I think we have determined that our needs in Iraq are far greater than the needs in Afghanistan, even if we had double or triple the amount available.

AFGHANISTAN OVER IRAQ

Senator HOLLINGS. The opportunity is greater in Afghanistan. The needs are greater in Iraq. You and I agree. But let us take the opportunity that is there where you put just—the President has asked for $1.2 billion, for God's sake, and hundreds of millions over there for the needs in Iraq. But here are the opportunities. You could take $20 million and put in what we call a VOIP, a voice over Internet provider, and we could get the Internet going and communications going and we could have that by the end of the year if you got a good contractor in there, and then we would have communications in a friendly country where they like us, they support us, they support NATO and everything else, and they are working with us to try to get rid of the Taliban. That is an opportunity.

Secretary POWELL. The only other thing I would mention is, as you know, we have asked for doubling of the NED funds this year.

Senator HOLLINGS. In Iraq.

Secretary POWELL. No, overall. The overall account, we have asked for a doubling of the National Endowment for Democracy (NED).

And I congratulate the Tunisians for what they have done with respect to literacy. That is what we would like to see in all these other places as well.

Senator HOLLINGS. Let me yield.

Senator GREGG. Senator Byrd.

Senator BYRD. Thank you, Mr. Chairman.

Mr. Secretary, I am an ex-officio member of this committee. I take this opportunity to thank the chairman and the ranking member of this subcommittee. They are very learned and experienced, dedicated members of the Appropriations Committee. I also want to thank you for your long service to your country. I have observed your service from my vantage point of several positions going back over a number of years, and I share the encomiums that have been expressed already by the chairman and the ranking member.

There has been some discussion here about foreign aid and the Pentagon. Press reports indicate that the Pentagon will continue to handle foreign aid in Iraq even after a new U.S. Embassy is established on July 1, 2004. I never understood why the CPA should be under the control of the Defense Department in the first place. DOD is responsible for fighting wars and protecting national security. Getting the Pentagon into the foreign aid business is a mistake, and I have been fighting that, and I have been fairly effective as the ranking member and as the chairman from time to time of the Appropriations Committee of the Senate, but not in the case of Iraq. I have been opposed to shifting monies over to the Defense Department, money for foreign aid. It distracts the Department from its core mission. I am talking about the Defense Department now.

Moreover, in every major postwar situation during the last 50 years, the State Department and USAID have been in charge of reconstruction efforts. Even in the case of Vietnam where the war was still being fought, the State Department and USAID were primarily in charge of economic and development assistance efforts. After June 30, the case for the State Department to manage the aid will be even more compelling. There will be an Iraqi government, there will be a U.S. mission in Iraq. I cannot understand why the Defense Department will still be in the business of managing foreign aid.

WHY DOES THE DEPARTMENT OF DEFENSE FUND THE COALITION PROVISIONAL AUTHORITY

You are a former chairman of the Joint Chiefs of Staff. Should we not be getting the Defense Department out of the foreign aid business and letting the State Department do the job that it is supposed to do?

Secretary POWELL. Mr. Chairman, a couple of observations. The Defense Department is superb at fighting wars, but they also have a record of dealing with the situation that one finds in a country in the immediate aftermath of a conflict. We all can remember very well General MacArthur in Japan after World War II and military officers in Germany after World War II until such time as we were able to transition over to other agencies of government.

In the case of Iraq, it was logical and made sense that the Defense Department should be prepared for the immediate aftermath

of the war and to be responsible for the country as it is being stabilized and as the reconstruction effort got underway. But it was always anticipated that once a point had been reached when we are ready to return sovereignty and we were ready to continue with the reconstruction effort, it would all transfer over to the chief of mission, the Ambassador and the State Department. That is on track.

Even so, during this period where Defense has had the direct responsibility for CPA, USAID has been intimately involved. We have a very large USAID mission there, contracting for and undertaking reconstruction efforts. In fact they have been the bulk of the reconstruction efforts.

On the first of July when this transfers over, if we are able to keep that schedule, and I hope and think we will be able to keep that schedule, everything comes under the chief of mission. So you might still, after that point, have an Army Program Management Office for the simple reason that the State Department is not equipped to program manage the sums of money that are going to be available from the supplemental. So I want that Army Program Management Office to contribute to provide contracting support, all the other things required to handle that sum of money.

What will change is that they will get all policy direction and all instructions will come from the chief of mission, the Ambassador, who will work for me in the name of the President. He ultimately works for the President.

When I talk to Secretary Rumsfeld and Mr. Bremer about this, they all understand this. As I said to Secretary Rumsfeld in a conversation we had last week to make sure there is no confusion, there is not any confusion between us, on first of July, anybody who is doing things that belong to the Pentagon now becomes a supporting organization to the chief of mission and to the State Department. There are some things that they do very, very well and it would be not wise of the State Department to say, we do not want you to do this anymore because you belong to the Pentagon. We want you to continue to do it, but you will be doing it under the authority of the chief of mission, and when you need policy guidance as to whether a dollar should go here or go there, or whether this project is approved or that project is approved, that decision will come from the chief of mission reporting to the State Department. And the State Department back in Washington will, of course, discuss this on an interagency basis with all relevant agencies in the Government and we will get our overall direction from the President.

Senator BYRD. Here, Mr. Secretary, in my hands I hold two different declassified versions of the national intelligence estimate on Iraq. Now I read from a version that was released in July 2003 after the war. This passage is part of the dissenting view of the State Department's Bureau of Intelligence and Research. Here is what it says.

"The Assistant Secretary of State for Intelligence and Research believes that Saddam continues to want nuclear weapons and that available evidence indicates that Baghdad is pursuing at least a limited effort to maintain and acquire nuclear weapons related capability. The activities we have detected do not, however, add up to a compelling case that Iraq is currently pursuing what INR would consider to be an integrated and comprehensive approach to acquire nuclear weapons. Iraq may

be doing so, but INR considers the available evidence inadequate to support such a judgment.

"Lacking persuasive evidence that Baghdad has launched a coherent effort to reconstitute its nuclear weapons program, INR is unwilling to speculate that such an effort began soon after the departure of U.N. inspectors or to project a timeline for the completion of activities it does not now see happening. As a result, INR is unable to predict when Iraq could acquire a nuclear device or weapon."

Secretary POWELL. Sir, what was the date you said that was, July?

Senator BYRD. This is the declassified version of the national intelligence estimate on Iraq. This version was released in July 2003 after the war. It is the declassified version.

Also, here is the declassified version of the national intelligence estimate on Iraq that was released in October 2002. That was when the Senate of the United States did the most shameful thing that it has done. It washed its hands of its responsibility to declare war, and it shifted that constitutional power to the President of the United States, to one man, to declare war, to decide when to declare war, and how and when to use the military.

This is the declassified version of the national intelligence estimate on Iraq that was released in October 2002. That was when our Senators were misled into casting a vote to declare war, to shift that power to one man to declare war. This version was released in October 2002, before the war.

I looked through every page of this version, and the State Department's dissenting views from which I just read have been omitted from this version. In other words, the intelligence views that did not agree, the intelligence views from your Department, Mr. Secretary, that did not agree with the White House's political agenda were cut out in the version released before the war. They were cut out.

Let me read just one sentence in the State Department's alternative views of Iraq's nuclear weapons. One sentence. "The activities we have detected do not, however, add up to a compelling case that Iraq is currently pursuing what INR would consider to be an integrated and comprehensive approach to acquire nuclear weapons." That language was left out at the time when it should have been left in for the American people and all to see.

I know that you have confidence in the Department's intelligence bureau. You just stated it today. You just made reference to the intelligence bureau. You expressed confidence in your own intelligence bureau. And I have confidence in it. Yet, it was left out of this document about Iraq's weapons of mass destruction program.

So can you explain why the State Department's views were not included in this document right here, that were so important to the President's case to go to war in Iraq? Did it concern you that the State Department's views were left out in the document that was released publicly before the war?

Secretary POWELL. Senator, I do not have the benefit of having read or studied those two documents recently. Are you saying these are declassified versions of the same document separated in time?

Senator BYRD. Yes.

Secretary POWELL. I would have to read what the overall NIE said. I know that the presentation I made on the fifth of February

tried to carefully balance and put forward to the international community what we believed about at the time.

Senator BYRD. There it is.

Secretary POWELL. I cannot respond to this, Senator, because I am not the author of either document, and I do not have an opportunity to read what the basic document says, not just the footnote. The fact is that, as the INR footnote says and I am sure the basic document says, there was never any doubt that he wanted to have nuclear weapons. As I testified before the world on the fifth of February, he was keeping in place the knowledge infrastructure, he was keeping in place the capacity to have such weapons, or plans to have such weapons, and that there was some indication that he was undertaking procurement activities. There was a difference of opinion with respect to some of the procurement activities concerning centrifuges, and I made that point when I made my presentation.

So I think it was clear this is something he wanted to have, but there were legitimate differences of opinion as to how far he was on the road to having such a capability. One thing that I have never doubted is that if he had been released from the pressure of the international community or if he had been released from the sanctions policy that was in effect, all of which he was trying to do, there is no doubt in my mind that he would have gotten right back on track with the intellectual infrastructure and with the money available to him and with the plans that he had.

Senator GREGG. Senator, if you have completed that line of questions, could we go on and get to other Senators and then come back for another round?

Senator BYRD. I had not completed it. I will try to be brief.

Based on the declassified national intelligence estimate, the State Department's assessments on Iraq appear to be more accurate than the assessments of other agencies. But these conclusions regarding Iraq's nuclear weapons program were all but ignored by senior administration officials. Vice President Cheney said virtually the opposite on national television when he stated, "we know [Saddam Hussein] has been absolutely devoted to trying to acquire nuclear weapons and we believe he has in fact reconstituted nuclear weapons." Mr. Secretary, the world heard from the National Security Advisor who warned of nuclear weapons and mushroom clouds. These statements were absolute and unequivocal, but there is no mention whatsoever that the nuclear issue was hotly debated within the intelligence community. There is no mention of the questions raised by the State Department's intelligence service. Those concerns did not match the administration's case for war, so those concerns were brushed aside, brushed over, and brushed away.

In your view, Mr. Secretary, why were the State Department's conclusions, which ended up being the most accurate of all, ignored by other senior officials in the administration, especially the Vice President?

Secretary POWELL. Sir, I cannot track each statement. All I can say is that the position put forward by me and with Mr. Tenet behind me, having approved every word of my presentation of the fifth of December, reflected the best judgment of the intelligence community. Now where there are differences of opinion and nu-

ance, you have to make a judgment as to what the preponderance of evidence supports, and Mr. Tenet is the one who makes that judgment. I think he put a balanced judgment into the overall NIE that was available to the Congress, that was available to me as I prepared my presentation and which reflected the best judgment of the community when I made my presentation. And I had qualifiers in my presentation to suggest that there were differences of opinion.

Senator BYRD. I thank you, Mr. Secretary, and I thank you, Mr. Chairman.

Senator GREGG. It is the tradition of this subcommittee at least to recognize the chairman of the full committee whenever he arrives.

Senator Stevens.

Senator STEVENS. I would take just a few minutes, if I may. There are five hearings this morning. I have tried to visit each one of them, Mr. Chairman.

Mr. Secretary, my first report to you is that my Flat Stanley got home all right.

Secretary POWELL. I am pleased to hear that.

Senator STEVENS. We met the Secretary in Jordan and he was kind enough to——

Secretary POWELL. We are still looking for the digital pictures so we can put it up in the State Department.

Senator STEVENS. I have got one. I hope you know what a Flat Stanley is. If you do not have a grandchild——

Secretary POWELL. You do not know what a Flat Stanley is?

FUNDING FOR THE COALITION PROVISIONAL AUTHORITY POST-JULY

Senator STEVENS. Mr. Secretary, first, I come primarily because I am worried about the funding for the CPA in the transition after July 1. I do hope that we can get your guidance on what will take place there. As I understand it, it is fairly certain that the current funding of CPA will run out, and I do not know whether we are going to get to the 2005 bill in time to start October 1. There may be a gap there. Are you prepared to deal with that?

Secretary POWELL. We believe and we are still grinding down on this, Senator, in conversations with Ambassador Bremer and Secretary Rumsfeld and our two staffs working with each other, we will not walk in on the first of July and find no money there. There will be sufficient funds that should be able to carry the new operations under the chief of mission through certainly the end of the year and the end of 2005. But we really need to drill down on those numbers to make sure we have got it right.

Senator STEVENS. I hope we can visit later on in the year here about that funding, because very clearly——

Secretary POWELL. We have got to make sure we have got it right.

Senator STEVENS. Senator Hollings and I have met with members of the provisional council that did urge that we go forward and did urge that they want that authority at the end of June, so I think we ought to be sure that the funding is there until we do get the 2005 bill approved.

Having said that, I know of no one I admire more than the two gentlemen on my right here, Senator Byrd and Senator Hollings. We disagreed of the vote on the war resolution, and I still maintain that based upon the briefings that I had as chairman of the Defense Subcommittee and as President pro tem I had reached the same conclusions that you announced, and I still believe that there are weapons of mass destruction. We found their airplanes that they were not supposed to have after the first gulf war buried in the sand. It took us more than 1 year to find them, and we only found them by virtue of an informant that told us where they were. Now if they can bury airplanes, they can bury weapons of mass destruction.

READINESS OF IRAQI SELF-DEFENSE FORCES

But in any event, the problem now is winning the peace. I have one other question to ask you about the status of the training of their self-defense force. I hope that we will call it a self-defense force rather than an army because I do not believe they should have an army yet.

But in any event, the self-defense force and the police that will take over the major responsibility will be in Baghdad immediately. Do you have information on the status of that? Will they be ready and are they trained sufficiently to maintain that security to allow us to pull our forces out of Baghdad and have them—and the perimeter outside of Baghdad?

Secretary POWELL. I would like to provide a more fulsome answer from Ambassador Bremer and the Pentagon, but based on what I heard last week the training that the State Department is responsible for with respect to police is going well. We are producing in two places trained policemen coming through with 8 weeks of solid training. We have got to make sure they are getting equipped with cars, with uniforms, with weapons, with the forensic infrastructure that a police department needs. The military is now also training police. So I think the volume of trained police will increase very significantly in the months ahead. Getting them fully equipped is the challenge.

With respect to the army, there is an army that is being trained now, and battalions are starting to come out of that flow, and I think General Abazaid is anxious to speed that up. There is a huge amount of effort going into training of the civil defense units as they are called, but not civil defense in the old context that we remember, Senator Stevens, but militia—not even militia. A national guard is the closest parallel I think that would be located in the different regions to provide security.

Mr. Rumsfeld says that up to 200,000 Iraqi personnel are now in uniform helping us with security and putting themselves at risk. Eleven of them were killed the other day. So it is not as if they are not wanting to go out there and fight for their country and protect their country. But we still have challenges ahead to fully equip and train this force in a competent way.

[The information follows:]

Public security and law enforcement are critical priorities in Iraq and key to the new Iraqi government's ability to establish the institutions necessary to effectively govern after June 30th. The Department of State has been providing extensive sup-

port to the Coalition Provisional Authority since May of 2003 to achieve these goals. These efforts will continue beyond the transition, and will enable the Iraqis to ultimately assume full responsibility for security and public safety. As more and more Iraqi police are trained and can take up regular duties, coalition forces will be able to reduce their efforts in this area. Due to the neglect and abuses of the past 35 years, the security forces must be rebuilt, and it will take time before they reach full operational capacity and can operate independently.

It is encouraging to note that there are nearly 200,000 Iraqis working with coalition military forces and providing security for their country, serving as part of institutions such as the New Iraqi Army, Iraq Police Service, Border and Customs, and the Iraq Civil Defense Corp (ICDC).

The Iraqi Civil Defense Corps—which is similar to an internal self-defense force—is supporting Coalition operations throughout Iraq. Approximately 35,000 troops in 36 ICDC battalions are trained, deployed, and operating side-by-side with Coalition companies and battalions. CJTF–7 plans to stand up 9 more battalions by June, bringing the total number of ICDC to about 41,000 personnel either on duty or in training. ICDC training should be completed by August. In the Baghdad area, there are currently 6,300 trained and equipped ICDC troops. They are fully integrated into the operations of 1 Armored Division, which is assigned to the Baghdad area of responsibility.

Four battalions of the Iraqi Armed Forces have completed recruit training. The fifth battalion will enter training in mid-May, and by October we expect to have 27 battalions of IAF trained and equipped. Their mission will be defense against external threats.

With respect to the police, the CPA has determined that an Iraq Police Service (IPS) of approximately 75,000 personnel will be needed, and in order to reach this number, over 35,000 new recruits must be selected and trained. The Bureau for International Narcotics and Law Enforcement Affairs (INL) is funding necessary construction and renovations at a site offered in Jordan for the training, which began in November 2003. The training program consists of 8 weeks of intensive basic policing skills training that stresses modern, democratically based policing methods under the instruction of up to 400 United States and other international police instructors trained to deliver the course.

With INL funding, the curriculum for this training was developed by the Department of Justice International Criminal Investigative Training Assistance Program (ICITAP), and is based largely on the successful model used in Kosovo and other post-conflict areas. In a few months, the Jordan site will be at full capacity, and will be able to support up to 3,000 recruits and 1,000 instructors and staff at any given time.

As follow-on to the basic training, recruits will then complete a structured field-training program over a twenty-four week period administered by International Police Advisors who will focus on the practical application of the course work and will further develop their skills in core policing areas. So far, nearly 1,500 Iraqi police recruits have graduated from basic skills training and are deployed back at home. In addition, there are approximately 2,300 recruits in training in Jordan and Iraq.

ICITAP has also developed a three week Transition and Integration Program (TIP) for delivery to the approximately 46,000 existing IPS personnel. The program focuses on international standards of human rights, modern police patrol procedures, the applicable Iraqi criminal laws and firearms proficiency. This course is designed to facilitate a change in outlook, behavior, action and activities of all Iraqi police regardless of assignment or rank.

This course is being conducted country wide and has been prioritized to be delivered to those officers who will function as field training officers to the new recruits who will soon be graduating from basic training. The delivery of this course will continue until all existing IPS officers have successfully completed this training. So far, over 10,000 Iraqi police have received this training.

The CPA training plan also calls for further development of three police academies in Iraq—in Baghdad, Arbil and Basra, to also deliver the 8-week basic course. These three facilities, when fully renovated, will, together be able to train approximately 2,000 students at any one time. One hundred Iraqi police trainers have already been given a "train-the-trainer" course at the Jordan facility and have returned to Iraq. In addition, 230 U.S. military police trainers have been given the "train-the-trainer" course and will work with the Iraqi trainers in the three Iraq academies.

Our efforts are directed at enabling the Iraqi police to achieve the capacity to provide public security and law enforcement, and thereby allowing coalition forces to withdraw as soon as practical and safe.

Senator STEVENS. One last question Mr. Chairman. When we look at the plans now for the period past June 30, it is my understanding that the largest Embassy we have will be the Embassy that is in Baghdad.

Secretary POWELL. Yes, sir.

Senator STEVENS. Are we going to appoint an Ambassador there?

Secretary POWELL. Yes, sir.

Senator STEVENS. I am hard-pressed to understand why it is going to be that large. Could you just describe the need for that big an Embassy and its staff?

Secretary POWELL. A lot of things have to be done in Iraq. First and foremost, we have to make sure that we have the people in place to manage a very large sum of money made available by the Congress through the supplemental.

Second, we have got to help the Iraqis develop a sophisticated government with ministries that are answerable to political authorities, and that is going to take some effort. We will have a very large USAID presence in the country. We will have representatives of the chief of mission in different parts of the country to represent our interests. There will be a very large security component, because we expect that it will still be not a safe environment.

So when you add all of these things up, we think it will take a fairly large mission staff to do all these things. There will be an Office of Security and Cooperation, and we continue to work to improve the capabilities of Iraqi police and military personnel and the civil defense units that I spoke of. And there will be a lot of contracting people who may work for other departments but will be answerable to the chief of mission, and therefore become part of the overall mission size.

Senator STEVENS. Will any of the funding for that come from the supplemental or what's available to the new government?

Secretary POWELL. Yes, there are opportunities to tap into the funding stream of the supplement to support this overhead for managing of the supplemental money.

Senator STEVENS. Last item, my friend. Any bricks and mortar involved in that? Are we going to build a new building?

Secretary POWELL. We are looking now—yes, we are examining sites now for a new Embassy facility, and there is wedge money in the program now to begin that work.

Senator STEVENS. That is to permanently house that many people or will it come down?

Secretary POWELL. I certainly hope it will come down over time, but in the first year or two there is a massive amount of work that has to be done. The Embassy is not being scaled for that large a presence over time. It will take some years to build the Embassy and we are still figuring out what to scale it for. But it will be a major facility.

Senator STEVENS. Will the provisional authority be there at the same time in that building?

Secretary POWELL. The provisional authority will go away.

Senator STEVENS. Is the new government going to be in the green zone?

Secretary POWELL. I assume initially it will be, but I do not know the answer to that question. I will get it for the record.

Senator STEVENS. Thank you.

Thank you, Mr. Chairman. I do appreciate your courtesy. Gentlemen, appreciate your courtesy.

Senator GREGG. Thank you, Mr. Chairman.

HMONG REFUGEES IN LAOS

Senator Kohl, I appreciate your patience.

Senator KOHL. Thank you, Senator Gregg. I would like to change briefly to another area of the world which my staff has told you I was going to inquire about and that is Laos. Mr. Secretary, I am deeply concerned about reports coming from Laos on the status of the Hmong. My State of Wisconsin is the home to 33,000 former Hmong refugees, many of whom are concerned about the status of their family and friends in Laos who have been living in the jungle since the end of the Vietnam War. Estimates are that there are as many as 17,000 still in the jungles.

As you know, Mr. Secretary, the United States is indebted to these former Hmong insurgents who fought valiantly with us during the Vietnam war. In recent weeks there have been reports that hundreds of Hmong have been emerging from the jungle to take advantage of an unofficial Lao government amnesty program. The Lao government denies that there is such a program. We have been receiving reports that many of these Hmong have not surrendered willingly, but they have been captured and are being severely mistreated.

Last week Senator Feingold and myself, along with other Senators, sent a letter to Ambassador Negroponte asking for his assistance in urging the United Nations to send a high level U.N. representative or a fact-finding mission to Laos to monitor the treatment of the Hmong. To ensure the safety of this Hmong population we need to do all we can to shed light on the situation there. Unfortunately, as you know, there is virtually no international access to the areas where the Hmong live. So can I ask for your support in this request for a high level U.N. representative or fact-finding mission to Laos?

Secretary POWELL. Sir, we will be answering your letter in the next day or so, but we believe the United Nations can play an important role. There are U.N. agencies working in the area now. I really do need to talk to Kofi Annan as to whether he wants to designate another new special representative for this, but we will consider this request.

Our initial look into the issues raised in your letter suggest that they are coming out, but we have not yet got any evidence to suggest they are being abused in the way that some people have said they are being abused. I do not say it has not happened or is not happening, but we still have to do more work to establish the facts. We are trying to get greater access to them, and we are in touch with the Lao government about the need for greater access, and we are about pushing the United Nations to achieve greater access.

As a separate matter, as you know, there is a Hmong population that is in Thailand and we are working hard to see if we can settle them as refugees as part of our refugee resettlement program here in the United States.

[The information follows:]

I would like to respond on behalf of the Secretary regarding the Department's position on normal trade relations (NTR) for Laos which you raised during the March 25 Commerce, Justice, State Appropriations hearing.

The Administration supports granting NTR status for Laos and bringing into force the bilateral trade agreement negotiated in 1997 and signed in 2003. Laos is one of only three countries worldwide (the other two being Cuba and North Korea), and the only lesser-developed country, subject to tariff rates generally far higher than those available under NTR. Extending NTR to Laos could help open Laos to the outside world, which could in turn lead to more internal openness and transparency. Progress toward a more open and democratic society will help us achieve our foreign policy objectives across the board. While some opponents of NTR argue that it should be used as a reward for a completed democratic reform process, we believe that granting NTR to Laos will benefit the Lao people, and will create a more cooperative environment in which the United States can effectively pursue key human rights and democratization objectives.

The United States Government remains deeply concerned about human rights in Laos, including treatment of the Hmong minority. We have repeatedly made clear to the Lao government the strong concern of the American people and government about the poor human rights situation and will continue to do so. In regard to recent reports of Hmong living in remote areas seeking to resettle in Laos, reports so far indicate that the Lao Government has treated those seeking resettlement humanely. We have offered assistance for this population, but the Lao Government has not responded. Also, Secretary Powell has written to the Lao Foreign Minister supporting Ambassador Hartwick's urging that the Lao Government allow our Embassy or international organizations access to these people so that we can assess their conditions first hand. We do have reports that fighting continues between some Hmong groups and the Lao Government, and we have urged that the Lao take a humanitarian approach.

I hope this answers your questions. Please feel free to contact me if we may be of further assistance.

UNITED STATES SENATE,
Washington, DC, March 15, 2004.

Ambassador JOHN D. NEGROPONTE,
U.S. Ambassador to the United Nations, United States Mission to the United Nations, 799 UN Plaza, New York, NY.

DEAR AMBASSADOR NEGROPONTE: We are writing to ask for your assistance in urging the United Nations to send a U.N. representative or fact-finding mission to Laos to monitor the treatment of hundreds of Hmong-Lao, many of whom are former insurgents and their families, who have recently emerged from the jungles of Laos. A high-level U.N. presence is essential in securing the safety of these individuals, as well as in providing greater transparency regarding Lao governmental actions to the international community.

Over the past several weeks, hundreds of Hmong-Lao and their families have left the jungles of Laos. Many of these former insurgents fought with the Central Intelligence Agency during the Vietnam War to rescue downed American pilots, to thwart supply lines along the Ho Chi Minh trail and to hold off North Vietnamese troops. When the Vietnam War ended and the communist Pathet Lao took over the government, thousands of Hmong were killed and sent to reeducation camps. Most Hmong fled Laos or hid in the jungles of Laos, fearing for their lives. Some estimate that as many as 17,000 Hmong have been living in the jungles since 1975. The United States remains indebted to these courageous individuals and their families.

The U.S. government claims that these individuals have surrendered to the Lao government and are participating in an unofficial and "unstated" amnesty program organized by the government of Laos. Yet, our offices have heard contradictory information. Reports indicate that the Laotian government denies the existence of any amnesty program for these individuals. In addition, many of our constituents claim that these former insurgents have been captured by the Lao military and did not surrender. Our constituents fear that these people are in serious danger and allege that many have already been killed, including women and children. Amnesty International in a report on March 4, 2004 states, "Amnesty International has received conflicting reports as to their [the Hmong's] reception and treatment by Lao authorities."

The restrictions imposed by the Lao government on international access have prevented policymakers, journalists and humanitarian groups from knowing the reality on the ground and understanding the needs. The United Nations can play a crucial role in shedding light on the situation. We ask you, therefore, to urge the United Nations to send a U.N. representative or fact-finding mission to ensure that these

former insurgents are treated humanely and that the Lao government respects its obligations under international law.

We thank you for your consideration.

SENATOR RUSS FEINGOLD,
SENATOR HERB KOHL,
SENATOR BARBARA BOXER,
SENATOR MARK DAYTON,
SENATOR DIANNE FEINSTEIN,
REPRESENTATIVE RON KIND,
REPRESENTATIVE MARK GREEN,
REPRESENTATIVE DEVIN NUNES,
REPRESENTATIVE GEORGE RADANOVICH,
REPRESENTATIVE DANA ROHRABACHER,
Members of Congress.

Senator KOHL. Thank you. Mr. Secretary, an AP story earlier this week based on information from the Hmong leader in the jungle reported that 6,000 Laotian troops using machine guns, grenades, mortars, and helicopter gunships had launched a new attack against a group of 2,000 Hmong insurgents and their families. At least seven women and children were killed. Amnesty International reported in October that the Lao government has used starvation as a weapon of war against thousands of Hmong in the jungle. We have seen reports, such as photos in a Time Asia piece last summer that Hmong in the jungle are living in deplorable conditions.

What can we do to press the Laotians on the human rights situation? Senator Feingold and myself contacted the Lao government about the Amnesty report. They have denied the report. Our ambassador industry has been pressing for normal trade relations with Laos, and that bill was recently introduced in the Finance Committee.

My question is, is this the time for us to be rewarding that government with normal trade relations when we are supposedly, and I believe should be, so concerned about their human rights treatment?

Secretary POWELL. We are concerned about the human rights treatment. We have received reports of this military operation and we are trying to confirm or get a denial of it; to find out what the fact are. The Embassy is working hard to establish the facts. While I have seen the same reports that you have, I just do not know the real facts yet.

The Lao government does have an amnesty policy with respect to the trade relief legislation. Let me take another look at it because I really am not familiar with it.

Senator KOHL. I would appreciate that very much.

Secretary POWELL. I would be delighted, Senator.

Senator KOHL. Finally, you refer to the Buddhist temple in Thailand and resettlement efforts. I would like to know what the State Department plans are to ensure the humane treatment of those Hmong Lao who do not qualify for resettlement in the United States. In the interest of time I will submit the question and I look forward to some response from you.

Secretary POWELL. Yes, sir. Thank you, Senator.

Senator KOHL. I thank you, Mr. Secretary.

Senator GREGG. Thank you, Senator Kohl. I know the Secretary has to leave but there are number of issues we would still like to

take up with you, and maybe we could all take maybe 5 minutes, 10 minutes at the most to go over those.

CHARLES TAYLOR BEFORE TRIBUNAL

There are a series of issues that deal with peacekeeping and activities in Africa. One of my concerns, as you know, is how we get Charles Taylor over to be tried before the tribunal, so I would ask you a series of questions. One is, do you expect the UNMIL process to be successful if Charles Taylor is not tried? If your answer is no, then how do we get him tried?

Number two, it appears that there is going to be an expanded peacekeeping effort throughout Africa, especially in Sudan eventually, what are you projecting that we are going to have to come up with for peacekeeping in Africa?

Secretary POWELL. The best I can do with respect to projections is what we have now in the 2005 budget, but I want to put down a cautionary word that we do have these other demands coming along. I hope they are coming along. I hope we will be able to work on peacekeeping forces for the Sudan. As you know, we are in a very intense, delicate period of negotiations with the Sudanese and the SPLN to try to get a comprehensive peace agreement. So we may well have to come back to the Congress at some point in the future during 2005 for additional support for peacekeeping efforts.

With respect to Mr. Taylor, he is still subject to the court. I believe he should come before that court. As you know, he is in Nigeria and the circumstances of him being moved to Nigeria was that the Nigerian government would not come under pressure in this immediate period to turn him over to the court. The Nigerian government has said, however, that when Liberia has a functioning government that is recognized and makes a request for Mr. Taylor, then it can be looked at at that time.

This was not a perfect solution, but last year when we were facing this problem we needed to get the violence ended, and we needed to get some control of this country and over the population. We needed to get Charles Taylor out. We found a way to do that and it required us to make a compromise with respect to letting him remain in Nigeria without the Nigerians being under pressure to turn him over right now, or else we would not have been able to——

Senator GREGG. But the understanding was that he would not stay in Nigeria——

Secretary POWELL. He is.

Senator GREGG [continuing]. And not be a force.

Secretary POWELL. He is not much of a force.

Senator GREGG. He is. He is agitating. There are reports that he has got an army up and running in the Ivory Coast.

Secretary POWELL. He does not have an army up and running. He is an annoyance. I have followed this very carefully because the last thing I wanted to see was to have Charles Taylor trying to create armies or stop what we are trying to do in Liberia. I have seen the reports about creating an army but I have never been able to verify that one exists.

Senator GREGG. How can we justify this tribunal if the first person they indicted will not be brought before them? We brought Milosevic in. Why should we not bring in Taylor?

Secretary POWELL. We will. It took a long while to get Milosevic in, and we finally had to apply different kinds of pressure and wait for a different set of circumstances in Belgrade before we could get Milosevic in. We still believe Charles Taylor belongs before this tribunal and we hope that that is where he will end up.

But last year the challenge we were facing was to get food into the people of Liberia who were starving and to get the killing ended. And we succeeded. We succeeded by getting Charles Taylor out, and the way we got Charles Taylor out was to send him to Nigeria with an understanding with the Nigerians that they would not be pressured. The Nigerians know that ultimately Charles Taylor has to be dealt with, and they have set out the circumstances under which he could be dealt with. That is when there is a functioning government in Liberia and a request for his return. I think eventually he will stand before the bench of justice.

Senator GREGG. Before I turn it over to Senator Hollings I do what to thank your Department. You are doing a lot of things right. You are doing the IT right, and I think General Williams has done an excellent job of getting Embassy construction under control. I hope he is going to take a serious look at the new U.N. building on the security side. This is a big dollar item and I think his expertise and his shop's expertise in that would be very important on the security side.

Senator Hollings.

MIDEAST-WEST DIALOGUE

Senator HOLLINGS. Mr. Secretary, we can use your help on that International Center for Mideast-West Dialogue. I had the pleasure of talking with the president of Austria some 7, 8 years ago and he allowed how we ought to have better relations between the Christian and the Muslim world, or the Western and the Mideast world, and that he talked to the Ayatollah Khomeini by phone every week, and other leaders there. At that particular time we were looking there at the facility—I am rushing along because I do not want to use your time—at Istanbul that was given to us by the former Ambassador and everything else in a card game, and he lost a bet. He bought it and gave us a magnificent facility, presently on loan to the British.

I said, wait a minute now, we have gone along and we have got a wonderful consulate there, really a well-appointed facility, but why not start an East-West Center where you have got a secular state, Turkey, and everything else of that kind. We put in $7 million, Senator Byrd, in the bill and everything else, and we are ongoing. Now all of a sudden, Assistant Secretary Frank Taylor in your Department says it is not safe. This is not an Inman facility; we do care whether it is safe obviously. But we would not be loaning it to the Brits if we were not sure of its safety, you know what I mean? If you get those entire in there, and this particular facility, they want to move it into the United Nations, move it into New York, we would have questions about some of the people in the dia-

logue even getting visas to come into New York under the present circumstance and turmoil and what have you.

Now you can get right in behind us and help us. We will put some more money and we will get it going. I think it is the Council for American Overseas Research Center, and they are a private group that is an NGO that takes and gets all these things working together and what have you. They have got credibility, and they will all join in. I have seen the success of the North-South Center, the East-West Center. We have got to get something going in the Mideast. Looking at the morning headlines, we are getting worse and worse.

Otherwise, I have got to comment on Iraq, because I am worried about you and that big facility that you have taken. After all, the largest facility we have ever built for the Department of State, and you have got General Williams and he is tip-top and we have worked closely together—$450 million here. We have got $900-some million set aside and you say they have not—the State Department says we expect to have 1,000 American personnel in there and 2,000 Iraqis working. So they are going to have 3,000 in the thing, and here we do not have security.

My friend Senator Stevens said we differ voting for the resolution. Let me level, because I did with my own people back home and the press and everything else like that, I knew what it was doing when I voted for that authority for the President to go into Iraq. He had stated amongst all the build-up on October 7 in Cincinnati, facing present danger of evil, we cannot wait until the smoking gun is a mushroom cloud. When your Commander-in-Chief says that, and you know he has got availability with the Mossad. We all yap about the intelligence. We act like we are the only ones—whether it was good or bad, and distorted, twisted, blah, blah, blah. Israel depends on knowing what is going on in downtown Baghdad. Their survival depends on it. They have got the best of intelligence.

So when the Commander-in-Chief said that, I voted for the resolution. I was misled, and we all were misled and we can see it in the morning news. Now we have got to do the best we can in there.

What happens is that we still do not have enough troops. It was the same thing—I thought I was back in Saigon with Westmoreland talking to General Abazaid. He in the one breath said to me we needed 90 more days to train the police. We do not have the police trained sufficiently for June 30. We have not secured the borders. We have got green troops in the turmoil of trying to not have enough troops, bringing in Guard and Reserve with the greens, so a fellow lights a hibachi in the backyard and that there gives us a radar, a heat signal and we shoot and kill the family and the kids. We see another photographer and he aims a camera and we think it is a rocket and we kill the Reuters newsman.

I had a good friend that has been in Baghdad for years off and on and he said, I shopped in downtown Baghdad in September. I went back in November and it was taking my life in my hands.

So that train—we are doing the work for the Iraqis, and we have got the constitution. You feel good about it, but they say, wait a minute, that is an open-ended document. It subject to amendment. It gives the Kurds autonomy so the rest of them want autonomy.

And Ambassador Bremer says we are not going to have an Islamic democracy, yet you have got a majority vote, and the majority vote is going to vote an Islamic democracy.

With all of that, Bremer is gone come June 30. Abazaid is gone. They are all leaving, and they are leaving it for you. And you are building up a temple even bigger than Saddam ever built, $1 billion, $900 some million for 3,000 personnel, and then you say that the AID people are going to—they are. They are going to have to go up with their security. They are insecure all over the place. And it is going to be open sesame come June 30, and we ought to know at this committee level, ought not to be planning a $900 million facility. Maybe $90 million, or take over one of the—they have got them all over the place, all those palaces and everything, and we are in them, in many of them.

We can take where they have got—and that is off the beaten track and a good facility, and move that crowd that is in there, all computerized, looking for WMD. Just move them out and move you in, and we have got a facility and everything else and we will see how things go. That is a secure place and everything else of that kind.

But I find the Defense Department—look, I asked about all those troops everywhere. I got to General McKernan and I said, General, I know you and you know me, you need some more troops. I said, I could have used more troops in June last year. I said, what for? He said, I could have gotten better security in the Sunni Triangle. I said, why not more troops now to get the Sunni Triangle, get the borders and everything else secure and what have you? The de-Baathification under Chalabi—and he will need the Secret Service by this time next year—Chalabi in charge of that has knocked off the leadership of the army, he has knocked off the leadership of the Sunnis and made some of them hostile and joined with Saddam loyalists, and they have joined with a lot of the insurgency coming in and terrorists and what have you, and the movement is—there is a definite movement going against us there, and you are going to end up holding the bag. That is what I am worried about.

Senator GREGG. Senator, we are going to run out of time here with the Secretary.

Senator HOLLINGS. That is all right. He can comment or not.

Senator GREGG. You can comment on that, then we will go to Senator Domenici, then to Senator Byrd.

Senator HOLLINGS. Help us on that Mideast-West Center.

Secretary POWELL. You are right, security is a problem there. Remember, the British just had a horrible situation with one of their consulates being blown up. I think we have to be careful about using that facility.

Senator HOLLINGS. That is right, we are in trouble.

Senator GREGG. Senator Domenici, and then we will go to Senator Byrd.

IRAQ RECONSTRUCTION, COST OF

Senator DOMENICI. Thank you very much, Mr. Chairman. Mr. Secretary, fellow members on the subcommittee, first I apologize for being late, particularly to you, Mr. Chairman. I had three committee hearings at the same time.

I want to talk just for a minute about Iraq reconstruction and then I want to change the subject to non-proliferation. It still remains an issue. First on reconstruction, I hope that the experts that are going to use the $18 billion for reconstruction in Iraq will consider the fact that this reconstruction money ought to go as far as it can. By that I mean if there is any way that you can use it for guarantees and the like, so that less dollars get more accomplished, I think that would be a very good way to handle it.

Now I am not familiar with how you plan to reconstruct Iraq, and how you plan to bring this economy into being, but I would suggest that you have some finance experts advising the Department on how to stretch the $18.5 billion. We know here that when we do guarantees, their cost on our budget is tremendously less than the amount of the loans. I leave that with you, and I hope that you will take every opportunity. If the $18.5 billion does not permit that and you see some places where more is needed, I would hope you would ask us.

MOX PROGRAM; STATUS OF LIABILITY WITH RUSSIA

I want to change the subject. It seems almost trivial with what we are doing, but I think non-proliferation of nuclear, and chemical, and biological weapons remains a terrific problem for the world. I want to ask you again about the MOX program. You know what that is. That is the program with the Russians that caused America to change its policy and start building a plant for MOX, which is a new way to convert some of the radioactive consequences of nuclear build-up.

I am very concerned about the Russian-United States program that will remove 34 million tons of plutonium from the respective stockpiles. As you know, I have been involved with this effort beginning way back when we put it into effect. Frankly, I do not blame you, but I am very disappointed that the negotiations regarding this issue of liability has not yet been resolved. I tell you, Mr. Secretary, that it is a matter that deserves your attention. The Russians have negotiated a deal like this with another group, the G–8 partners and they have done it at a level of protection that is different from what we are talking about in this United States. I do not think we ought to let them get away with treating us differently.

In other words, they are making the liability question harder for our country than they did for the G–8. I would hope that again, Mr. Secretary, that you would find the very, very best people and get on with this. We must not lose the momentum of this huge deal that we made at the same time we got that highly enriched uranium. I think you are aware of that. They made a deal. We got enough highly enriched uranium that we bought that could make thousands of bombs, and it was bought and it is here in America. It is being fixed up to where it can be used in nuclear powerplants.

But the MOX program deals with a more dangerous compound. It deals with what nuclear weapons are made of. Or put it this way, you cannot make them without this. For the Russians to give us under an agreement 34 million tons—I believe that my staff is wrong. I think it is 34 tons.

Secretary POWELL. It is a lot.

Senator DOMENICI. It is a lot and it could make a lot of bombs, and they will not be able to be made. Could I have your comments on this?

Secretary POWELL. I am familiar with the program and I am familiar with the liability issue. Our responsibility in this is outside of Russia, so I have got to take the question back to other colleagues in the administration and get back to you on it, and talk to my friends at DOE and my own staff to see what we can do about the liability problem.

Senator DOMENICI. It would be done if you solve that problem. Thank you, and thank you, Mr. Chairman.

[The information follows:]

On March 25 at the hearing on CJS appropriations, you and Secretary Powell discussed the status of the liability issues with Russia and how it affects progress in United States and other G–8 partners' participation in Russia's plutonium disposition program. The Secretary promised to follow-up with you on this matter. This is an interim reply.

State and other interested agencies remain engaged at senior levels on the issues you raised. We will provide a substantive response as soon as those deliberations are completed. We appreciate your strong interest in this issue and this critical initiative.

Senator GREGG. Senator Byrd.

Senator BYRD. Let me thank you again, Mr. Chairman, and Senator Hollings for your patience, and for your many courtesies to me. I am not a member of the subcommittee.

Let me thank you again, Mr. Secretary, for the good work you do. When I came to Congress, we had Secretary Dulles as our Secretary of State. My first trip out of this country was a trip around the world. I remember that in high school I was assigned a book to read, Jules Verne's "Around the World in Eighty Days." We went around the world in 68 days, I believe it was, in an old Constellation. Of course, that would have been called a junket in these days.

We visited Afghanistan, where they went into the town square there, the men wore leggings and looked as though they wore secondhand clothing. The time of day was announced in the town square. There was no warm water in the hotel where we stayed. Mrs.—I am trying to remember the name of the lady from Illinois who was a member of the delegation. There were seven on the delegation, among whom was a member from Minnesota, a former missionary to China. We visited Afghanistan. We also visited Iraq and visited the king of Iraq, as it was at that time. I sometimes think that I would like to go back to Afghanistan and see what changes have been made.

ISRAEL FENCE STATUS AND COST AND ISRAEL-PALESTINIAN CONFLICT

While I was in Iraq, I decided to go down to Babylon, the old Biblical city of Babylon, sitting on the banks of the Euphrates River, and my memory carried me back to that chapter in the Bible where Daniel was called in before the king to interpret the handwriting on the wall, mini, mini, tiki, euphrasi. The meaning as Daniel interpreted it, God hath numbered thy Kingdom and finished it. Thou art weighed in the balance and art found wanting. Thy kingdom is divided and given to the Meads and Persians. That night the king was killed, and his dominions were indeed given to the Meads and the Persians.

I marvel at the prophesies that we have heard and read from the Bible, and have seen them come true, and are seeing them come true.

I agree with Richard Clarke's statement, and I paraphrase it, in that the war in Iraq has distracted us from the war against those who attacked us on 9/11 and the war in Afghanistan. I believe that, and believed it before he stated it. I am against that war in Iraq, I was against it, am against it, and will continue to be against it. I made no bones about that. I think that it has been a terrible distraction from our homeland security, our own security of this country. I think that we are lacking, and I think that something terrible will happen again in this country. I think that it is only a matter of time. I believe that these people are patient and that they will come back. I do not think that this country is being made more secure by our being in Iraq. I do not fall for that baloney. I was sold lots of that in my time, having been an old meat cutter, bologna.

I think that the war in Iraq has also been a great distraction from the handling of the Israeli-Palestinian conflict. I think that is where the basic problems have arisen. There has been a lot written in the press about the wall that the Israeli government is building inside the 1967 boundaries. Every country has that right of self-defense. I do not question that right. I am sure that you do not agree with those who criticize the administration for abandoning the Middle East peace process, but for all practical purposes, the Bush road map, which was never really anything more than words on paper, is dead.

The fact is that neither Israelis nor Palestinians have any reason to believe that this administration is going to expend any political capital to move the process forward anytime soon. Real progress was being made before this administration took office, but since that day, the situation has slid steadily backwards and bloodshed has spun out of control. Hundreds, if not thousands, of deaths could have been avoided. This administration's disengagement from the Israeli-Palestinian conflict is a major impediment to what we are trying to do to promote democracy and combat terrorism in the Middle East.

The issue with respect to the wall is where this wall is located. It has already cut off hundreds of thousands of Palestinians from their land, from their neighbors, and even from their family members. Does not this action violate the policy that the location of boundaries should be decided through negotiation, not by unilateral action by the parties? My question would be, what is the administration's position on this? What are we going to do about it?

Secretary POWELL. We have problems with the wall and we have expressed those problems to the Israelis. They are free to protect themselves against the kind of terrorist activities that have so frustrated our peace efforts and frustrated the peace efforts of the previous administration. We have expressed our concern where the wall moves away from what could be seen as something that is clearly Israeli into Palestinian territory, taking into the wall large numbers of Palestinians on their land. There have been adjustments made to the fence, or the wall, as you prefer to call it. We just call it a fence. Adjustments have been made to the fence that

take this into account, and we are continuing to work with the Israelis on this matter.

But it is mostly a fence and not a wall, and for that reason the Israelis do not believe, and they think this with good merit, that it is not necessarily a defining feature that cannot be changed in the future as a result of negotiations between the two sides. A fence can be put up. A fence can be taken down. We have seen that over the past few months where some parts of the fence have already been taken down.

The road map is not dead, and the President did invest considerable political capital in it. He went to Sharmel Sheikh and he went to Akuba last year. That was an investment of his personal prestige, and political energy of this administration. President Clinton invested enormous political capital, only to see it all come crashing down in the last week of his administration because of the intransigence of Yasser Arafat, and the same problem we have faced with Yasser Arafat and his unwillingness to do what should be done, what we believe can be done to bring terror under control.

For this reason, the President put forward of the two states living side by side in peace. He made it clear; called one of them Palestine and the other one Israel and worked toward that end. We tried to get new people into positions of authority in the Palestinian Authority. Prime Minister Abumaz in the last year, we invested in him. We put political capital on him. But he was frustrated by Mr. Arafat's unwillingness to yield any authority over security forces. He stepped down, and now Prime Minister Karai, we are ready to help him. We are working with the Egyptians, we are working with our British colleagues, we are working with the Israelis.

The President said yesterday we were prepared to send another team over. We have had teams going back and forth trying to get some traction, trying to see if we can use the Israelis' recent idea for moving out of Gaza as a way to get this thing going forward, depending on what the Israelis are also planning at the same time with respect to the West Bank at the route of the fence.

So we are not disengaged, Senator Byrd. But perhaps the most difficult portfolio that we have to manage begins and ends with terror. As long as terror continues, as long as the Palestinian leaders and the Palestinian people do not crack down on terror then we are going to continue to have problems getting this peace process moving forward. Israel has a right of self-defense. Israel cannot participate with a partner that has really no leader to that partnership.

Senator HOLLINGS. Would you yield just one second? The MLR, you and I understand that, the main line of resistance to terrorism is Palestine-Israel. General Musharraf just said, look, if you folks can go and settle that, terrorism the world around will disappear. What you need—if I were king for a day, is I would reconstitute you as the general in charge of an international peacekeeping force and move right in between the two.

When you have got Sharon, the Bull Connor of Israel—if you look on page 152 of the Seven Day War and then Prime Minister Levi Eschov turned to Major Ari Sharon when Sharon said, we are going to eliminate Egypt, just like he is trying to eliminate Palestine. He says, Ari, victory in war settles nothing. The Arabs will

still be there. You have got a hardhead. He cannot learn, and we cannot just put our future in his hands. We have got to move in with some kind of international peacekeeping force and get something going. Not maps and talking and every other darn thing. We know what is necessary, separate the two of them. The only object to that is the United States and Israel. The free world is for that. I will bet you on it.

Thank you.

Senator BYRD. Mr. Chairman, may I just close with this thought, with this question? The United States provided $480 million to Israel in this current fiscal year. How much is Israel spending to build this wall? Since money is fungible and our aid goes to Israel in the form of a big check, can it be said that America is paying for this wall?

Secretary POWELL. Money is fungible, but I cannot give you an answer off the top of my head as to what the wall expenditures are. As you know with respect to loan guarantees, we do dock those loan guarantees in response to Israeli activities with response to settlement activities.

[The information follows:]

This is in response to your March 25 inquiry of Secretary Powell regarding Israeli expenditures on the seam-line fence, and whether U.S. assistance to Israel is being used in that effort.

U.S. assistance to Israel serves multiple purposes—relieving the impact of economic burdens Israel has incurred due to its regional isolation; maintaining Israel's qualitative military edge; preventing regional conflict; and building the confidence necessary for Israel to take calculated risks for peace.

Economic Support Funds (ESF)—$477 million in fiscal year 2004, with $360 million requested for fiscal year 2005—may only be used for balance-of-payments support. At the discretion of the Israeli Government, ESF can be used to (a) purchase goods and services from the United States; (b) service debt owed to, or guaranteed by, the U.S. Government; (c) pay to the U.S. Government any subsidies or other costs associated with loans guaranteed by the USG; (d) service Foreign Military Sales debt, both current and refinanced; and (e) finance other uses as agreed upon by both sides. Use of ESF money for military purposes—including the procurement of commodities or services for military purposes—is explicitly ruled out.

Foreign Military Financing (FMF)—$2.15 billion in fiscal year 2004, with $2.22 billion requested for fiscal year 2005—represents about 25 percent of the Israeli defense budget and is crucial to Israel's multi-year defense modernization plan. 26.3 percent of this FMF (approximately $580 million in fiscal year 2004) may be used for Off-Shore Procurement. Most of this amount is spent in Israel, which supports their maintenance of a strong domestic defense industry.

In addition to ESF and FMF, the Emergency Wartime Supplemental Appropriations Act, 2003, authorized $9 billion in loan guarantees for Israel, to be made available in fiscal years 2003–2005. The Act states that the loan guarantees may be issued only to support activities in the geographic areas that were subject to the administration of the Government of Israel before June 5, 1967. The Act further states that the guarantees shall be reduced by an amount equal to Israeli expenditures (between March 1, 2003, and the date of issue of the guarantee) for activities which the President determines are inconsistent with the objectives and understandings reached between the United States and the Government of Israel regarding the implementation of the loan guarantee program.

Thus, on November 25th, the United States Government announced a deduction of $289.5 million from the total of $3 billion in loan guarantees available to Israel in fiscal year 2003. This deduction reflects issues of concern to the United States, including settlement activities and the route of the security fence. As the President has stated clearly and consistently, "Israel should freeze settlement construction, dismantle unauthorized outposts, end the daily humiliation of the Palestinian people, and not prejudice final negotiations with the placements of walls and fences."

As for costs incurred by the GOI in construction of the separation barrier, publicly available estimates are on the order of $2 million per kilometer. With the Government of Israel having built nearly 200 kilometers of fence so far, total costs are ap-

proximately $400 million. The planned route of the fence calls for another 400 kilometers to be built, bringing the total, on completion, to approximately $1.2 billion. These, of course, are only estimates.

I hope that this addresses your concerns. If we can be of assistance in the future on this or any other matter, please do not hesitate to contact us.

Senator HOLLINGS. We need Secretary Powell to go there and say, Mr. Sharon, pull down this wall, just like Reagan. Go ahead and do it. We can stop some terrorism. Iraq has no terrorism. We started it there. We know where the terrorism is and we know the MLR, you and me. You can do it. Thank you.

Senator BYRD. Thank you, Mr. Chairman.

Senator GREGG. Do you want to respond?

Secretary POWELL. Terrorism will emanate from those places, even with an international force there, until such time as the Palestinian leaders decide that it is not serving their interest any more and they stop it.

Senator HOLLINGS. But you do not have any leaders. They are a basket case after 35 years of occupation. Anybody with get up and go has got up and gone.

Secretary POWELL. There are people who claim they are leaders, and there are people who are invested with leadership by the people themselves. They are the ones that are not acting.

Senator HOLLINGS. But if you want a democracy in the Mideast you would have gone to Syria where Lebanon is a sort of 50–50 democracy, get the Syrian army out of Lebanon and then you would solve the Hezbollah and Hamas problem. Not Iraq.

Senator GREGG. I wish we could solve the Israeli-Palestinian issue at this conference table this morning.

Senator HOLLINGS. I think you can. We have got the man to do it.

Senator GREGG. I suspect that even with our unique talents it may be beyond our capacity.

Mr. Secretary, we appreciate your generous commitment of time, especially after all your flying the past few days.

Secretary POWELL. Thank you, Mr. Chairman.

CONCLUSION OF HEARINGS

Senator GREGG. If there is nothing further, the subcommittee will stand in recess.

[Whereupon, at 12 noon, Thursday, March 25, the hearings were concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2005

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

NONDEPARTMENTAL WITNESSES

[The following testimonies were received by the Subcommittee on Commerce, Justice, and State, the Judiciary, and Related Agencies for inclusion in the record. The submitted materials relate to the fiscal year 2005 budget request for programs within the subcommittee's jurisdiction.]

PREPARED STATEMENT OF THE AMERICAN MUSEUM OF NATURAL HISTORY

ABOUT THE AMERICAN MUSEUM OF NATURAL HISTORY

The American Museum of Natural History [AMNH] is one of the nation's preeminent institutions for scientific research and public education. Since its founding in 1869, the Museum has pursued its mission to "discover, interpret, and disseminate—through scientific research and education—knowledge about human cultures, the natural world, and the universe." It is renowned for its exhibitions and collections of more than 32 million natural specimens and cultural artifacts. With nearly four million annual visitors, its audience is one of the largest, fastest growing, and most diverse of any museum in the country. Museum scientists conduct groundbreaking research in fields ranging from zoology, comparative genomics, and informatics to earth, space, and environmental sciences and biodiversity conservation. Their work forms the basis for all the Museum's activities that seek to explain complex issues and help people to understand the events and processes that created and continue to shape the Earth, life and civilization on this planet, and the universe beyond.

More than 200 Museum scientists, led by 46 curators, conduct laboratory and collections-based research programs as well as fieldwork and training. The Museum's research programs are organized under five divisions (Anthropology; Earth, Planetary, and Space Sciences; Invertebrate Zoology; Paleontology; and Vertebrate Zoology), along with the Center for Biodiversity and Conservation (CBC). The Museum also conducts graduate training programs, supports doctoral and postdoctoral scientists with research fellowships, and offers talented undergraduates an opportunity to work with Museum scientists.

The Museum's Center for Biodiversity and Conservation, founded in 1993, is dedicated to enhancing the use of scientific data to mitigate threats to global biodiversity, and integrating this information into the conservation process and to disseminate it widely. It conducts conservation-related field projects around the world, trains scientists, organizes scientific symposia, presents public programs, and produces publications geared toward scientists, policy makers, and the lay public. Each spring, the CBC hosts symposia that focus on conservation issues. In 2002, the symposium, "Sustaining Seascapes: the Science and Policy of Marine Resource Management," was co-sponsored by NOAA's Marine Protected Areas Center, along with other federal and private organizations, and examined the large-scale conservation of marine ecosystems, giving special consideration to novel approaches to the sus-

tainable management of biodiversity and fisheries. The focus of 2003's symposium was on conservation issues related to increased ecotourism in Southeast Asia, and 2004's symposium examines the role of invertebrates in environmental systems.

The Museum's vast collections provide the foundation for the Museum's interrelated research, education, and exhibition missions. They often include endangered and extinct species as well as many of the only known "type specimens"—examples of species by which all other finds are compared. Collections such as these are historical libraries of species and artifacts, providing an irreplaceable record of life on earth. They provide vital data for Museum scientists as well for more than 250 national and international visiting scientists each year.

The Museum's renovated Hall of Ocean Life, reopened in Spring 2003, is a major focal point for public education on marine science issues. Drawing on the Museum's world-renowned expertise in Ichthyology as well as other areas of vertebrate as well as invertebrate zoology, the Hall is pivotal in educating visitors about the oceans' key role in sustaining life on our planet. The renovated Hall of Ocean Life, together with the new Halls of Biodiversity, Planet Earth, and the Universe and the rebuilt Hayden Planetarium (part of the new Rose Center for Earth and Space) provide visitors a seamless educational journey from the universe's beginnings to the formation and processes of Earth to the extraordinary diversity of life on our planet.

In its Halls of Biodiversity, Planet Earth, and the Universe, the Museum presents current science news through Science Bulletins—multimedia productions that bring the latest science news and discoveries to the public using high-definition video documentaries, kiosks, and the web. The Bulletins present features on such issues as marine biodiversity, ocean life discoveries, and more. In addition, the Museum's comprehensive education programs attract more than 400,000 students and teachers and more than 5,000 teachers for professional development opportunities. The Museum also takes its resources beyond its walls with Moveable Museums, an after-school program, online resources, and through the National Center for Science Literacy, Education, and Technology, launched in 1997 in partnership with NASA.

COMMON GOALS OF NOAA AND THE AMERICAN MUSEUM

Today, as throughout its history, the National Oceanic and Atmospheric Administration [NOAA] is committed to managing and conserving the nation's living marine resources and their environments, forecasting environmental changes, providing decision makers with reliable scientific information, and fostering global environmental stewardship, especially of coastal and marine resources. The American Museum shares NOAA's commitment to these environmental goals and to the scientific research, technologies, and public education that support them. Indeed, informed environmental stewardship and preservation of our planet's biodiversity and resources—in marine, coastal, and other natural environments and habitats—are integral to the Museum's most fundamental purposes.

The Museum has also long been at the forefront of developing new research tools—including molecular technologies, new collection types, innovations in computation, and GIS and remote sensing—that are revolutionizing the way research can be conducted and data analyzed, as well as the way museum collections can be used. The Museum has significant resources in these areas, which it would bring to bear in continued partnership with NOAA. These include:

Remote Sensing and Geographical Information Systems Technologies.—The CBC launched the Remote Sensing/Geographical Information Systems (RS/GIS) lab in the fall of 1998. Wise conservation policy requires effective knowledge of the distribution of species and ecological communities at local, regional, and global scales. Without this information, it is difficult to decide where to allocate scarce conservation resources. Remote sensing technologies can provide essential data on such things as land-cover and land-use, as well as sea surface temperatures and chlorophyll content. GIS makes it possible for scientists to compare and visualize the relationships among satellite and legacy data, raw standardized samples, and data obtained through ground truthing. Because it provides the database backbone than can connect field work to analysis, GIS is becoming an indispensable component in environmental data analysis and is thus revolutionizing work in conservation.

The CBC uses its RS/GIS technologies in biodiversity and marine reserve research in various ways—for example, to identify sites suitable for biological inventory; to provide supplementary quantitative and qualitative data in and around study sites; and to develop visual depictions and digital presentations for reports, publications, and meetings. RS/GIS is also key for predictive modeling, which when coupled with groundtruthing significantly enhances understanding of aquatic habitats.

Molecular Research Program.—The Museum is also home to a distinguished molecular systematics program that is at the leading edge of comparative genomics and

the analysis of DNA sequences for biological research. In its laboratories, more than 40 researchers in molecular systematics, conservation genetics, and developmental biology conduct their research on a variety of terrestrial and aquatic study organisms. Their work is supported by the Museum's new frozen tissue collection of biological tissues and isolated DNA stored in a super-cold storage facility, which preserves genetic material and gene products from rare and endangered organisms that may become extinct before science fully exploits their potential. These researchers also have onsite access to a 700-processor supercomputing cluster—the fastest parallel computing cluster in an evolutionary biology laboratory and one of the fastest installed in a non-defense environment.

MARINE ENVIRONMENTS INITIATIVE

The explosion of research technologies has created an opportunity for the Museum to integrate these state-of-the-art analytical tools into its biological and environmental research, as well as to present results to the public in its exhibition halls, websites, and educational programs. This intersection of research capability and technological opportunity underlies the Museum's marine environments initiative. The Museum proposes to continue, in partnership with NOAA, this basic and applied research initiative in areas of shared concern, such as the following:

Biodiversity and Conservation Research.—AMNH investigators are exploring applications of GIS and remote sensing technologies to advance research pertinent to conservation and protecting threatened species and habitats. For example, Museum vertebrate and invertebrate zoologists carry out ambitious field work and collection expansion programs throughout the tropical freshwaters of the globe, conduct biotic surveys, and explore marine ecosystems. In addition to the discovery and classification of many still unknown species, Museum work concerns the protection and conservation of many species whose habitats and survival are at risk. These researchers rely on the capacities of GIS/RS to develop finer, tighter, more precise datasets. Also, GIS analysis enables researchers to ask more sophisticated and flexible questions, and to discover patterns, series, and gradations. Projects include the following:

—*Marine reserve networks*.—Analyzing the physical, biological, and cultural processes affecting coral reef systems in the Bahamas. GIS allows the researchers to integrate maps with sets of biophysical and socioeconomic data and to create dynamic models for testing hypotheses about marine reserve networks in a spatially realistic framework.

—*Humpback whales in Madagascar*.—Researchers from the American Museum and the Wildlife Conservation Society are using GIS to track the migrations of humpback whales in the western Indian Ocean region and create a database that contains identification photos, biopsies, DNA sequences, and sighting information for hundreds of whales.

—*Aquatic ecosystem research*.—Aquatic ecosystems research includes predictive modeling and riparian ecosystems research, and focuses on questions of restoration, management, and monitoring, drawing on resources of the Museum and facilities of the Southwestern Research Station.

—*Biotic surveys and inventories*.—The CBC has conducted floral and faunal surveys in Bolivia and Vietnam, providing data on the distribution and abundance of species, and enabling researchers to analyze the role of climate change on land cover and develop plans to reduce threats to biodiversity. Researchers are also experienced in training local field biologists and conservation managers how to conduct surveys using RS data and biophysical measures and how to apply results to the long-term conservation of biodiversity.

Collections data and access.—Museum researchers use GIS to bring the Museum's vast collections alive and to increase exponentially the analyses that researchers can carry out for conservation research and decision-making. By coupling GIS with the Museum's increasingly strong web presence, researchers worldwide are able to pose more sophisticated questions and uncover new connections and relationships among the collections data.

Public education and outreach.—The Museum features current NOAA-related science and discovery in the Hall of Ocean Life as well as in its other educational programs and resources. For example, the Museum is collaborating with partners such as the New York State Marine Education Association and the New York Sea Grant on an annual conference, scheduled for Summer 2004, to promote marine awareness and encourage the growth and exchange of instructional resources within the scientific, commercial, and educational communities.

These applications for GIS and other technologies demonstrate the Museum's unique capabilities to advance environmental forecasting, provide decision makers with reliable scientific information, and foster global environmental stewardship.

We therefore request $1 million to continue in partnership with NOAA to build its marine environmental sciences initiative. Contributing its participatory share with funds from nonfederal as well as federal sources, the Museum will use cutting-edge technologies to advance basic and applied research, integrated with education and access efforts, related to marine environments. In so doing, we seek to increase scientific understanding and public awareness of vital environmental resource management issues.

PREPARED STATEMENT OF THE NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND-GRANT COLLEGES (NASULGC) AND THE UNIVERSITY CORPORATION FOR ATMOSPHERIC RESEARCH (UCAR)

On behalf of the 235 institutions that constitute the University Corporation for Atmospheric Research (UCAR) and the National Association of State Universities and Land-Grant Colleges (NASULGC), we thank the Subcommittee for your support of weather and climate research and education within the National Oceanic and Atmospheric Administration (NOAA). Under your leadership, Congress has taken important steps to recognize NOAA's contribution to our nation's quality of life, national security, public health, and economic well-being. However, UCAR and NASULGC have grave concerns that the fiscal year 2005 President's budget request places that progress in serious jeopardy by recommending significant reductions or eliminations of funding compared to the fiscal year 2004 appropriated amount.

The proposed reductions in funding for extramural research and education programs are very worrisome and seem in direct contradiction to the atmospheric science community's repeated request to establish a significant peer-reviewed NOAA extramural research fund to strengthen NOAA research by creating strong partnerships between the agency and the academic and private sectors. Enabling such collaborations among the country's best scientists is warranted given the statement contained in the fiscal year 2005 Budget Request that, "Weather- and climate-sensitive industries, directly or indirectly, account for approximately $2.7 trillion of the Nation's gross domestic product." We urge the Subcommittee to return NOAA to its fiscal year 2004 appropriated level of $3.689 billion at the very minimum.

Currently, NOAA is undergoing a congressionally mandated evaluation of its research enterprise. During this time of change and uncertainty, it is critical that Congress continue to support, and use any restructuring to enhance, NOAA's core research programs and competitive programs and partnerships with the academic community. These partnerships leverage research and research applications expertise, bring the best talent to bear in addressing high priority technology development requirements, and serve to train a new generation of scientists that NOAA and the rest of the scientific community will desperately need as present employees retire. As NOAA research activities are strengthened, we urge the Subcommittee to keep in mind the concept of the competitive, peer-reviewed Collaborations Fund, an external, peer-reviewed grants program to accelerate progress in the nation's weather research, for which the atmospheric sciences community has been advocating for several years.

We would like to offer the following specific NOAA program recommendations:

Office of Oceanic and Atmospheric Research (OAR)

Climate and Global Change Program.—The fiscal year 2005 budget request includes a reduction of $9.15 million and 12 FTE for the Climate and Global Change program. We understand that this is a partial offset to fund climate increases for observation programs, but we question the choice of programs, all involving the external research and education communities, that will be diminished greatly or eliminated. Each of the targeted programs has much to do with the nation's basic climate research and the future of the atmospheric science in this country. They include NOAA's entire post doctoral program in climate science; NOAA's entire participation in the inter-agency funded, Presidential award-winning Significant Opportunities in Atmospheric Research and Science (SOARS) program for undergraduate students who are underrepresented in the atmospheric sciences; university climate research grants that enable this country to participate in international field programs, such as the Climate Variability and Predictability World Climate Program (CLIVAR), designed to improve our ability to observe, understand, predict, and respond to changes in the global environment; and the entire Human Dimensions of Global Change Research Program that funds competitively awarded social sciences re-

search grants to advance understanding of the human response to and planning for the effects of climate variability. NOAA is the only agency funding this applied social sciences research examining how social and economic systems are influenced by fluctuations in short-term climate (seasons to years), and how human behavior can be affected by variability in the climate system, and it is the only agency funding this country's participation in CLIVAR. We urge the Subcommittee to restore the fiscal year 2005 Climate and Global Change funding and personnel levels to the fiscal year 2004 enacted level of $69.66 million and current FTE level.

Climate Observations and Services.—We urge the Subcommittee to support the requested amount of $72.82 million, particularly the increases requested for the Global Ocean Observing System (increased by $10.7 million over current program levels) and Carbon Cycle Atmospheric Observing System (increased by $6.5 million over current program levels). The increases for these programs will build the climate observing system required to support the research, modeling, and decision support activities for the Administration's Climate Change Research Initiative. We ask that the Subcommittee urge NOAA to expand partnerships with academia in this area, as we understand that most of the research is slated to be conducted internally.

Educational Partnership Program for Minority-Serving Institutions (EPPMSI).—We urge the Subcommittee to support the fiscal year 2005 $15.0 million request for EPPMSI, and to support the requested transfer of the program from Program Support to OAR. The under-representation of minorities in the earth science disciplines continues to be a glaring problem, and NOAA's outreach initiatives provide vital contributions toward correcting the imbalance. EPPMSI also has the full support of NASULGC's Office for the Advancement of Public Black Colleges.

National Weather Service (NWS)

The U.S. Weather Research Program (USWRP) is an interagency program that is dedicated to making forecasts of high-impact weather more specific, accurate, and reliable, thereby saving lives and property, and helping regional economies. It is a program that engages in basic research, the societal applications of that research, and to moving these applications into operations. It therefore straddles the missions of OAR (research and applications oriented) and NWS (operations oriented). Within the President's fiscal year 2005 request, USWRP is moved from OAR to NWS. Before this is accomplished, we ask that the Subcommittee take into consideration relevant recommendations of the NOAA Research Review Team, of a current internal USWRP study, of the OAR and NWS administration, and of congressional authorizers. We support any plan that is carefully considered and that strengthens NOAA's leadership role in this interagency program. We urge the Subcommittee to support the fiscal year 2005 request of $4.25 million for USWRP.

THORPEX.—A Global Research Program is a component of the USWRP that has its own line in the fiscal year 2005 request. THORPEX is an interagency, international program the goal of which is to provide, for the benefit of society and the economy, 7–14 day forecasts that are as reliable and useful as are current 2–3 day forecasts. We urge the Subcommittee to support the fiscal year 2005 THORPEX request of $2.3 million.

The Space Environment Center (SEC) is the national and world warning center for solar disturbances that can affect people and equipment working in the space environment as well as the communications network of the nation. We agree with the Administration's conclusions that the operational nature of SEC is a good fit with the NWS mission and that the Center should therefore be transferred from OAR. We urge the Subcommittee to support the $7.5 million requested for the Space Environment Center, as well as the proposed SEC transfer to NWS from OAR.

The Cooperative Observer Network Modernization (COOP) will eventually provide the country with a network of accurate surface weather data that is critical to the maintenance of the country's climate record as well as to work of NWS local field offices and university research laboratories. We urge the Subcommittee to support the reinstatement and modernization of the Cooperative Observer Network by appropriating the requested fiscal year 2005 funding level of $1.4 million.

The NOAA Profiler Network is zeroed out in the fiscal year 2005 request, terminating the nation's 35 stations that provide hourly wind profiles from the ground to 53,000 feet to operational weather forecasters and weather models. These data provide invaluable support in the forecasting of tornadoes, winter storms and flash floods. The Network saves lives and helps mitigate the destruction of property in severe weather. The fiscal year 2004 enacted funding for the Network was $4.1 million, an amount that allowed continued operation of the stations while the NWS prepared a report, requested by Congress, analyzing the need for a profiler network and producing a plan for implementation of a modernized system. This report has not been completed. We strongly urge the Subcommittee to restore in fiscal year

2005 $4.1 million plus inflation for the continued operation of the Profiler Network, and to urge the NWS to produce, as soon as possible, the detailed plan requested by Congress for the replacement of the current Network with a much-needed state-of-the-art system.

National Environmental Satellite, Data, and Information Service (NESDIS)

National Polar-orbiting Operational Environmental Satellite System (NPOESS).—We support the requested increase of $30.9 million for NPOESS, and urge you to ensure that the necessary resources are provided to guarantee the system's capability to utilize, manage, store, and make available the data from this critical observing program. Resources are necessary also for education and training activities that are critical to encourage and enable the efficient and effective use of these data. This service is provided through the Cooperative Program for Operational Meteorology, Education and Training (COMET) program. We urge the Subcommittee to support the requested fiscal year 2005 amount of $307.6 million for NPOESS.

Regional Climate Centers.—The President's budget terminates funding for these centers, which are located on university campuses and continue to provide detailed climate and related products essential to private sector economic activities specific to each of the regions. They are needed to address the expanding demand for climate services, currently growing at a rate of 25 percent per year. We urge the Subcommittee to restore funding for Regional Climate Centers to the fiscal year 2003 level of $2.98 million.

Facilities

Boulder Facilities Operations.—Six OAR laboratories, one NESDIS Data Center, one OAR Joint Institute, and the Denver Forecast Office of the National Weather Service are all housed in Boulder at the David Skaggs Research Center. The rent for this important facility should definitely be paid out of facilities operating costs and not have to be taken from research funding as has been forced upon NOAA in past years. We urge the Subcommittee to support the $4.56 million fiscal year 2005 request for Boulder Facilities Operations.

About UCAR

UCAR is a consortium of 68 universities that manages and operates the National Center for Atmospheric Research and additional atmospheric and related sciences programs. In addition to its member universities, UCAR has formal relationships with approximately 100 additional undergraduate and graduate schools including several historically black and minority-serving institutions, and 40 international universities and laboratories.

About NASULGC

NASULGC is the nation's oldest higher education association. Currently the association has 213 member institutions—including the historically black Land-Grant institutions—located in all fifty states. Its members constitute the major public research institutions in the nation. The Association's overriding mission is to support high quality public education through efforts that enhance the capacity of member institutions to perform their traditional teaching, research, and public service roles.

Conclusion

The academic community is cognizant of the serious budgetary constraints that face the Congress in the coming fiscal year. However, short-term savings achieved by cutting funding for extramural research and education programs will surely result in long-term degradation of NOAA's ability to meet its core mission requirements which are critical to the economic health, safety, and security of the nation. We thank you for your past support for atmospheric science and look forward to working with you to restore and stabilize the funding base for NOAA's extramural research and education programs.

PREPARED STATEMENT OF THE ASSOCIATION FOR ENTERPRISE OPPORTUNITY

Chairman Gregg, Ranking Member Hollings and other Members of the Subcommittee: On behalf of the Association for Enterprise Opportunity (AEO), thank you for the opportunity to submit comments to the Commerce-Justice-State Appropriations Subcommittee regarding the proposed termination of the Small Business Administration (SBA) Microloan Program and the Program for Investments in Microentrepreneurs (PRIME) in the President's fiscal year 2005 budget. My name is Bill Edwards, and I am Executive Director of AEO. AEO is the national trade and membership association for microenterprise development in the United States

with nearly 500 member organizations nationwide. The vast majority of AEO's membership consists of microenterprise practitioner agencies, including over half of all Microloan Intermediaries and PRIME grantees. AEO is requesting $30 million in lending capital for the SBA Microloan Program, $25 million for SBA Microloan Technical Assistance, and $15 million for the SBA PRIME Program.

The Administration's proposed elimination of the SBA Microloan and PRIME Programs threatens to wipe out two essential federal funding sources for microenterprise development in the United States, effectively terminating the only available sources of business assistance for thousands of underserved entrepreneurs across the country.

AEO respectfully requests that this Subcommittee fund these crucial SBA programs at the following levels: $30 million for Microloan Lending (requiring a $2.8 million appropriation), $25 million for Microloan Technical Assistance, $15 million for PRIME, and $14.5 million for Women's Business Centers.

The SBA Microloan Program

The SBA Microloan Program, the single largest source of funding for microenterprise development in the nation, was created in 1992 to help small business owners in need of small amounts of capital (less than $35,000) that are not yet "bankable" in the private sector lending community. Since 1992, SBA Microloan Intermediaries have made nearly 19,000 Microloans totaling over $213 million, primarily to women, minority, and low-income entrepreneurs. In fiscal year 2003, Intermediaries made 2,422 loans, totaling $29,932,410.49, well exceeding the SBA's stated goal of $28 million in new loans.

The Administration contends that banks will now lend to Microloan borrowers through 7(a) loan programs such as SBA Express, Community Express, and Lowdoc. This is not true. While banks may at times make business loans under $35,000, these programs serve entirely different borrowers, using entirely different criteria. Microloan borrowers often have FICO credit scores as low as 550, past credit problems, little or no collateral, and a lack of business experience. Traditional banks will simply not lend to these borrowers, with or without a SBA guarantee. Also, it is important to note that 40 percent of SBA Microloans go to start-ups while 7(a) loan guarantees require that individuals already be in business anywhere from 1 to 3 years.

Despite lending to the riskiest borrowers, the Microloan Program has experienced a default rate of less than 1 percent. This accomplishment can be primarily attributed to the countless hours of intensive technical assistance that Intermediaries provide to Microloan borrowers. The technical assistance acts as a driver for business success and greatly improves the chances for successful business repayment.

Finally, the Administration claims that the Microloan Program costs taxpayers $.97 per $1.00 loaned, but fails to recognize that this cost is directly related to the high level of technical assistance that borrowers receive and, thus, to the success of the program itself. Without technical assistance, these borrowers would be ill-equipped to manage a business! AEO is awaiting the SBA's response to a question posed by the Senate Small Business Committee regarding the methods by which the $.97 per $1.00 loaned were calculated.

The SBA PRIME Program

PRIME is the only federal microenterprise program that provides intensive training and technical assistance to low- and very low-income entrepreneurs. For many entrepreneurs, lack of access to capital is only one of the barriers to starting or growing a successful small business. PRIME provides grants to microenterprise organizations throughout the country to offer this invaluable assistance. In addition, PRIME is unique in that at least 50 percent of all grant award dollars must be used to provide these services to very low-income individuals.

The Administration has proposed the elimination of the PRIME Program for the past four years. However, Congress has continued to fund PRIME each year and in doing so has recognized that by investing in very low-income entrepreneurs, the program succeeds in creating jobs and income in communities that need it most. PRIME is just that—an investment. PRIME clients create and retain jobs, move off of public assistance and pay increased taxes as their businesses and incomes grow.

The SBA Women's Business Center Program

The Women's Business Centers (WBC) of the Office of Women's Business Ownership provide training and technical assistance to women starting or expanding their businesses. In 2003 alone, Women's Business Centers across the country trained and counseled over 104,000 women in core business areas such as marketing, bookkeeping and finance. The Centers serve an invaluable role in meeting the special needs of female entrepreneurs across the country.

America's 9.1 million women-owned businesses employ 27.5 million people and contribute $3.6 trillion to the economy. However, women continue to face unique obstacles in the world of business and greatly need the specialized services that Women's Business Centers provide.

Again, we ask that the Subcommittee do what is truly best for small business in America and appropriate: $30 million for Microloan Lending (requiring a $2.8 million appropriation), $25 million for Microloan Technical Assistance, $15 million for PRIME, and $14.5 million for Women's Business Centers.

PREPARED STATEMENT OF THE NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND-GRANT COLLEGES (NASULGC) AND THE CONSORTIUM FOR OCEANOGRAPHIC RESEARCH AND EDUCATION (CORE)

On behalf of the 256 institutional members of the Consortium for Oceanographic Research and Education and the National Association of State Universities and Land-Grant Colleges, thank you for your support of ocean sciences within the National Oceanic and Atmospheric Administration (NOAA). Under your leadership, Congress has taken important steps to recognize NOAA's contributions to our nation's quality of life, national security, public health, and economic well-being. However, CORE and NASULGC have serious concerns that the Administration budget request for fiscal year 2005 puts that progress in jeopardy by recommending significant cuts in funding for NOAA's extramural ocean research programs.

As you are aware, NOAA is the third largest source of federal funding for marine academic research, oversees the nation's coastal and ocean monitoring networks, and participates in several important climate research programs. In that capacity, NOAA provides support for scientists at many of our member institutions to conduct research that provides critical information to policy-makers. This external research offers important benefits to NOAA, leveraging limited resources to meet ever-expanding needs for scientific support of its missions.

University research funds are awarded through peer-reviewed, competitive processes, ensuring that tax dollars support the best science and that duplication is minimized. In addition to grants awarded by NOAA, the states and universities themselves support academic research through their contributions to scientists' salaries and research facilities. This reduces NOAA's personnel and infrastructure costs, and gives the agency greater flexibility to make rapid changes in order to address emerging issues and priorities.

NOAA-sponsored extramural research also is essential to support the training of the next generation of ocean scientists and engineers. Because the competitive review process ensures that funding is awarded to the highest-priority science, graduate students have the opportunity to work on cutting edge research. These students will provide the foundation upon which our nation's future ability to understand and manage marine issues is built. University partnerships will also be the best remedy for the large number of anticipated NOAA retirements in the coming years. Currently NOAA is undergoing a congressionally mandated evaluation of its research enterprise. During this time of change and uncertainty, it is critical that Congress continue to support, and use any restructuring to enhance NOAA's competitive research programs and partnerships with the academic community. These partnerships will allow NOAA to bring the best talent to bear in addressing high priority research and development requirements.

The academic community recognizes the serious budgetary constraints that Congress faces in the coming fiscal year. However, short term savings achieved by cutting funding for extramural research programs could seriously jeopardize NOAA's long term capacity to meet its core mission requirements.

We thank you for your past support for ocean science and look forward to working with you to restore and stabilize the funding base for NOAA's extramural programs. A list of recommended funding levels for specific programs is below.

Thank you for your consideration.

National Ocean Service

Competitive programs of the National Centers for Coastal Ocean Science (NCCOS).—The Administration's fiscal year 2005 budget request includes reductions of approximately $10 million from the competitive research programs of the National Centers for Coastal Ocean Science. These programs support important peer-reviewed, multi-disciplinary research in three goal areas: coastal ecosystem studies, cumulative coastal impacts, and harmful algal blooms and hypoxia. The proposed cuts would have devastating impacts on ongoing research and threaten the

viability of future science plans, and we urge you to restore funding to the previously appropriated level of $23.5 million.

National Estuarine Research Reserve System (NERRS).—We support the National Estuarine Research Reserve Association's requested level of $20 million for NERRS, an increase of $3.6 million over the fiscal year 2005 President's request. This level is necessary to maintain support for the system's basic operating requirements and core programs, and to provide support for one new site in Texas. NERRS operates the only national monitoring program for estuaries, identifying short-term variability and long-term trends in coastal environmental quality and health at national, regional, and local levels. These funds would also support the NERRS graduate fellowship program that brings academic research expertise to bear upon coastal and estuarine research data gaps and trains the next generation of scientists.

Oceanic and Atmospheric Research

Climate and Global Change Program.—The fiscal year 2005 budget request includes a reduction of $9.15 million for the Climate and Global Change program. This important competitive grants program helps further our understanding of how the oceans control Earth's climate and enhances our predictive capability with respect to forecasting climate cycles affecting the United States. We urge you to restore the program to the fiscal year 2004 enacted level of $69.7 million.

Global Ocean Observing System.—For fiscal year 2005, NOAA is requesting an increase of $10.7 million to continue building a global ocean observing system. These funds bring the completion of the system to 53 percent, establishing a global network of ocean reference stations to document long-term ocean/atmosphere variability and provide validation points for climate forecast models. This funding is an important step towards completion of a multi-year plan to fully implement the ocean climate observing system by 2010.

Oceans and Human Health.—The fiscal year 2004 omnibus appropriations bill provided $10 million to continue an important new program in NOAA studying the role of the oceans in human health. This developing effort is composed of three key elements: establishment of NOAA centers of excellence, implementation of a competitive external research grants, and support for traineeships and distinguished scholars. NOAA's program, which complements the joint National Science Foundation and the National Institute of Environmental Health Sciences initiative, is particularly important given the agency's unique leadership position with respect to ocean and coastal stewardship. We urge the Committee to continue the program and provide a modest increase of $2 million in fiscal year 2005.

National Sea Grant College Program.—For over 35 years, Sea Grant has proven its value to U.S. taxpayers as a program that supports rigorous, high-quality research that is directly responsive to the concerns of coastal constituents. Over 300 Sea Grant institutions across 31 programs collaborate to respond to issues of national and regional importance using federal, state and industry partnerships that provide an extraordinary return on a modest federal investment. Congress recognized the value of Sea Grant when it reauthorized the program in 2002 at funding levels 25 percent higher than before. However, Sea Grant has lost significant opportunities to respond to critical national issues simply because actual program funding has not kept pace with inflation and needs. For this reason, we urge you to provide $68.4 million for Sea Grant in fiscal year 2005.

Ocean Exploration.—The Administration's fiscal year 2005 budget requests a decrease of $1.8 million for the Ocean Exploration program which funds partnerships with public and private institutions to search for new ocean resources, assess and explain the diversity of marine organisms, survey and explore historic shipwrecks, monitor ocean acoustics, and support educational efforts and outreach. This reduction will lead to a 20 percent decline in funding available for the academic community and other partners to engage with NOAA's program on specific projects. We urge you to restore this funding so that the ocean science community will be able to continue their participation in efforts to promote ocean exploration and research.

National Undersea Research Program (NURP).—Each year, NOAA's undersea research program supports over 200 research projects focused on developing the tools and expertise needed to work in the undersea environment. Projects are carried out primarily through the six regional NURP Centers, and are chosen on the basis of a merit-based peer-review process. This open, competitive process ensures a variety of high quality research projects directed towards pressing national and regional problems. We urge you to provide funding of $15 million in fiscal year 2005 to support the work of the NURP centers.

Educational Partnership Program for Minority-Serving Institutions (EPPMSI).—We support the request of $15 million for EPPMSI, and support the requested transfer of the program from Program Support to OAR. The under-representation

of minorities in the earth science disciplines continues to be a glaring problem, and NOAA's outreach initiatives are vital steps towards correcting the imbalance. This program also has the support of NASULGC's Office for the Advancement of Public Black Colleges.

National Marine Fisheries Service

Marine Mammals.—Sound is an essential tool for ocean researchers to penetrate the otherwise opaque waters of the sea. However, in recent years, concerns have grown about the impact of many types of noise on marine mammals, including acoustic research. One of the primary challenges to addressing this issue is our current, very limited scientific understanding of the effects of sound on marine mammals. Increasing this understanding would clarify and guide NOAA managers in developing administrative policies to allow the conduct of ocean research in compliance with applicable environmental laws as well as making it easier for researchers to include effective mitigation measures in their experimental plans. We urge that $4 million be made available to NOAA for its participation in an independent, peer-reviewed interagency research program on the effects of sound on marine mammals. In addition, we urge that $1 million be provided to NOAA Fisheries to strengthen its permitting capabilities and develop more efficient and effective criteria and guidance for ocean researchers with respect to marine mammals.

NOAA Education Programs

National Ocean Sciences Bowl (NOSB®).—Since its establishment in 1997, the National Ocean Sciences Bowl has reached more than 8,200 students and teachers in 24 regions, bringing the oceans into high school classrooms. The NOSB®, an academic competition for high school students who excel in math and science, is funded through a partnership with NOAA and other federal agencies, academia, foundations and industry. The Committee's past support for the NOSB® has supported important program enhancements including a pilot program to introduce the NOSB® in inner-city schools with high numbers of disadvantaged students, the National Ocean Scholars program in which students who have participated in the NOSB® compete for two-year college scholarships, and increased regional support. To continue and expand the NOSB® program, $1.5 million is requested for fiscal year 2005.

Program Support—Marine Operations and Maintenance

Oceanographic Fleet Support.—For fiscal year 2005, NOAA has requested $2.5 million from the University-National Oceanographic Laboratory System fleet to support work in the Pacific Ocean. The time at sea would be used to support long-time series research for Fisheries-Oceanographic Coordination Investigations (FOCI), studies of deep-sea vents and the maintenance of tsunami moorings in the Gulf of Alaska and the Pacific Ocean. Increased utilization of the UNOLS fleet by our federal colleagues helps to lower the overall costs of fleet support, leaving more funding for agency operations and research and experimentation.

PREPARED STATEMENT OF THE NATIONAL ASSOCIATION OF UNIVERSITY FISHERIES AND WILDLIFE PROGRAMS

The National Association of University Fisheries and Wildlife Programs (NAUFWP) appreciates the opportunity to submit testimony concerning the fiscal year 2005 budget of the National Oceanic and Atmospheric Administration (NOAA). NAUFWP represents approximately 55 university programs and their 440 faculty members, scientists, and extension specialists, and over 9,200 undergraduates and graduate students working to enhance the science and management of fisheries and wildlife resources.

The National Sea Grant College Program provides essential academic research, education, and extension services for the oceans community. Sea Grant research is critical to the maintenance and improvement of the nation's marine resources, such as in the areas of combating aquatic nuisance and marine invasive species. The program is an excellent example of collaboration between federal and state governments and universities. Unfortunately, the Sea Grant program has been undermined by project terminations and a requested decrease in fiscal year 2005. Therefore, NAUFWP strongly urges Congress to appropriate $62.4 million for this program in fiscal year 2005, which is $5 million above the President's request.

NAUFWP supports the National Invasive Species Act (NISA) Program to prevent and control invasive species, and the Marine Aquaculture Program. These partnership programs within NOAA provide information to support policy and management decisions, increase knowledge of coastal and marine ecosystems, and provide the sci-

entific basis for enhancing the Nation's marine economic sector. NAUFWP supports the Administration's request of $500,000 for NISA/Prevent and Control, and $1.612 million the Marine Aquaculture Program. We urge Congress to appropriate these amounts for fiscal year 2005.

Thank you for considering the views of universities with fisheries and wildlife programs. We look forward to working with you and your staff to ensure adequate funding for fish and wildlife research, education, and conservation. Please include this testimony in the official written record.

PREPARED STATEMENT OF THE OCEAN CONSERVANCY

The Ocean Conservancy (TOC) is pleased to share its views regarding the marine conservation programs in the budgets of the National Oceanic and Atmospheric Administration (NOAA), the Department of State's Bureau of Oceans and International Environmental and Scientific Affairs and the Marine Mammal Commission and requests that this statement be included in the official record for the fiscal year 2005 Commerce, Justice, State, the Judiciary and Related Agencies bill.

TOC cannot overstate the importance of this Subcommittee in advancing marine conservation and appreciates the funding provided in fiscal year 2004. TOC is deeply troubled by the severe cuts totaling over $237 million to the National Ocean Service and the National Marine Fisheries Service proposed in the Administration's fiscal year 2005 budget request. If enacted, these cuts will cripple the agency's ability to properly manage our oceans. TOC recognizes the constraints this Subcommittee faces, but with the upcoming release of the U.S. Commission on Ocean Policy's draft report, we urge that you reject these cuts and make ocean conservation a top priority.

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Conservation Trust Fund

Passed by Congress in 2000, the Conservation Trust Fund is a groundbreaking bipartisan accomplishment and represents a major advancement in conservation funding. TOC is grateful that this Subcommittee has upheld its commitment to funding the Conservation Trust Fund over the last four fiscal years and calls for your continued commitment in fiscal year 2005 by dedicating $560 million for critical ocean and coastal conservation activities within NOAA. We also urge you to protect the integrity of the trust fund by limiting its uses to net increases, rather than using the fund as a substitute for base funding.

Coral Reef Conservation

NOAA plays a critical role in protecting coral reefs, serves on the Interagency Coral Reef Task Force and has major responsibilities for implementing the National Action Plan to Conserve Coral Reefs. Through monitoring, mapping, restoration and outreach activities, NOAA works with state, territorial, local and other parties to reduce land-based pollution, overfishing, diseases, and other threats to coral reefs. TOC urges the Subcommittee to provide $2 million above the Administration's request, which will leverage an additional $2 to $4 million in matching resources, to support local action strategies to protect coral reefs through partnerships with local, state and territorial governments, universities and the private sector.

National Ocean Service

National Marine Sanctuary Program

The 13 U.S. national marine sanctuaries encompass more that 18,000 square miles of our most significant marine resources. TOC applauds the Subcommittee's recognition of the importance of the Sanctuary program by providing $49 million for operations in fiscal year 2004 and urges at least level funding in fiscal year 2005. Continued funding at this level will reduce staffing shortages, support conservation, community outreach, research, and education programs, as well as provide the necessary funds for updating sanctuary management plans as required by law. TOC also supports $10 million for construction, particularly for interpretive facilities to educate the public about the federal government's role in managing our nation's ocean and coastal resources.

Marine Protected Areas (MPAs)

TOC appreciates this Subcommittee's continued support of NOAA's MPA initiative and requests $5 million in fiscal year 2005. This $0.5 million increase will allow NOAA to work more effectively with federal and state agencies and other partners to acquire data for the ongoing MPA inventory, support the Marine Protected Areas

Advisory Committee and better assist stakeholders, including states and the National Park Service, by holding regional workshops and providing training and technical assistance.

Nonpoint Pollution Implementation Grants

Polluted runoff continues to be the nation's largest source of water pollution. TOC urges the Subcommittee to reject the Administration's proposed termination of this program and maintain level funding in fiscal year 2005 to help coastal states and territories continue to implement their approved nonpoint pollution control plans.

National Marine Fisheries Service

Expanding Fisheries Stock Assessments

The status of roughly two-thirds of our commercially caught ocean fish populations is unknown due in large part to lack of funding for basic research and regular stock assessments. We applaud the Subcommittee's decision to increase stock assessment funding to $18 million in fiscal year 2004 and urge that this trend continue with $33.9 million in fiscal year 2005, $15 million above the Administration's request. Regular stock assessments will give managers baseline information critical to managing our fisheries and help reduce the backlog in research days-at-sea, which currently exceeds 3,800 days according to NMFS's current 10-year plan. This funding is one of The Ocean Conservancy's highest priorities.

Fisheries Observers

Along with stock assessments, reliable, objective information about how many fish and marine wildlife are being caught, directly and as bycatch, is crucial to responsible management of our ocean resources. Observers are a key means of collecting such information. TOC recommends $35 million for fisheries observers in fiscal year 2004, $12.5 million above the Administration's request, and encourages the Subcommittee to prioritize the following programs.

—*West Coast Observers*.—TOC respectfully requests that the Subcommittee fund west coast observers at $5 million in fiscal year 2005, $120,000 above fiscal year 2004 enacted.

—*Pelagic Longline Observers*.—TOC strongly supports $3 million in funding for Atlantic and $4 million in funding for Western Pacific pelagic longline fisheries observers. High interaction rates with endangered sea turtles have resulted in partial closures in both fisheries in recent years to avoid jeopardizing the continued existence of these species. In 2004, fishermen will return to the closed areas with gear and bait modifications expected to reduce the number and severity of sea turtle interactions. Adequate observer coverage is essential to determine the effectiveness of these modifications in each fishery. NMFS will require 100 percent observer coverage in the reopened longline swordfish fishery in the Western Pacific. TOC believes that a minimum of 20 percent observer coverage should be required throughout the Atlantic, with 100 percent coverage for any further gear research. Since 2001, Atlantic observer coverage has not met even the 5 percent level required by NMFS in order to comply with the ESA. As a result, NMFS estimates that several hundred endangered sea turtles were captured in excess of authorized levels before the agency took action to require further protections.

—*New England Observers*.—TOC appreciates this Subcommittee's inclusion of report language and $9.3 million for New England groundfish observers in fiscal year 2004 and requests level funding and the inclusion of the following report language in fiscal year 2005: "The Subcommittee expects NMFS to allocate sufficient funds to achieve ten percent observer coverage in the New England groundfish fishery, and in the non-directed fishery to the extent practicable."

—*Bycatch Observers*.—TOC respectfully requests the Subcommittee support level funding at $4.9 million in fiscal year 2005.

Endangered Species Act—Other Species

TOC urges the Subcommittee to restore funding in fiscal year 2005 for Endangered Species Act (ESA) recovery planning and implementation. This funding is vital for NMFS to support the recovery of endangered marine species like the smalltooth sawfish, respond to listing petitions in a timely fashion, conduct Section 7 consultations, designate critical habitat and implement recovery plans. Of the 52 ESA-listed species managed by NOAA, less than one-third have recovery plans in place, most of which are critically out of date. We implore the Subcommittee to address this problem and provide $5.7 million in fiscal year 2005, $2.0 million above the Administration's request.

Marine Mammal Protection

A lack of adequate resources has severely hampered NMFS's ability to effectively implement the Marine Mammal Protection Act. TOC is deeply disappointed that the Subcommittee cut funding in fiscal year 2004 and strongly urges the Subcommittee to provide at least $15 million in fiscal year 2005. This will allow NMFS to fund top priority studies identified by the take reduction teams; design and implement fishery management plans that will not endanger marine mammals; conduct research on population trends, health, and demographics; and carry out education and enforcement programs. This funding is one of The Ocean Conservancy's highest priorities. In addition, we urge the Subcommittee to restore funding for the Marine Mammal Health and Stranding Response Program, which was cut in fiscal year 2004, and provide $2 million in fiscal year 2005. Die-offs of large numbers of marine mammals, including a recent bottlenosed dolphin event in Florida, are of significant conservation importance. Determining the cause of these events requires not only expertise, but also financial resources.

Protected Resources Stock Assessments

The MMPA and the ESA require NMFS to regularly evaluate the status of approximately 230 stocks of marine mammals, sea turtles, and other marine and anadromous species. Accurate and precise biological information is necessary to carry out effective conservation programs, promote recovery, evaluate listing status, and authorize scientifically defensible incidental take permits. Unfortunately, over 130 marine mammal stocks and all U.S. sea turtle populations lack the necessary data required under MMPA or ESA. TOC urges the Subcommittee to consider providing $5 million in fiscal year 2005, which will begin to address the problem.

National Environmental Policy Act (NEPA) Implementation

TOC supports the Administration's $8.0 million request for implementing NEPA. This funding is critical, as NMFS is required by law to consider and document potential environmental impacts of agency actions, ranging from complex rulemakings to controversial research permits. Of these funds, we urge the committee to dedicate $2 million to ensure robust NEPA analyses for marine mammal permitting.

Highly Migratory Shark Fisheries Research Program

This effective multi-regional collaborative effort conducts vital research on shark and ray populations in the Gulf of Mexico, the Atlantic, and the Pacific. This research provides NMFS with critical information necessary for effective management and conservation of shark fishery resources. TOC appreciates the Subcommittee's rejection of the Administration's proposed cut in fiscal year 2004 and requests level funding at $2.0 million in fiscal year 2005.

DEPARTMENT OF STATE

Bureau of Oceans and International Environmental and Scientific Affairs

International Fisheries Commission Account

TOC requests $200,000 for the State Department to implement the landmark Inter-American Convention for the Protection and Conservation of Sea Turtles and the Memorandum of Understanding on the Conservation and Management of Marine Turtles and their Habitats of the Indian Ocean and South East Asia. The United States played a leading role in the establishment of these conservation instruments and our continued leadership and support will ensure that momentum continues.

MARINE MAMMAL COMMISSION

TOC requests that the Subcommittee support the Marine Mammal Commission's base program at $2.25 million in fiscal year 2004, $350,000 above the Administration's request.

ANTI-ENVIRONMENTAL RIDERS

TOC urges the Subcommittee to not attach any anti-environmental rider to this or any other appropriations bill. In the past, riders have been used by Members of Congress to roll back environmental protections and prevent NOAA from advancing marine conservation.

These programs and issues are of the utmost importance to the stewardship of the nation's living marine resources. We greatly appreciate your support for these programs in the past and look forward to continued, responsible funding for these programs in fiscal year 2005. Thank you for considering our requests.

PREPARED STATEMENT OF THE NATIONAL FEDERATION OF COMMUNITY BROADCASTERS

Thank you for the opportunity to submit testimony to this Subcommittee requesting a $55 million appropriation for the Public Telecommunications Facilities Program (PTFP) in fiscal year 2005. As the President and CEO of the National Federation of Community Broadcasters, I speak on behalf of nearly 250 community radio stations and related organizations across the country. This includes the new Low Power FM service that has recently been authorized by the FCC. NFCB is the sole national organization representing this group of stations, which provide service in both the smallest communities and largest metropolitan areas of this country. Nearly half of our members are rural stations, and half are minority controlled stations.

In summary, the points we wish to make to this Subcommittee are that NFCB:

—Supports funding for PTFP that will cover the on-going needs of public radio and television stations.

—Supports funding for conversion of public radio and television to digital broadcasting.

—Requests report language to ensure that PTFP utilizes any digital funds it receives for radio as well as television needs.

Community radio supports $55 million in funding for the Public Telecommunications Facilities Program in fiscal year 2005. Federal support distributed through the PTFP is essential to continuing and expanding the public broadcasting service throughout the United States. It is particularly critical for rural stations and for those stations serving minority communities. PTFP funds new stations, expanding the reach of public broadcasting to rural areas and to audiences that are not presently served by existing stations. In addition, it replaces obsolete and worn out equipment so that the existing stations can continue to broadcast high quality programming. Finally, with the advent of digital broadcasting, PTFP funding will help with the conversion to this new technology.

We support $55 million in funding to ensure that both the on-going program—currently funded in fiscal year 2004 at $22 million—will be continued, and that the increase to $55 million will be available to help cover the cost of radio and television converting to digital transmission. This increase in funding is urgent because the FCC has now endorsed a standard for digital radio broadcasting and the television conversion deadline is imminent. In addition, commercial radio stations are converting to digital transmission and public radio should not be left behind.

Funding from PTFP has been essential to keep public radio stations on the air by funding replacement of equipment, often after 20 or more years of use. The program is administered carefully to be sure that stations are acquiring the most appropriate type of equipment. They also determine that equipment is being properly maintained and will not fund the replacement of equipment before an appropriate length of time. PTFP has also helped bring public radio service to rural areas where it is not available. Sometimes they fund translators to expand the coverage of an existing station and sometimes they help with the planning and equipment needs of a new station. Recently, many of these new projects have been for Native American controlled stations on Indian Reservations or new local Low Power FM installations.

Federal funding is particularly critical to stations serving rural and underserved audiences which have limited potential for fundraising because of sparse populations, limited number of local businesses, and low income levels. Even so, PTFP funding is a matching program so that the federal money is leveraged with a local commitment of funds. This program is a strong motivating factor in raising the significant money necessary to replace, upgrade and purchase expensive broadcast equipment.

Community radio supports funding for conversion to digital broadcasting for public radio and television. While public television's digital conversion is mandated by the Federal Communications Commission, public radio is converting to digital to provide more public service and to keep up with the market. The digital standard for radio has been approved. The initial conversion of radio stations is being concentrated in 13 seed markets and it is important that public radio be part of this project. Most exciting to public radio is the encouraging results of tests that National Public Radio has conducted that indicate that stations can broadcast two high quality signals, even while they continue to provide the analog signal. The development of 2nd digital audio channels will potentially double the public service that public radio can provide, particularly to unserved and underserved communities.

We appreciate Congress' direction to the Corporation for Public Broadcasting that it utilize its digital conversion fund for both radio and television and ask that you ensure that the PTFP funds are used for both media. Congress stated, with regard to the fiscal year 2000 digital conversion funds:

"The required (digital) conversion will impose enormous costs on both individual stations and the public broadcasting system as a whole. Because television and radio infrastructures are closely linked, the conversion of television to digital will create immediate costs not only for television, but also for public radio stations. Therefore, the Committee has included $15,000,000 to assist radio stations and television stations in the conversion to digitization . . ." (S. Rpt. 105–300)

Thank you for your consideration of our testimony. If the Subcommittee has any questions or needs to follow-up on any of the points expressed above, please contact: Carol Pierson, President and CEO, National Federation of Community Broadcasters, 1970 Broadway, Suite 1000, Oakland, CA 94612. Telephone: 510–451–8200. Fax: 510–451–8208. E-mail: carol@nfcb.org.

The NFCB is a twenty-nine year old grassroots organization which was established by and continues to be supported by our member stations. Large and small, rural and urban, NFCB member stations are distinguished by their commitment to local programming, community participation and support. NFCB's nearly 250 members come from across the United States, from Alaska to Florida; from every major market to the smallest Native American reservation. While urban member stations provide alternative programming to communities that include New York, Minneapolis, San Francisco and other major markets, rural members are often the sole source of local and national daily news and information in their communities. NFCB's membership reflects the true diversity of the American population: 41 percent of members serve rural communities, and 46 percent are minority radio services.

On community radio stations' airwaves examples of localism abound: on KWSO in Warm Springs, Oregon, you will hear morning drive programs in their Native language; throughout the California farming areas in the central valley, Radio Bilingüe programs five stations targeting low-income farm workers; in Chevak, Alaska, on KCUK you will hear the local weather reports and public service announcements in Cup'ik/Yup'ik Eskimo; in Dunmore, West Virginia, you will hear coverage of the local school board and county commission meetings; KABR in Alamo, New Mexico serves its small isolated Native American population with programming almost exclusively in Navajo; and on WWOZ you can hear the sounds and culture of New Orleans throughout the day and night.

In 1949 the first community radio station went on the air. From that day forward, community radio stations have been reliant on their local community for support through listener contributions. Today, many stations are partially funded through the Corporation for Public Broadcasting grant programs. CPB funds represent under 10 percent of the larger stations' budgets, but can represent up to 50 percent of the budget of the smallest rural stations. PTFP funding is a critical source of matching funds for these essential community resources.

PREPARED STATEMENT OF THE MARINE FISH CONSERVATION NETWORK

The Marine Fish Conservation Network (Network) is pleased to share its views regarding National Marine Fisheries Service (NMFS) programs in the National Oceanic and Atmospheric Administration's (NOAA) fiscal year 2005 budget request. We ask that this statement be included in the hearing record for the fiscal year 2005 Commerce, Justice, State, and the Judiciary Appropriations Bill. We are requesting a budget increase of $40.75 million for NMFS programs in the fiscal year 2005 budget to be allocated for stock assessments ($15 million), observer programs ($12.5 million), essential fish habitat ($10.15 million), and vessel monitoring systems ($3.1 million) as described below.

The Network is a national coalition of more than 160 environmental organizations, commercial and recreational fishing associations, aquariums, and marine science groups dedicated to conserving marine fish and promoting their long-term sustainability. We greatly appreciate the funding this Subcommittee has provided for the marine fish conservation programs within NMFS in the past and we look forward to working with the Subcommittee to enact adequate levels of funding for the coming fiscal year.

There are four areas of the NMFS budget where we believe the requested funding levels need to be increased to help the agency fulfill its obligations as the federal government's fish management agency.

STOCK ASSESSMENTS

Request: Total of $33.9 million

While we are pleased that NMFS has requested an $800,000 increase in the expanding stock assessments line item, we remain concerned that funding in this area is insufficient. There currently is a gap of over $40 million between what NMFS needs to conduct stock assessments of federally managed fish populations and the funding that is available. Also, NMFS estimates that under current funding levels it has a deficit of 3,811 days at sea, many of which are used to conduct stock assessments. The impact of this deficit is demonstrated by the fact that the status of three-quarters of all fish species managed by NMFS is unknown, largely due to a lack of funding for basic research and stock assessments. An additional $15 million, for a total appropriation of $33.9 million for expanding stock assessments, would further this essential work.

OBSERVER PROGRAMS

Request: Total of $35 million

As stated by NOAA in their budget summary, the current level of funding will only provide observers for 43 fisheries and adequate coverage for only 29 of those. Last year Congress took a strong positive step to improve the management of America's fish populations when it increased the overall fisheries observer budget by almost $11 million. Observers are an essential fish management tool because they provide critical data on the amount and type of ocean wildlife killed due to fishing. However, the proposed fiscal year 2005 budget would decrease this funding by $2.3 million. A nationwide observer program for all federal fisheries would cost approximately $118 million. A smart investment toward the sustainability of our nation fisheries would be to fully fund a national observer program. Increasing funding for observers by $12.5 million to a total of $35 million, would be a down payment on that effort.

ESSENTIAL FISH HABITAT

Request: Total of $15 million

Essential fish habitats (EFH) are those waters and substrate upon which fish depend for reproduction and growth. Land-based activities and destructive fishing practices threaten the viability of these habitats and the sustainability of the fish populations that depend on them. While the Sustainable Fisheries Act of 1996 gave NMFS a clear mandate to identify and protect EFH, too little has been done to protect these habitats. NMFS has approximately $4.85 million in its base budget for EFH. This level of funding is not nearly adequate for protecting the EFH for the almost 1,000 federally managed fish, nor for the research necessary to understand the relationship between habitat and healthy fish populations. Increasing funding by $10.15 million to a total of $15 million would better equip NMFS to gain the information necessary to further refine EFH designations and take action to protect EFH from the adverse impacts of fishing.

VESSEL MONITORING SYSTEMS

Request: Total of $12.4 million

Increasing funding for vessel monitoring systems (VMS) to $12.4 million would allow for the establishment and implementation of VMS, as well as placing VMS transponders on many of the estimated 10,000 vessels in the U.S. commercial fishing fleet. This represents a $3.1 million increase over the President's request. VMS programs enhance data collection and safety at sea. VMS is beneficial to regulators because it will allow officials to know when a fishing vessel is violating closed areas or is fishing beyond the end of a regulated fishing season.

Thank you for considering our request for increasing funding for these important fish management programs. These increases will go a long way toward ensuring that NMFS can better manage and protect our nation's fish resources now and for the future.

PREPARED STATEMENT OF THE HONORABLE JIMMIE KERR, PINAL COUNTY SUPERVISOR

Chairman Gregg, Ranking Member Hollings, and distinguished members of the Subcommittee, thank you for allowing me to testify today in support of a $9 million Cooperative Assistance Grant (CAP) from the U.S. Marshals Service (USMS) for ex-

pansion of the Pinal County detention facility in the fiscal year 2005 Senate Commerce, Justice, State and the Judiciary Appropriations bill.

As you may know, Mr. Chairman, Arizona is the second fastest growing state in the nation. And, Pinal County is the fastest growing county per capita in the state. Unfortunately, with increased population comes increased crime. Simply put, our jails and prisons are grossly overcrowded and each and every year this problem is only exacerbated by our growing population. Our county has come up with a unique proposal that will repay the federal government, help the Marshals Service obtain much needed additional bed space, and, at the same time, relieve our county's overcrowded prison population. This proposal would be a win-win for the federal government and Pinal County.

Under the proposal, the CAP grant would enable Pinal County to build an additional 500 unit pod onto its new detention facility. In return, the USMS would be guaranteed an additional 200 beds in the Pinal County facility.

Pinal County would reduce the established USMS per diem rate for all inmates in the facility by $18.60 per day until the grant is fully repaid to the USMS. It is estimated that USMS would recover the entire $9 million in less than seven years, which would save the USMS the total annual operating cost equivalent of approximately 153,577 prisoner days over this roughly seven year period.

The reduced per diem rate, while working to pay back the USMS, would also help fund the additional operating costs of the new facility to the tune of about $2.92 million per year (200 inmates × $40 × 365 days = $2,920,000). In addition, the USMS would save nearly $1.4 million per year over the next seven years for operating expenditures under this unique proposal ($18.60 × 200 × 365 = $1,357,800).

Again, our detention center facilities are way too overcrowded and Pinal County's approach to this problem benefits both the federal government and the county. At a time when the federal deficit threatens fiscal solvency, this plan responds to those fiscal demands by repaying the federal government for all the money that is borrowed.

Therefore, I strongly urge the Subcommittee to support Pinal County's request for a $9 million CAP grant to expand its overcrowded facility. Thank you in advance for your consideration of this request.

PREPARED STATEMENT OF THE REGIONAL INFORMATION SHARING SYSTEMS (RISS) PROGRAM

The Regional Information Sharing Systems (RISS) Program respectfully requests that Congress appropriate for fiscal year 2005, $50 million to continue their support in combating terrorism, drug trafficking, and organized crime.

These funds will enable RISS to continue services to state and local law enforcement agencies to identify, target, prosecute, and remove criminal conspirators involved in terrorism activity, drug trafficking, organized criminal activity, criminal gangs, and violent crime that span multijurisdictional boundaries. Funds will allow RISS to continue to support the investigation and prosecution efforts of over 6,600 local, state, tribal, and federal law enforcement member agencies across the nation comprising over 744,000 sworn law enforcement personnel.

Through funding from Congress, RISS has implemented and operates the only secure Web-based nationwide network—called riss.net—for communications and sharing of criminal intelligence by local, state, tribal, and federal law enforcement agencies. Funds will allow RISS to upgrade the technology infrastructure and resources to support increased use and reliance on the system by member law enforcement agencies and support the integration of other systems connected to riss.net for information sharing and communication. Using Virtual Private Network technology, the law enforcement users access the public Internet from their desktops and have a secure connection over the private riss.net intranet to all RISS criminal intelligence databases and resources. RISS member law enforcement agencies accessed riss.net an average of 3.6 million times per month during fiscal year 2003. Riss.net is a proven, highly effective system that improves the quality of criminal intelligence information available to law enforcement officers to make key decisions at critical points in their investigation and prosecution efforts.

The Office of Justice Programs (OJP), Regional Information Sharing Systems (RISS) is a federally funded program comprised of six regional intelligence centers. The six centers provide criminal information exchange and other related operational support services to local, state, tribal, and federal law enforcement agencies located in all fifty states, the District of Columbia, U.S. territories, Canada, Australia, and England. These centers are:

—*Middle Atlantic-Great Lakes Organized Crime Law Enforcement Network (MAGLOCLEN)*.—Delaware, District of Columbia, Indiana, Maryland, Michigan, Pennsylvania, Ohio, New Jersey, and New York, as well as Australia, Canada, and England.

—*Mid-States Organized Crime Information Center (MOCIC)*.—Illinois, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, and Wisconsin, as well as Canada.

—*New England State Police Information Network (NESPIN)*.—Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont, as well as Canada.

—*Regional Organized Crime Information Center (ROCIC)*.—Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia, as well as Puerto Rico and the U.S. Virgin Islands.

—*Rocky Mountain Information Network (RMIN)*.—Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming, as well as Canada.

—*Western States Information Network (WSIN)*.—Alaska, California, Hawaii, Oregon, and Washington, as well as Canada, Guam, and Australia.

RISS is a force multiplier in fighting increased violent criminal activity by terrorists, drug traffickers, sophisticated cyber criminals, street gangs, and emerging criminal groups that require a cooperative effort by local, state, tribal, and federal law enforcement. There is an increasing communications sophistication by the criminal networks, including terrorists, and a rising presence of organized and mobile narcotics crime. Interagency cooperation in sharing information has proven to be the best method to combat the increasing criminal activity in these areas. The RISS centers are filling law enforcement's need for rapid, but controlled, sharing of information and intelligence pertaining to known or suspected terrorists, drug traffickers, and other criminals. Congress funded the RISS Program to address this need as evidenced by its authorization in the Anti-Drug Abuse Act of 1988.

The success of RISS has been acknowledged and vigorously endorsed by the International Association of Chiefs of Police (IACP), as well as other national law enforcement groups such as the National Sheriffs' Association (NSA) and the National Fraternal Order of Police (NFOP).

RISS is operating current state-of-the-art technical capabilities and systems architecture that allow local, state, tribal, and federal law enforcement member agencies to interact electronically with one another in a secure environment. The RISS system has built-in accountability and security. The RISS secure intranet (riss.net) protects information through use of encryption, smart cards, Internet protocol security standards, and firewalls to prevent unauthorized access. The RISS system is governed by the operating principles and security and privacy standards of 28 CFR Part 23 (Criminal Intelligence Systems Operating Policies). The technical architecture adopted by RISS requires proper authorization to access information, but also provides flexibility in the levels of electronic access assigned to individual users based on security and need-to-know issues. Riss.net supports secure e-mail and is easily accessible using the Internet. This type system and architecture is referenced and recommended in the General Counterdrug Intelligence Plan (GCIP) and is endorsed by the National Criminal Intelligence Sharing Plan (NCISP).

The FBI Law Enforcement Online (LEO) system and the RISS system achieved interconnection of the two systems in 2002 for distribution of sensitive but unclassified homeland security information to authorized users of both LEO and RISS. The value of this interconnection was recognized in 2003 by the National Criminal Intelligence Sharing Plan, which is sponsored by the U.S. Department of Justice. The Plan designates the RISS/LEO interconnection as the initial sensitive but unclassified communications backbone for implementation of a nationwide criminal intelligence sharing capability. This nationwide sensitive but unclassified communications backbone supports fully functional, bidirectional information sharing capabilities that reuse existing local, state, tribal, regional, and federal infrastructure investments. The Plan recommends that interoperability of existing systems with the RISS/LEO communications capability proceed immediately to leverage information sharing systems and expand intelligence sharing. The International Association of Chiefs of Police, the U.S. Attorney General, and other federal agency administrators endorse the Plan and have adopted it as a national model for all law enforcement agencies, organizations, and associations. RISS officials are working to implement the Plan recommendations within current budgetary restraints.

In addition, RISS has recognized that the need for exchange of information extends beyond law enforcement and the RISS/LEO virtual single system. During 2003, RISS implemented a service available over riss.net to link law enforcement with the public safety and first responder agencies involved in securing our nation

from terrorism. The service is known as the RISS Anti-Terrorism Information Exchange, or RISS ATIX, and includes a secure Web site, secure bulletin board, and secure e-mail. Through this capability, users can post timely threat information, view and respond to messages posted by government, police, fire, emergency, and infrastructure security personnel, and collaborate with law enforcement partners. These additional groups of users include public service, public safety, emergency management, utility, and other critical infrastructure personnel that have traditionally not been served by RISS. RISS began this service with limited funding to provide a rapid, secure means for first responder agencies to share information.

RISS has entered into a partnership with the High Intensity Drug Trafficking Areas (HIDTA) to electronically connect all of the HIDTAs to riss.net for communications and information sharing. Currently, 16 HIDTAs are electronically connected as nodes to riss.net, and RISS is working to complete the connection of the remaining HIDTAs. Twelve state agencies are currently connected as nodes on riss.net. An additional nine state law enforcement agencies are pending connection as nodes to share information, including terrorism and homeland security information, using riss.net.

The Executive Office for United States Attorneys (EOUSA) has connected staff to riss.net at each of the 93 U.S. Attorneys' Offices (USAO) Anti-Terrorism Task Forces throughout the United States. Staff at the U.S. Department of Justice, Criminal Division, has connected to riss.net. RISS and the El Paso Intelligence Center (EPIC) officials entered into a partnership and have electronically connected EPIC as a node to riss.net to capture clandestine laboratory seizure data from RISS state and local law enforcement member agencies. Other systems connected to riss.net include the Law Enforcement Intelligence Unit (LEIU), the National Drug Pointer Index (NDPIX), the National White Collar Crime Center (NW^{3}C), the National Law Enforcement Telecommunication System (NLETS), and the Criminal Information Sharing Alliance (CISA), formerly the Southwest Border States Anti-Drug Information System (SWBSADIS). The United States Postal Inspection Service (USPIS) is currently pending connection to riss.net as a node. The National Drug Intelligence Center (NDIC) uses the RISS network as a communications mechanism for publishing counterdrug intelligence products to federal, state, local, and tribal law enforcement members.

The integration of the above-mentioned state and federal agencies and systems with the riss.net secure nationwide communications backbone has increased the sharing of criminal intelligence and alerts and homeland security information within their own agencies and among the other agencies. The operation of RISS ATIX provides first responders and critical infrastructure personnel with a secure means via riss.net to communicate, share information, and receive terrorist threat information.

Due to the interest of many law enforcement agency systems to electronically connect to the RISS/LEO backbone, RISS has developed a security architecture solution to allow users with various types of security credentials to connect and traverse riss.net to share information and access resources without being required to use the RISS specific security credentials. Adequate funding is needed to implement the technology.

—RISS is operating an unprecedented nationwide network for communicating critical information in a secure environment to both law enforcement and other first responders. To support the increased needs of these personnel and continue to maintain the RISS system and demand for RISS services and resources, RISS is requesting an increase in funding to $50 million for 2005.

In view of today's increasing demands on federal, state, local, and tribal law enforcement budgets, requests for RISS services have risen. This support of law enforcement has had a dramatic impact on the success of their investigations. Over the three-year period 2001–2003, RISS generated a return by member agencies that resulted in 11,701 arrests, seizure of narcotics valued at over $189 million, seizure of over $9.8 million in currency, and recovery or seizure of property valued at over $31 million.

RISS continues to work with federal, state, local, and tribal agencies in their efforts to combat the menace of drugs on our street, and the significant influence of youth gangs in the distribution and sale of drugs. RISS is working to foster relationships with public safety and first responder agencies to increase information sharing on terrorism and critical infrastructure matters among those groups and with law enforcement.

The Bureau of Justice Assistance administers the RISS Program and has established guidelines for provision of services to member agencies. The RISS regional intelligence centers are subject to oversight, monitoring, and auditing by the U.S. Congress; the General Accounting Office, a federally funded program evaluation of-

fice; the U.S. Department of Justice, Bureau of Justice Assistance; and state and local governmental units. The Bureau of Justice Assistance also monitors the RISS centers for 28 CFR Part 23 compliance. This regulation emphasizes adherence to individual constitutional and privacy rights and places stricter controls on the RISS intelligence sharing function than those placed on most federal, state, or local agencies. RISS firmly recognizes the need to ensure that individuals' constitutional rights, civil liberties, civil rights, and privacy interests are protected throughout the intelligence process. In this regard, RISS officials recently adopted a RISS Privacy Policy to further strengthen their commitment and support of 28 CFR Part 23 and protection of individual privacy rights.

It is respectfully requested that the Congress fully fund the RISS Program as a line item in the Congressional budget, in the requested amount of $50 million. Local and state law enforcement, who depend on the RISS centers for information sharing, training, analytical support, investigative funding, and technical assistance, are experiencing increased competition for decreasing budget resources. It would be counterproductive to require the RISS members from state and local agencies to self-fund match requirements, as well as to reduce the amount of BJA discretionary funding. The state and local agencies require more, not less, funding to fight the nation's crime/drug problem. The RISS Program cannot make up the decrease in funding that a match would cause, and it has no revenue source of its own. Cutting the RISS appropriation by requiring a match should not be imposed on the program.

We are grateful for this opportunity to provide the committee with this testimony and appreciate the support this committee has continuously provided to the RISS Program.

PREPARED STATEMENT OF THE INSTITUTE OF MAKERS OF EXPLOSIVES

Interest of the Institute of Makers of Explosives (IME)

The IME is the safety and security association of the commercial explosives industry. Our mission is to promote safety and the protection of employees, users, the public and the environment; and to encourage the adoption of uniform rules and regulations in the manufacture, transportation, storage, handling, use and disposal of explosive materials used in blasting and other essential operations. ATF is one of the agencies that plays a primary role in assuring that explosives are identified, tracked, and stored only to and by authorized persons. The ability to manufacture, distribute and use these products safely and securely is critical to this industry. With this perspective, we have carefully reviewed the Administration's fiscal year 2005 budget request and have the following comments.

Performance Measures Fall Short of Strategic Goals

The commerce of explosives is one of the nation's most heavily regulated activities. ATF plays a key role in this regulatory scheme through its implementation of Federal Explosives Law. To ensure that the Bureau meets its statutory responsibilities, ATF has identified goals and performance standards that can measure areas of progress or areas needing attention. With regard to its explosives mission, the Bureau states that its strategic goals are to "counter crimes of violence" by effective enforcement of Federal Explosives Law (FEL) and to "protect public safety" through regulation of the explosives industry and explosives safety efforts.[1] To accomplish these goals, ATF sets a number of performance measures.[2] Regrettably, with two exceptions, these measures do not identify outcome measures as required by Government Results and Performance Act.

The two exceptions are the measures to "investigate all reported explosives thefts" and to respond to all "telephone inquiries from industry [within] 72 hours."[3] We support these measures. However, we question ATF's determination to limit its efforts to timely respond to inquiries from industry to those inquiries received by telephone. This measure should be expanded to include other electronic forms of communication, as well as letter correspondence.

This leaves a number of measures with questionable outcomes. Under its goal to "counter crimes of violence," the Bureau states that it will open some yet to be determined number of explosives investigations and related to this the "number of [explosives] defendants convicted." However, if ATF's enforcement initiatives were working, a more meaningful outcome measure should be the number of investigations closed or otherwise resolved, irrespective of whether a conviction was obtained.

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[1] DOJ Fiscal Year 2005 Budget Summary, page ATF–29.
[2] DOJ Fiscal Year 2005 Budget Summary, page ATF–35.
[3] DOJ Fiscal Year 2005 Budget Summary, page ATF–35.

Under its goal to "protect public safety," the Bureau states that it will conduct 33 percent of its universe of explosives licensee/permittees, which it projects to be about 4,000, and that it will resolve up to 850 unsafe explosives conditions discovered by its inspectors. In fact, the statutory standard for inspection of licensee/permittees is, with the exception of "limited permittees," to inspect all licensee/permittee applicants prior to the issuance of such license or permit.[4] Thus the appropriate inspection measure should be the percentage of inspections performed within the timeframe required by law. ATF's standard to resolve up to 850 unsafe explosives conditions is also inadequate. ATF has used this estimate at least since the Administration's fiscal year 2003 budget request when it suggested that 850 corrective actions were less than half the Bureau's current workload.[5] The Administration's fiscal year 2005 request does not disclose what the Bureau's current corrective action workload is. Without this context, the 850 corrective action standard has no basis. If ATF's compliance initiatives are working, however, a more meaningful outcome measure should be to show a decreasing trend in the percent of non-compliance practices that industry fails to rectify after corrective actions have been issued.

Concerns about the Adequacy of Budget Resources

To accomplish the missions of ATF's explosives and arson program, the Administration requests $231.2 million, an increase of $16.1 million over fiscal year 2004, but only $2.6 million over current services.[6] Nearly half of this new money, $1.1 million is for partial funding of 62 new positions (31 FTE).[7] All of these FTP would be brought in as inspectors.[8] Still, the fiscal year 2005 budget request raises questions about ATF's ability to perform assigned functions.

—*Baseline Data*.—We cannot comment on the adequacy of ATF's services to industries other than our own. Still, the budget request is difficult to evaluate in terms of resources because it does not disclose information about its current workload, with the exception of reports due to Congress. Even that is incomplete as noted below. To better justify the Bureau's budget submission, ATF should be asked to provide information on: the number of investigations that are open, the date of the oldest and the number of new cases opened in the last fiscal year; the number of inspections that will be required to be preformed do to permit/license renewals; the number of times ATF failed and for what reason to issue a permit or license within the 90-day timeframe required by law; the number of background checks that ATF has performed, within what average timeframe, and of those, how many individuals failed to receive clearance, and of those, how many appealed the Bureau's findings; the number of rulemakings outstanding and their priority; turnover rates among agents and inspectors; and the number of persons and from what agencies that are trained through ATF programs. Absent information of this type, it is unclear how Congress can effectively oversee ATF's explosives operations and determine the adequacy of its budget request.

—*Inspections*.—As noted above, the statutory standard for inspection of licensee/permittees is, with the exception of "limited permittees," to inspect the licensee/permittee applicant prior to the issuance of such license or permit. ATF has not met this standard in all instances. We would hope, with the addition of 62 inspector positions, that this situation will improve.

—*Rulemakings*.—The last publication of a "final" rule of consequence to the explosives industry was in 1998.[9] Currently, ATF has six open rulemakings of interest and concern to the explosives industry.[10] The oldest of these was proposed in 1997. Several are a result of the enactment of the Safe Explosives Act (SEA) in 2002. Our primary interface with ATF is through efforts to comply with the Bureau's regulations. Two of these rulemakings, which implement the SEA, were issued as "interim final rules," which allows rules to be enforced without standard input as to the effect of the rule on the regulated community. Subsequently, IME raised a number interpretative questions and concerns about

[4] 18 U.S.C. 843(b)(4)(A).

[5] Statement of Bradley A. Buckles, Director, ATF, Subcommittee on Treasury, Postal Service and General Government, House Appropriations Committee, February 28, 2002, page 17. (Fiscal year 2001—1,813 violations; 1st quarter fiscal year 2002—1,763 violations.)

[6] DOJ Fiscal Year 2005 Budget Summary, page ATF 29. About 9 percent of this request, $20.7 million, is programmed for information and technology enhancements, basically a level funding of the fiscal year 2004 allocation for these functions.

[7] DOJ Fiscal Year 2005 Budget Summary, page ATF–A6

[8] DOJ Fiscal Year 2005 Budget Summary, page ATF–A5.

[9] 63 FR 44999 (August 24, 1998).

[10] Semiannual Agenda, 68 FR 73169–72 (December 22, 2003).

these rules which are critical to the continued commerce of commercial explosives. Yet, ATF does not project finalizing these rules until February 2005.

Another pending rulemaking deserving of comment stems from a loophole in current regulations that allows the importation of explosives with no marks of manufacture identification. Conversely, ATF regulations require domestic manufacturers to mark all explosive materials they manufacture for sale or distribution for reasons of security and safety.[11] ATF has emphasized that the failure to apply these markings inhibits law enforcement from tracking explosives to the source, and proving criminal activity. The marks enhance safety because some explosives deteriorate over time and the code allows users to keep inventory fresh. Additionally, the marks are one of industry's "QA/QC" tools, allowing the manufacturer the ability to trace product quality problems back to the point of manufacture and distribution. In 2000, IME petitioned ATF for a rulemaking to close this loophole as it applies to high explosives and blasting agents.[12] Our petition would make it unlawful for any licensee to import such explosive materials without marking all explosives materials in the same manner prescribed by the ATF for domestic manufacturers. ATF finally published a proposed rulemaking on this issue in October 2002.[13] In light of the priority given to strengthening homeland security, we have not understood the lack of urgency given to this rulemaking. In the latest edition of the Administration's semi-annual regulatory agenda, ATF has pushed back for the third time its "deadline" for completing this rulemaking.[14] Now, four years after the filing of our initial petition, we ask you to insist that ATF not let this target release date slip.

—*Reports*.—ATF acknowledges three reports that are due to House and Senate Appropriations Committees.[15] Two of the reports are required "prior" to the obligation of the $14 million fiscal year 2004 allocation to implement the SEA or the National Explosives Licensing Center which will process the SEA license/permit applications. The release of these funds is crucial to the effective and efficient implementation of the SEA. We are concerned by ATF's lack of timeliness in submitting these reports given that the provisions of the SEA have been effective since May 24, 2003. According to ATF's estimate, nearly a year will have passed between the effective date of the SEA and the "target" date of the delivery of these reports to Congress. We find this delay without justification.[16] There are other reports due Congress from the ATF and are not mentioned in the Bureau's budget request of particular concern to IME. The Antiterrorism and Effective Death Penalty Act of 1996 charged ATF, which was delegated the authority, to report on the feasibility of tagging explosive materials for purposes of detection and/or identification, rendering common chemicals used to manufacture explosive materials inert, and imposing controls on certain precursor chemicals used to manufacture explosive materials.[17] We understand that ATF intends to provide two reports to meet this mandate. One will address issues related to the tagging, and in particular "identification" tagging, of explosive materials. The other will address issues related to the enhanced control of ammonium nitrate (AN)—a precursor chemical used to manufacture explosives. We have been told by ATF that the "AN" report is pending at DOJ and that the "Taggant" report has yet to clear the Bureau. We are particularly concerned about the content and recommendations potentially contained in the Taggant report. ATF initially planned to submit the report to Congress by the end of fiscal year 2001. IME had worked with ATF to ensure that the Bureau had the industry data required. Throughout the process ATF made efforts to keep us informed of the work on the study and preliminary findings. As late as August 2001, we were led to believe that ATF's research had concluded, as did contemporary assessments by the National Academy of Sciences, that identification taggants cannot be supported with current technology. However, following the events of September 11, 2001, ATF informed us that the report had been pulled back and its conclusions are being reassessed. As tragic and sobering as the events of September 11th are, it does not alter the fact that current technology

[11] 27 CFR 55.109(a).
[12] March 7, 2000 and August 2, 2000.
[13] 67 FR 63862 (October 16, 2002).
[14] Semiannual Agenda, 68 FR 73170 (December 22, 2003).
[15] DOJ Fiscal Year 2005 Budget Summary, page ATF–A10.
[16] While the President did not enact the law requiring these reports until January 23, 2004, ATF was aware of congressional intentions with regard to such reports as early as September 5, 2003. In view of the fact that the Bureau has been enforcing the SEA since May 2003, we would have thought that by September 2003 and certainly January 2004, ATF would have a clear idea of its implementation funding needs and priorities.
[17] Public Law 104–132, Section 732.

does not support identification taggants. In the Subcommittee's oversight capacity, ATF should be asked about the release date of the 1996-mandated report and, after seven years of study, what if any of the reports recommendations have been changed due to the events of September 11th.

ATF has also from time to time, but we hoped annually, reported on arson and explosives incidents. IME uses this data to inform the industry and the public about these incidents, trends they may suggest, and lessons we may learn. However, ATF's last published version of this document is dated, reporting incidents occurring in 1997. A similar, though not identical, report is issued by the Federal Bureau of Investigation (FBI). Since ATF released its 1997 report, the FBI has released a 1998 and a 1999 bombing incident report. When IME last asked ATF about the anticipated release date of its report, we were told that it was being held up pending a reconciliation of data between the Bureau and the FBI. It begs the questions of whether the ATF report will continue in its current or a revised form now that the Bureau has been transferred to DOJ, home of the FBI, and the FBI has been, with more regularity, producing a type of explosives incident report.

The future of the ATF Arson and Explosives Incident Report is but a small example of overlaps and duplications that may exist between the Bureau and other law enforcement programs at DOJ, and provides a segway to a report we are all anxious to review. In the conference report to the fiscal year 2004 Consolidated Appropriations Act, Congress directed DOJ to submit with its fiscal year 2005 budget request "a proposal to better blend and eliminate duplication of explosives training and other law enforcement programs at the [DOJ]."[18] In this regard, we note that the Administration's fiscal year 2005 budget request continues to carry forward language from earlier budget requests that "no funds made available by this or any other Act may be used to transfer the functions, missions, or activities of the [ATF] to other agencies or Departments in fiscal year 2005."[19] This language appears to be at odds with any attempt to consolidate and streamline programs. Meanwhile, we are anxious to understand what, if any, recommendations in this report may impact how commercial explosives are overseen, regulated and enforced within DOJ, and once understanding these recommendations, reserving the opportunity to provide additional comment to the Subcommittee.

Conclusion

The manufacture and distribution of explosives is accomplished with a remarkable degree of safety. We recognize the important role played by ATF in helping our industry achieve and maintain safe and secure workplaces. Industry and the public trust that ATF has the resources to fulfill its regulatory responsibilities. We, therefore, strongly recommend full funding for ATF's explosives program.

PREPARED STATEMENT OF THE CONFEDERATED TRIBES OF THE WARM SPRINGS RESERVATION OF OREGON

Mr. Chairman, I, Garland Brunoe, Chairman of the Tribal Council of the Confederated Tribes of the Warm Springs Reservation of Oregon, hereby submit this testimony regarding the fiscal year 2005 appropriation for the U.S. Department of Justice. All of our fiscal year 2005 requests address programs in the Justice Department's Office of Justice Programs, and are summarized below: (1) Restore State and Local Law Enforcement Assistance funding for Indian tribes in the amount of $15 million; (2) increase Tribal COPS funding by $10 million to $30 million; and (3) provide $20 million for Tribal Juvenile Justice programs for fiscal year 2005.

Our requests are more fully discussed below.

Restore State and Local Law Enforcement Assistance funding for Indian tribes in the amount of $15 million

The fiscal year 2005 Department of Justice budget proposes to completely eliminate funding for the State and Local Law Enforcement Assistance program, which in fiscal year 2004 included $2 million for tribal jail construction, $8 million for tribal courts, and $5 million for tribal alcohol and substance abuse prevention and treatment programs. All of these programs are critical to public safety and stability on Indian reservations. Our own jail, designed and built by BIA, is out of compliance with federal standards and needs to be substantially remodeled or rebuilt. Tribal courts are a key link in tribal justice systems and essential to tribal sov-

[18] Conf. Rept. 108–401, to accompany H.R. 2673 (Public Law 108–199).
[19] DOJ Fiscal Year 2005 Budget Summary, page ATF–13.

ereignty, and this funding has been the only steady source of federal support, even as small as it has been, for our court systems. And alcohol and substance abuse plague our communities and significantly contribute to crime. Accordingly, we request that fiscal year 2005 funding for Indian tribes in the State and Local Law Enforcement Assistance program be restored to at least their fiscal year 2004 levels.

Increase Tribal COPS funding by $10 million to $30 million

Indian tribes face significant difficulties in providing law enforcement. Reservations are often rural and sparsely populated across great distances. Unemployment is often high and infrastructure inadequate. Many tribal economies are modest, and cannot on their own support much in the way of law enforcement. The Bureau of Indian Affairs law enforcement budget is also insufficient. As a result, crime, including violent crime, is often exceptionally high in Indian Country. Within the last ten years, alarming reports on reservation law enforcement and public safety prompted support increases within BIA law enforcement and also within the Department of Justice's Community Oriented Policing Systems programs. The COPS program is a vital component of law enforcement on many reservations, as demonstrated by its retention within the drastically cut-back fiscal year 2005 national COPS program. Accordingly, we request that the Tribal COPS program be increased to $30 million for fiscal year 2005, an increase of $5 million over fiscal year 2004 and $10 million over the Administration's fiscal year 2005 request.

Provide $20 million for Tribal Juvenile Justice programs for fiscal year 2005

The fiscal year 2005 Department of Justice budget proposes to completely eliminate funding for the Juvenile Justice Program, which in fiscal year 2004 included $10 million for tribal youth. Tribal youth often must confront joblessness and poverty, which can lead to despair and delinquency. Today across the United States, Native American young people already are among the most troubled, and particular care and supervision are essential. A recent audit of Juvenile-related programs and services at Warm Springs revealed a dramatic lack of services and resources available to work with our troubled youth and correct delinquent behavior. Without assistance to address these problems, the already devastating circumstances for the young people in our communities will only accelerate. Accordingly, we request that the Tribal Youth funding in Juvenile Justice be doubled from its fiscal year 2004 amount of $10 million to $20 million.

Mr. Chairman, that concludes the Confederated Tribes of the Warm Springs Reservation's appropriations requests of your Subcommittee for fiscal year 2005. Thank you.

PREPARED STATEMENT OF THE ASIA FOUNDATION

Mr. Chairman: The Asia Foundation is grateful for the strong support of the Congress, including the appropriation of $13 million for fiscal year 2004. Past committee report language has commended our grant making role in Asia and the Appropriations Committees have encouraged the Foundation to expand its programs in predominantly Muslim countries, including Afghanistan, Indonesia, Pakistan and Mindanao in the Philippines. Regrettably, the Administration decided to use their fiscal year 2004 requests as the baseline for their fiscal year 2005 requests. That resulted in a low fiscal year 2005 request for the Foundation. We respectfully urge the Committee to sustain its support for the vital work of the Foundation on behalf of U.S. interests in this uniquely complex region, particularly as we deepen our involvement in front line states, such as Afghanistan, Pakistan and Indonesia and India, a regional power of increasing importance to U.S. interests in South Asia. The Asia Foundation is requesting a modest increase to $15 million, below the $18 million authorized by the State Department authorization bill recently passed by the House.

An appropriation of $15 million would allow The Asia Foundation to strengthen programs it has begun in recent years with Congressional encouragement, notably in the areas of protecting women and children against trafficking, promoting women's political and economic participation, strengthening Constitutional democracy and restoring a functioning educational system in Afghanistan, promoting tolerance in predominantly Muslim nations like Indonesia, protecting human rights, and strengthening civil society throughout the region.

We are cognizant of the fiscal year 2005 budgetary pressures on the Committee. However, any cut below the current funding level for the Foundation would curtail important work, in some cases, just as the program investments over the past few years have reached maturity, and positive results are attainable. The Asia Foundation is the only American organization with a distinctive history of fifty years of

presence and engagement in Asia, delivering concrete programs that address some of Asia's most pressing needs. Curtailment of Foundation programs in these key areas could wrongly signal to people in the region a loss of U.S. commitment to democratic governance, civil society and human rights in Asia.

OVERVIEW

The United States and Asia face new challenges, complicated by the war on terrorism and fragile democracies in Afghanistan, Indonesia, Pakistan, and even in Thailand and Korea. More than ever, we must support political stability and economic reform, and give attention to countries where recent events have complicated bilateral relations, specifically in countries that have been traditional allies of the United States, and in countries with predominantly Muslim populations. Challenges to governance in the newly democratic countries of Asia, including Thailand, the Philippines, Indonesia, and Korea, require different approaches than in countries struggling to attain democracy, peace and stability, such as Afghanistan, Nepal, and Pakistan. Continued political instability in Indonesia, lack of a peace settlement in the Southern Philippines, and the emergence of regional terrorist networks threaten regional stability. Human rights abuses, and impunity for perpetrators continue throughout the region. Even though women in Asia have made gains in many places, such as Cambodia, Thailand and Nepal, they are still subject to economic and political inequities. In the worse cases, they are victims of trafficking and abuse.

Working together with Asian organizations as a trusted partner through a network of 17 offices in Asia, The Asia Foundation is a nongovernmental, nonpartisan American asset combining local credibility, a nuanced understanding of the issues facing each country, and unparalleled access and relationships with government, nongovernmental groups, and the private sector. The Asia Foundation is a well recognized American organization, but its programs are grounded in Asia, helping to solve local problems in cooperation with Asian partners. The Foundation combines a long-term view of policy reform and development in Asia, and a rapid response capacity through grant making and expert staff to deliver short-term, high impact programs. In addition to the importance of these programs to the lives of people in Asia, the Foundation's efforts also make an important and tangible contribution to public diplomacy for the United States.

THE ASIA FOUNDATION'S MISSION

The Asia Foundation's core objectives are central to U.S. interests in the Asia-Pacific region:

—Democracy, human rights and the rule of law: developing and strengthening democratic institutions and encouraging an active, informed and responsible nongovernmental sector; advancing the rule of law; and building institutions to uphold and protect human rights;

—Open trade and investment: supporting trade, investment and economic reform at the regional and national levels;

—Women's political participation: encouraging women's participation in public life; protecting women's rights and supporting advocacy training; prevention of trafficking and supporting efforts to protect and provide shelter to victims;

—Peaceful and stable regional relations: promoting United States-Asian dialogue on security, regional economic cooperation, law and human rights.

The Foundation remains faithful to its grant-making role, steadily building institutions and strengthening Asian leadership. Foundation assistance supports training, technical assistance, and seed funding for new, local organizations, all aimed at promoting reform, building Asian capacity and strengthening United States-Asia relations. Foundation grantees can be found in every sector in Asia, leaders of government and industry and at the grassroots level, in an increasingly diverse civil society.

The Foundation provides necessary technical assistance, and grants that cover nuts and bolts necessities to support reform efforts. For example, in the case of the drafting of the Afghan Constitution, the Foundation provided expert advice on the drafting process, reference materials, equipment and administrative support costs for the Constitutional Commission, and later, the operational and logistical support for the Constitutional Loya Jirga (CLJ). The Asia Foundation was awarded a medal for its contribution at the closing ceremony of the Loya Jirga by President Karzai. Special Representative of the U.N. Secretary General for Afghanistan Brahimi stated at the end of the Constitutional Loya Jirga: "The Asia Foundation staff are the unsung heroes of the CLJ process. Without the creativity, intellectual insight and

flexibility of The Asia Foundation, much that has been accomplished would not have been done."

PROGRAMS

The Asia Foundation makes over 800 grants per year. The Foundation also facilitates programs, provides technical assistance and leverages funding from public and private donors, to increase program impact and sustainability. With additional funding in fiscal year 2004, the Foundation's expanded activities include:

Human Rights, Conflict and Islam: in Indonesia, establishment of the International Center for Islam and Pluralism (ICIP) the only regional center for progressive Muslim scholarship and exchange in Southeast Asia; education reform in 1,000 schools including training on pluralism, human rights and civic education for 160 madrassa (day schools) teachers through the Center for Human Resources Development (PPSDM) at the State Islamic University; curriculum reform for 800 pesantren (boarding schools), part of the Foundation's education reform of 625 Islamic schools nationwide, with over 215,000 students; in Cambodia, Sri Lanka and Nepal, human rights education, monitoring, and documentation through new information technology networking; in Mindanao in the Philippines Local Peace Monitors for the cessation of hostilities agreement and madrassa education research for the first time in 15 years;

Civil Society: in Pakistan, public awareness and media campaigns promoting democracy, human rights and access to education for women and women's rights under the law, civil society development through capacity building and training; in Afghanistan, girls education and journalism training for women; in Cambodia, human rights and legal services; in Indonesia, promote pluralism, tolerance and moderation by mainstream Muslim organizations through public education, media through radio talk shows and education reform;

Women's Programs: regionwide, with particular emphasis on Indonesia, Cambodia, Thailand, Vietnam and Mongolia, anti-trafficking programs including prevention, services for victims, legal drafting and advocacy to support increased prosecutions; services and advocacy for women victims of domestic violence; in India, Pakistan, Bangladesh, Sri Lanka and Indonesia, Thailand, Malaysia and Mindanao projects to advance women's rights within an Islamic framework through analysis, public education and outreach; in Afghanistan and Cambodia, support for scholarships for girls' education;

Legal Reform: in Afghanistan, constitutional drafting technical assistance and operations and logistics for the Constitutional Loya Jirga in support of the UNAMA effort, technical support for the Constitutional Secretariat and logistics for the delegate selection process in Afghanistan; access to justice programs and public consultation in lawmaking in East Timor; legal aid services and legal education for migrant women workers in China; in Indonesia reform of the Supreme Court including civil society input into the reform process; in Nepal, mediation programs, legal reform within the courts, establishment of legal information systems and watchdog citizens' groups to raise awareness on corruption and official misconduct;

Economic Reform: In Indonesia, Vietnam, Nepal, Bangladesh, small and medium enterprise policy reform; in Korea, Japan, China, Mongolia and the Philippines, corporate governance reform and e-government efforts to counter corruption;

International Relations: In China, Vietnam and India, scholarships for young Ministry of Foreign Affairs leaders, study programs for Southeast Asian young leaders to the United States, and support for Track II programs on cross-straits relations and Council for Security Cooperation in the Asia Pacific (CSCAP).

CONCLUSION

As these examples of our work emphasize, The Asia Foundation is first and foremost a field based, grant-making organization. The Foundation has consistently received national recognition for its efficient grant-to-operating ratio, reflecting its commitment to maximizing program impact in Asia while keeping costs low. We are not a research organization or academic institution, nor are we Washington based. We operate on the ground in Asia as an accepted, trusted partner and supporter of Asian reform efforts that simultaneously support and reinforce American political, economic and security interests.

Public funding is essential to our mission. While the Foundation continues to expand its private funding, the flexibility and reliability that public funding lends to the Foundation's efforts are critical. As an organization committed to U.S. interests in Asia, we can only be successful if potential private donors understand that the U.S. government continues to support our efforts in the region. Furthermore, private funds are almost always tied to specific projects, as are USAID funds for which the

Foundation competes. These funds do not replace public funding, either in scale or flexibility. Moreover, the flexibility afforded by appropriated funds enables the Foundation to respond quickly to fast breaking developments and program opportunities. For example, we were the first American organization in Kabul to assist the Emergency Loya Jirga process, having re-opened our office in January 2002.

Now more than ever, the Foundation and its supporters believe that its most important asset is its field office network in Asia, enabling the Foundation to address critical development and reforms on the ground. Maintaining offices overseas costs more than maintaining operations within the United States and new demands to ensure adequate security have added to the cost. Today, we continue to face budgetary constraints. We must protect our staff, but at the same time, we are, as always, committed to ensuring the maximum possible amount of appropriated funds are dedicated to programs in Asia.

In closing, the Foundation has an opportunity and the obligation to demonstrate America's strong commitment to working with Asian leaders to assure the security, rights and well being of the people of Asia. The Asia Foundation's programs represent a distinctive and positive American response to the challenges facing Asia today, contributing to the development of stable societies and advancing the interests of the United States in the region. Additional funding would enable the Foundation to sustain and expand its efforts to meet these goals. Thank you.

PREPARED STATEMENT OF THE ASSOCIATION OF SMALL BUSINESS DEVELOPMENT CENTERS

The Association of Small Business Development Centers (ASBDC) urges the Subcommittee to provide an appropriation of $100 million for the U.S. Small Business Administration's Small Business Development Center (SBDC) grant program in the fiscal year 2005 Commerce-Justice-State appropriations bill. This is the funding level recommended by the Senate Budget Committee for federal SBDC grants in fiscal year 2005.

Small businesses are struggling. BusinessWeek Online points out that small businesses, which usually create most of the new jobs in the initial stages of an economic recovery, are increasingly going bankrupt and extinguishing jobs. America's SBDC network can help small businesses lead the nation's economic recovery and create new jobs—as well as generate the additional revenues needed to reduce the budget deficit. But we need the resources to do the job.

Based on its record during the past decade, with an appropriation of $100 million our nation's SBDC network could help SBDC in-depth counseling clients to: create an estimated 88,846 new full time jobs; increase sales by an estimated $7.1 billion; generate an estimated $211 million in additional revenue for the federal government; and, create an estimated $315 million in additional tax revenues for state governments.

Since fiscal year 2001, when Congress appropriated $88 million for SBDC grants, the President's budget proposal has not called for an increase in funding for SBDC grants, despite the effects of inflation and a growing demand for SBDC services. As a result, federal funding for our nation's SBDC network has decreased in real terms since fiscal year 2001. The SBDCs in 24 states (including Kansas, Kentucky, Maryland, New Mexico, West Virginia and Wisconsin) are operating with less federal funding than they received in fiscal year 2002. The SBDCs in the fifteen least populated states (including Alaska, Hawaii, New Hampshire and Vermont) have not had an increase in federal funding since fiscal year 1998. This year, SBDC grantees will receive less federal funding than they received in fiscal year 2003, and OMB has crafted a budget for fiscal year 2005 that proposes to reduce SBDC grant funding even further.

There is room in the budget to provide a needed increase in funding for SBDC grants. The Senate Budget Committee has recommended that federal SBDC grants be funded in fiscal year 2005 at $100 million. In addition, the Senate passed an amendment to increase the SBA's fiscal year 2005 budget by $121 million, to fund increases in a range of programs including the SBDCs. Moreover, while the SBA's fiscal year 2005 Congressional Budget Request proposes to cut funding for SBDC grants, it calls for the total cost of the SBDC program to increase by nearly $9 million—presumably for the SBA's expenses associated with administering the SBDC program. The ASBDC would respectfully suggest that any additional funding for the SBA to administer the SBDC program would be better spent on the delivery of counseling and training services to small businesses and aspiring entrepreneurs, by increasing funding for grants instead of administration.

The Association of Small Business Development Centers (ASBDC) represents the 63 State, Regional and Territorial SBDC programs comprising America's SBDC network. SBDC programs are located in all 50 states, the District of Columbia, Puerto Rico, The Virgin Islands, Guam and American Samoa. America's SBDC network is the most productive federal management and technical assistance program for small business. It is a unique partnership that includes Congress, the SBA and the private sector, as well as the colleges, universities and state governments that receive SBDC grants and manage the SBDC network.

Nationwide, SBDCs provided management and technical assistance to more than 1.3 million small business owners and aspiring entrepreneurs last year. In 2003, SBDC services included face-to-face counseling of an hour or more for 279,281 clients; 1.6 million total hours of counseling; 25,970 group training sessions; training of two hours or more for 408,254 clients; and more than two million total hours of training for small businesses and aspiring entrepreneurs.

The SBDC program was designed to create a lasting partnership among federal, state and local governments and institutions of higher learning, to disseminate the very best practical business management and technical knowledge to our nation's small business owners and aspiring entrepreneurs, and grow the American economy. The plan has worked remarkably well:

—SBDCs help create and save jobs. In the recession of 2001, as big businesses downsized, SBDC in-depth counseling for small businesses generated 46,688 new full time jobs and helped save an additional 34,215 jobs.

—SBDC counseling clients create more jobs than average businesses. Businesses that received in-depth SBDC counseling experienced 10 times the job growth of average businesses (8.4 percent compared to 0.8 percent for U.S. businesses in general in 2001).

—SBDCs help small businesses increase sales. SBDC in-depth counseling helped small businesses generate $3.9 billion in new sales and save $4.3 billion in sales in 2001.

—SBDC clients' sales grow faster than other businesses' sales. Established businesses that received in-depth SBDC counseling experienced sales growth of 12.1 percent in 2001—compared to 3.1 percent for businesses in general.

—SBDC clients create new businesses. 50 percent of pre-venture SBDC in-depth counseling clients start businesses within one year of receiving assistance. In 2001, SBDC in-depth counseling clients started 12,872 new businesses.

—SBDC clients make investments in our economy. SBDCs helped small businesses obtain an estimated $2.7 billion in financing in 2001. Every dollar spent on the SBDC network helped small businesses invest $15.89 in capital.

Outstanding institutions of higher education such as the University of New Hampshire, the University of Alaska Anchorage, Santa Fe Community College, the University of Kentucky, the University of Houston, the Dallas County Community College District, Texas Tech University, the University of Texas at San Antonio, Fort Hays State University (Kansas), the University of South Carolina-Columbia, the University of Hawaii at Hilo, the University of Maryland, the Vermont State Colleges, the University of Wisconsin-Extension and Washington State University, to name a few, are among the hosts of the SBDC program. Many host institutions house the great business schools and entrepreneurial programs in our nation, such as the Wharton School, the Kenan-Flagler School of Business, the Robert H. Smith School of Business, the Isenberg School of Management and the Terry College of Business. SBDC hosts also include state governments such as the State of Colorado and the West Virginia Development Office. These state governments, like the institutions of higher learning that host SBDC programs, bring to the SBDCs resources, relationships and unparalleled leadership in their respective states.

Among the management and technical assistance services they provide, SBDCs provide services in several areas that are of particular concern to small businesses, and to members of the Subcommittee, including export assistance, procurement and manufacturing.

Many SBDCs host specialized International Trade Centers, where small business owners and aspiring entrepreneurs receive individualized, in-depth counseling and specialized training from experts in international trade and export expansion. And because the SBDC International Trade Centers are part of the larger SBDC network, small businesses and aspiring entrepreneurs that seek international trade assistance can also access the many other types of assistance—from marketing to research—that they need to make their export businesses succeed. In 2003, SBDCs trained 8,592 small business owners and aspiring entrepreneurs in international trade, and provided counseling on international trade matters to 9,378 clients.

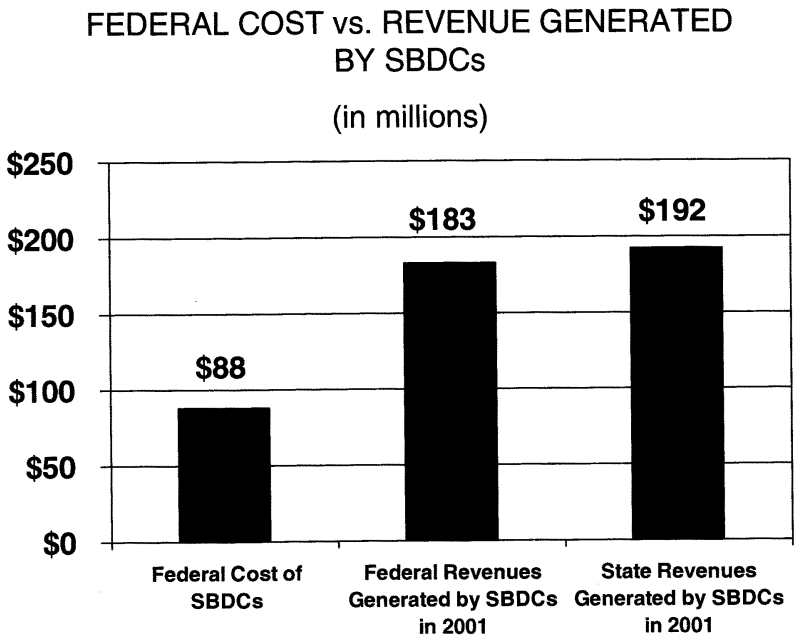
SBDCs offer assistance with government procurement and are often co-located with Procurement and Technical Assistance Centers (PTACs). Services include help

with registrations, identifying solicitations and special programs, preparing certification documents and bids, submitting applications, contract administration and contract close-outs. In 2003, SBDCs provided government procurement counseling to 12,784 clients.

America's SBDC network is also responding to the need for management and technical assistance among small manufacturers. Ninety-five percent of American manufacturers are small and medium-size businesses, employing half of all manufacturing workers in the United States, and many of them rely on their local SBDCs for assistance. In 2003, SBDCs provided manufacturing counseling to 22,267 clients.

SBDCs serve women, minorities and America's veterans. In 2003, 37 percent of SBDC counseling clients nationwide were women, 35 percent were minorities and 10.4 percent were veterans. Forty-five percent of SBDC training clients were women, 25 percent were minorities and 8.2 percent were veterans.

SBA statistics for the SBDC program show that SBDC counseling cases and training attendees combined increased from 650,000 to 685,000 between fiscal year 2002 and fiscal year 2003. Counseling hours increased from 1.47 million to nearly 1.57 million. Training attendees increased from 384,000 to 408,000. Training hours increased from 1.58 million to 2.08 million. These figures clearly demonstrate that America's small business owners know they need help and are increasingly seeking it from the SBDC network. However, there is a limit to the increases in services that the SBDC network can provide with flat, or declining, federal funding.



Finally, SBDCs have a positive revenue impact on the federal budget. The President's fiscal year 2004 Budget pointed out that an independent evaluation of the SBDC program indicated that each $1 spent on SBDC counseling resulted in $2.78 in tax revenues. The federal SBDC budget of $88 million generated an estimated $182.9 million in federal revenue in 2001. SBDCs also leverage federal, state, local and private resources. For an SBDC to receive federal funding, it must first raise an equal amount of funding from non-federal sources. The SBDCs raise a minimum of $88 million a year in non-federal resources to serve small business owners and aspiring entrepreneurs.

The ASBDC appreciates the Subcommittee's consideration of the Association's views. We urge the Subcommittee to provide an appropriation of $100 million for the SBDC grant program in the fiscal year 2005 Commerce-Justice-State appropriations bill, as recommended by the Senate Budget Committee.

PREPARED STATEMENT OF THE DORIS DAY ANIMAL LEAGUE

Mr. Chairman and members of the Appropriations Subcommittee on Commerce, Justice, State, the Judiciary and Related Agencies, thank you for the opportunity to submit testimony on behalf of the 350,000 members and supporters of the Doris Day Animal League in support of our request that the Federal Bureau of Investigation assign the crime of animal cruelty its own classification in the agency's crime data reporting system.

Law enforcement agencies already collect and submit data on animal cruelty crimes, but those data are combined with other crimes in a miscellaneous category where it is irretrievable and therefore useless. Local law enforcement agencies and many others want this information to help them better understand and respond to animal abuse and other offenses. To minimize the cost of making this change, we are suggesting that this category be added only as reporting agencies switch from the original Uniform Crime Reporting Program (UCR) to the current National Incident-Based Reporting System (NIBRS, currently used by only 18 percent of reporting agencies) or to the new system (the "national indices initiative") the FBI has just started to develop. Thus, we estimate the cost to the FBI to add this category to NIBRS would be minimal (less than $90,000, based on a comparable FBI estimate) to modify materials and computer programs, with no additional costs to local agencies beyond the costs they would incur anyway in the changeover. There would, of course, be no incremental costs at all associated with including this category from the start in the new reporting system. Since the FBI has already started updating its crime data reporting system, this is the perfect opportunity to ensure that this serious category of crimes is handled in a way that makes the data usable.

The Significance of Animal Cruelty as a Crime: "The Violence Connection"

Animal cruelty was once viewed as an offensive behavior unrelated to other crimes. Now it is recognized as a serious crime with important implications for human society. A growing body of research, produced over the last 30 years, establishes a clear link between animal abuse and human violence. One comprehensive study of data from a 20-year period found that adults convicted of animal cruelty were more likely than their peers to engage in other forms of criminal activities, including violent crimes against humans, property crimes, and drug and disorderly offenses. In addition to the association between animal cruelty and criminal behavior, there is also evidence that the severity of violence against animals can indicate the degree of aggressiveness toward humans. Research on incarcerated adult males found that the most aggressive inmates had the most violent histories of animal cruelty. It is worth noting that in dangerous situations such as a hostage-taking, the FBI has included a history of animal cruelty among the factors used to determine an individual's threat level.

Another important link with serious policy implications is the co-occurrence of family violence and animal abuse. In interview studies with domestic violence victims, between 54 and 71 percent of the women report that their partners also harmed or killed the family pet. Child abuse and animal abuse also are linked: animal abuse was confirmed in 88 percent of families being supervised by a child welfare agency for physically abusing their children.

In addition to being linked to other types of criminal activity and family violence, animal abuse by children signals an important warning. In fact, the FBI was one of the first to recognize the significance of juvenile animal cruelty when it reported that many serial killers had abused animals as children. It also has been reported that many of the school shooters in the late 1990s had engaged in various forms of animal cruelty.

The National Crime Prevention Council, the Department of Education, and the American Psychological Association all list animal cruelty as one of the warning signs for at-risk youth. Furthermore, researchers agree that persistent aggressive behavior in childhood, termed "conduct disorder," tends to be a fairly stable trait throughout life and is the single best predictor of later criminal behavior. Animal cruelty is one of the symptoms for a diagnosis of conduct disorder and therefore can be one of the earliest indicators that a child is at risk.

Not all children who abuse animals will become serial killers, school shooters, or criminals as adults. However, research clearly suggests that engaging in childhood animal cruelty conditions an individual to accept, or engage in, interpersonal violence as an adult.

Responses to "The Violence Connection"

Government agencies, professional organizations, and communities have responded to the growing body of evidence of the animal abuse-human violence connection. For example, before 1990, only seven states had felony provisions in their

animal anticruelty statutes; that number is now 41 states and the District of Columbia. As of this date, 24 state animal anticruelty statutes permit or mandate psychological counseling for offenders.

In addition to these changes in state cruelty laws, awareness of the significance of animal abuse as a crime has resulted in the development of a number of initiatives. "Safe Pet" programs, which provide safekeeping for the pets of domestic violence victims so that they feel free to leave dangerous situations, are being instituted in communities throughout the United States. Animal control officers are being trained to "cross report," that is, to look for signs of child and spousal abuse when investigating an animal abuse or neglect complaint; likewise, social workers are taught to report animal abuse. Intervention strategies for children and adults who abuse animals have been developed and mental health professionals are being trained in this area of treatment.

Modifying the Categories of the FBI's Crime Data Reporting Program

The FBI's crime data reporting program is a nationwide effort that collects crime statistics from nearly 17,000 local and state law enforcement agencies. During 2000, the participating agencies represented 94 percent of the U.S. population. Reported crimes vary from criminal homicide in Part I to curfew and loitering under Part II. Law enforcement, criminologists, legislators, sociologists, municipal planners, the media, and others interested in criminal justice use the statistics for research and planning purposes. However, under the current system, there is no separate category for reporting crimes of animal cruelty, and thus no way to use those data, even though animal abuse often is an indicator of other types of criminal behavior, including family violence.

Assigning the crime of animal cruelty to its own classification would have a number of advantages. Its inclusion in NIBRS would allow precise identification of ". . . when and where crime takes place, what form it takes, and the characteristics of its victims and perpetrators." (National Incident-Based Reporting System, p. 2, U.S. Department of Justice, August 2000). Law enforcement agencies, researchers, policy planners, and others would be better able to understand the factors associated with animal abuse, track trends at the state and national levels, and determine the demographic characteristics associated with animal abuse—which is useful in developing more effective intervention and prevention strategies to interrupt the cycle of violence.

Designating a separate category for animal cruelty crimes in the national indices initiative now being developed would add considerably more data analysis capabilities: ". . . variables such as felony animal abuse arrests could be linked with a vast array of other statistics to develop useful demographic information." (Letter from Michael D. Kirkpatrick, FBI, Sept. 30, 2003). The expanded databases of the new system would enable law enforcement agencies to identify and track individuals with histories of violence.

Categorize Under "Crime Against Society"

Animal cruelty is most appropriately categorized as a "crime against society." Like other crimes in this category (which include family offenses, as well as gambling, drugs, and pornography), animal cruelty offenses threaten the general order of society. Animal abusers have often committed violent crimes against persons and been arrested for property crimes, disorderly conduct, and substance abuse. Most significantly, animal abuse is highly correlated with child, spousal, and elder abuse; and juvenile animal cruelty is a leading indicator of the development of aggressive behavioral disorders, which are predictive of future violence. Although animals are often considered "property" under some laws, classification as a "crime against property" is not appropriate because the nature of animal abuse is qualitatively different from property crimes. It involves neglect or violence toward a sentient being, often leading to serious injury or death; it frequently involves an intimate relationship, as in family violence; and it is associated with other crimes.

Proposed Report Language for the Senate Appropriations Subcommittee on Commerce, Justice, State, the Judiciary and Related Agencies

We respectfully request that the Subcommittee include the following language in the Commerce, Justice, State, Judiciary and Related Agencies Appropriations bill report:

"The Committee directs the FBI to provide the necessary resources to assign the crime of animal cruelty, defined as the violation of laws or ordinances that prohibit cruelty to animals, its own classification under the category 'Crime Against Society' in the agency's current or any future crime reporting data collection system by adding this category to its software and other reporting mechanisms. The Committee

expects the FBI to establish this classification as quickly as possible so that state and local law enforcement agencies will be able to plan for its inclusion as they upgrade to the National Incident-Based Reporting System, the upcoming national indices system, or any future system.

"This will enable law enforcement agencies and researchers to track crime rates, better understand the factors associated with animal abuse and the characteristics of perpetrators, and identify with precision when and where the crimes take place, thus facilitating more effective interventions. Eventually, the capabilities envisioned for the new National Indices Initiative now in development will allow animal cruelty to be linked to other crimes, such as domestic violence, child abuse, and other violence directed at humans.

"The Committee further directs the FBI to report to the Committee by March 2005 on the integration of this category into its crime data reporting program."

PREPARED STATEMENT OF THE ALLIANCE FOR INTERNATIONAL EDUCATIONAL AND CULTURAL EXCHANGE

As Chair of the Board of the Alliance for International Educational and Cultural Exchange, I appreciate the opportunity to submit testimony in support of an overall appropriation of $400 million for the educational and cultural exchange programs administered by the Department of State's Bureau of Educational and Cultural Affairs (ECA) in fiscal year 2005. This level of spending will allow robust funding for ECA's core exchange programs, restore funding to the former Soviet Union and Eastern Europe through the FSA/SEED programs, and provide funding for an Islamic Exchange Initiative.

The Alliance is the leading policy voice of the U.S. exchange community, and has worked closely with the Subcommittee on exchange issues. We note with gratitude the Subcommittee's role in increasing exchange appropriations in recent years, and its consistent support for exchanges.

The Alliance comprises 65 nongovernmental organizations, with nearly 8,000 staff and 1.25 million volunteers throughout the United States. Through its members, the Alliance supports the international interests of 3,300 American institutions of higher education.

By engaging a very broad array of American individuals and institutions in the conduct of our foreign affairs, exchange programs build both enhanced understanding and a web of productive contacts between Americans and the rest of the world.

Despite widespread support for exchanges in Congress, this account still lags well behind its historic levels in constant dollars due both to the deep cuts of the mid-nineties and to the significant reductions in fiscal year 2004 funding. Coupled with the increases in fixed program costs such as airfare and accommodation, reduced appropriations have resulted in significantly diminished participant levels in programs consistently cited by our embassies as one of their most effective means of advancing U.S. policy interests.

The incorporation of funding for programs provided for under the Freedom Support Act (FSA) and Support for East European Democracy Act (SEED) into the ECA budget in the fiscal year 2004 budget cycle, at a substantially lower level than previously allocated, has resulted in a significant reduction in funding for those programs.

As our experiences since September 11, 2001, demonstrate clearly, we need public diplomacy and exchanges more now than ever. We need to build trust and understanding for our people and our policy goals not just in the Muslim world—an effort that is of critical importance—but around the globe. To win the war on terrorism and to rebuild Iraq, we will need the help of our friends and allies in every region of the world. This is a time to intensify and expand our public diplomacy, and we believe there is strong bipartisan support in Congress to do exactly that.

We therefore urge the Subcommittee to fund the Department of State's exchange budget at $400 million in fiscal year 2005. This amount would provide for targeted, meaningful growth in every region of the world in support of our most important foreign policy objectives.

Core exchange programs

An appropriation of $400 million would allow for meaningful growth in the Department of State's traditional exchange programs, programs that remain at the core of our efforts to build mutual understanding and respect between the United States and critical nations around the world. These well-established programs—Fulbright and other academic programs, International Visitor, and citizen exchanges—

continue to demonstrate their relevance and effectiveness as changing threats, challenges, and opportunities present themselves in a rapidly evolving world.

Among State's academic exchange programs, the Fulbright Program continues to demonstrate its unique value in deepening mutual understanding between the United States and 140 partner governments. A record 5,700 U.S. students and young professionals applied for Fulbright grants in 2003, demonstrating the desire of U.S. citizens and communities to be internationally engaged.

Fulbright exchange programs in Iraq and Afghanistan were revived in 2003, bringing young leaders to study in U.S. graduate programs in fields critical to the development of those societies. Other program changes include: the cutting-edge research conducted by New Century Scholars, which provides deep focus on a single global problem by leading scholars from around the world; the Islamic Civilization Initiative that incorporates outreach activities upon the American student's return to the United States to increase knowledge of the Muslim world on the campus and in local communities; and a conflict resolution initiative for young leaders from the Middle East, South Asia, and the Great Lakes region of Africa.

Other critical academic exchange programs include the Educational Partnerships Program, which fosters substantive, ongoing relationships between American universities and their counterparts in high priority countries; the Humphrey Fellowships Program, which provides powerful academic and professional training experiences for professionals in the developing world; Overseas Educational Advising, through which prospective foreign students receive reliable information about American higher education and professional assistance in the application process; the Gilman Fellowship Program, which enables American students with financial need to study abroad; and English teaching and U.S. Studies programs, designed to enhance understanding of American society and values.

The International Visitor program continues to be ranked by many U.S. ambassadors as their most effective program tool. This results-oriented program allows our embassies to address directly their highest priority objectives by bringing emerging foreign leaders to the United States for intensive, short-term visits with their professional counterparts. The program also exposes visitors to American society and values in homes and other informal settings. An increase in funding for the International Visitor program would allow the program to make an even greater impact on such key issues as regional security in Northeast Asia, counter-terrorism, international trade, and global health.

Citizen exchanges continue to engage American citizens across the United States in productive international activities. In addition, these programs leverage their relatively modest federal dollars into significantly more funding through the participation of local communities, schools, businesses, and nongovernmental organizations. Increased funding for citizen exchanges would permit an expansion of these highly cost-effective activities, particularly in the critical area of capacity building in communities across the United States. To be globally competitive, American communities must be globally engaged, and this enhanced capacity will allow for more extensive connections and impact in support of U.S. interests in high priority countries around the world.

Exchanges with the countries of the former Soviet Union and Central Europe

As noted above, funding for exchange programs authorized by the FSA and SEED Acts was shifted to the CJS bill for the first time last year. The transfer has resulted in dramatic cuts for these programs, estimated to exceed 50 percent from previous levels.

Exchanges under FSA and SEED provide opportunities to expose future leaders to American civil society and values, and foster personal and professional relationships between Americans and citizens of these developing regions. We must continue this engagement with future leaders of these important nations that are still emerging from decades of totalitarian leadership. The recent election of Georgian President Mikheil Saakashvili is a testament to the value of these programs. Saakashvili benefited from a Muskie/FSA Graduate Fellowship, earning an LL.M. degree from Columbia University in 1994. He also participated in a 1999 International Visitor exchange on "Judicial Reform." Members of Saakashvili's cabinet are also alumni of U.S.-funded exchanges; for example, Irakli Rekhviashvili, a participant in the Eurasian Undergraduate Student Exchange Program, was recently appointed the Georgian Minister of Economy.

While obstacles to exchange remain, interest in exchanges in the region continues to grow. In recent years, professional and collegiate-level programs with these countries have attracted many more applicants than the programs can sustain. The Contemporary Issues Fellowship Program, targeting influential policymakers and mid-level professionals, receives nearly 1,300 applicants for 100 scholarships. The Future

Leaders Exchange Program (FLEX) for high school students receives more than 50,000 applications for 1,300 slots.

We hope the Subcommittee will agree that a reduction in these programs is unwise in a region of the world of such strategic importance to the United States. This is particularly true when one considers the effectiveness and impact of these exchange programs.

Islamic Exchange Initiative—Building Cultural Bridges

While the need for increased funding is worldwide, increased exchanges with the Islamic world are particularly critical as we pursue the war on terrorism. To defeat terrorism, the United States will need more than the might and skill of our armed forces. To ultimately defeat terrorism, we must also engage the Muslim world in the realm of ideas, values, and beliefs.

Changing minds—or merely opening them—is a long, painstaking process. There are no quick fixes. If we are to win the war on terrorism, there will be no avoiding the need to build bridges between the American people and the people of the Muslim world. We must begin this process now.

In the Islamic world, we envision this initiative engaging the full range of programs and activities managed by ECA: Fulbright and Humphrey exchanges that will stimulate broader cultural understanding, joint research and teaching, and foster positive relationships with a new generation of leaders; the Partnerships for Learning Undergraduate Studies Program (PLUS), that allows undergraduates from the Islamic world to complete their B.A. degrees at U.S. universities; university affiliations targeted toward key fields such as mass media and economic development; International Visitor and other citizen exchange programs designed to bring emerging leaders into significant and direct contact with their professional counterparts and the daily substance of American life; youth and teacher exchanges and enhanced English teaching programs, all designed to bring larger numbers of young people a direct and accurate picture of our society, based on personal experience rather than vicious stereotyping.

Increasing the State Department's exchanges with the Islamic world will give us the means to develop productive, positive relationships. This initiative will engage the American public—in our communities, schools, and universities—in an effort to project American values. We will find no better or more convincing representatives of our way of life.

And the engagement of the American public will leverage significant additional resources to support this effort.

We commend the Subcommittee for funds made available in the fiscal year 2002 supplemental for Islamic exchanges. The $10 million appropriated by this Subcommittee has been put to good use by the Department of State in key programs such as Fulbright, International Visitors, and English teaching.

Strengthening exchanges with the Islamic world has strong bipartisan support, evidenced by legislation sponsored in the 107th Congress by Senators Edward Kennedy and Richard Lugar, and Representatives Henry Hyde and Tom Lantos. These bills led to $20 million in appropriations funding, some of which was used to fund what would become the Youth Exchange and Study Program (YES). YES has brought approximately 138 Muslim high school students to the United States for the 2003–2004 school year, and will bring an additional 365 students next year. To build on the YES program's very successful beginning, the program requires a sustained funding commitment.

Conclusion

We recognize that a meaningful and effective Islamic exchange initiative, restored funding for the FSA and SEED programs, and sufficient funding for robust traditional exchange programs will require a significant increase in the State Department exchanges budget. We believe that a $400 million funding level is necessary and appropriate given the importance of the tasks at hand.

The U.S. exchange community stands ready to assist you in these efforts, and is grateful for your support.

PREPARED STATEMENT OF SISTER CITIES INTERNATIONAL

On behalf of the 700 U.S. cities partnered with more than 1,700 international cities in 122 countries, I want to thank the subcommittee for its continued support of international educational, cultural and development exchanges that continue to impact U.S. foreign policy goals throughout the world. Sister Cities International is a nonprofit, citizen diplomacy network that creates and strengthens partnerships between U.S. and international communities at the local level. Sister Cities Inter-

national works to promote sustainable development, youth involvement, cultural understanding, and humanitarian assistance through citizen diplomacy. Citizen diplomacy is a peaceful way to promote American foreign policy by establishing links between people within the international community. Sister Cities International works to create citizen-to-citizen connections by promoting peace through mutual respect, understanding, and cooperation at the local, county and state level. I urge you to promote the ideals of citizen diplomacy by carefully considering the critical legislation currently before the subcommittee.

In the two years since September 11, 2001, the need to eliminate global terror and institute avenues of intercultural understanding has grown. Today, citizen diplomacy programs hold the highest incentive for governments who are interested in establishing goodwill between states. International education and exchange programs are critical elements in the conduct of U.S. foreign policy and advance national security. The United States must make deliberate efforts to forge sustainable, mutually cooperative relationships between the United States and the Islamic world in order to rebuild global security. Sister Cities International is well positioned to play an integral role by supporting long-term community partnerships through reciprocal exchange programs.

We believe that the Department of State, through the support and encouragement of the subcommittee and Congress, should be strategically investing in two key areas of international exchange: support for long-term, ongoing programs such as Fulbright and the International Visitors Program and building the capacity of public-private partnerships like Sister Cities International. An investment in the capacity of organizations like Sister Cities International makes good fiscal sense, given the fact that Sister Cities International leverages significant non-federal, community-based resources in support of international exchange with the small amount of federal dollars we receive every year. Nevertheless, from 1995–2001, core funding from the Department of State's Bureau of Educational and Cultural Affairs (ECA) declined dramatically, reducing our efforts to reach out to many regions of the world. Without additional core resources, Sister Cities International will find it increasingly difficult to expand the number of partnerships between U.S. and international communities and promote active citizen involvement in international affairs.

Annually, 6,750 to 13,300 citizen exchanges occur between sister city programs. With a federal investment of $370,440, each exchange costs the U.S. government approximately $25 to $50. Moving into our 48th year as a leader in the citizen diplomacy arena, Sister Cities International pledged in 2002 to double the number of partnerships in underserved regions of the world over the next five years. New partnerships will be established in the Middle East, Africa, Eurasia, Latin America, and the Caribbean. However, this new endeavor can only be accomplished with increased core grant support. Therefore, Sister Cities International is working with key Congressional supporters on our first initiative to increase our core grant by $164,000 to $534,000 for fiscal year 2005.

An increase in Sister Cities International's core grant of $164,000 will specifically lead to the following results:

—Expansion the Sister Cities International network by 100 partnerships a year over three years.

—An increase in the number of exchanges conducted under the Sister Cities International umbrella by 3,000 over the three-year period at a cost to the federal government of $55 per exchange.

—Expansion of the network in underserved regions of the world, focusing on Islamic countries, Africa, Central and Eastern Europe, and Eurasia.

—More capacity for local sister city partnerships to undertake exchange programs focused on economic development, youth and education, women in leadership, sustainable development, and humanitarian assistance.

The second initiative seeks to alleviate the tension between the United States and the Islamic World is the "U.S.-Islamic Sister City Partnership Program." Currently, there are 62 United States-Islamic partnerships and with Congress' support, we hope to expand the number of United States-Islamic partnerships by 38 to 100 over the next two years. Through "Islamic Friendship Grants," new and existing partnerships would receive $25,000 each to develop humanitarian assistance, international exchange, and community and economic development programs in the region. Each "Islamic Friendship Grant" will be leveraged at least one-to-one, bringing in an additional $25,000 in non-federal resources to each partnership, for an additional investment of $5 million. For this particular initiative, we are asking for $2.75 million through the expansion of the Islamic Exchange Initiative funded by Congress in the fiscal year 2002 Supplemental Appropriations.

I want to thank the members of the subcommittee for their leadership and consideration of this important matter. Given the growing global challenges in which U.S. diplomacy is called upon to protect American national interests and security, now, more than ever, it is important to fully fund the International Affairs budget. Although the 150 account only reflects approximately one percent of the total federal budget, notwithstanding increases for the Millennium Challenge Account (MCA), HIV/AIDS, and illicit drugs, 58 percent of core mainline programs receive flat or decreased funding. Support for the 150 Account is crucial for improving America's image abroad and protecting our interests at home. I ask you to support the Presidential requests for funding for the 150 Account and our requests to increase funding for Sister Cities International.

Sister city and other international exchange programs are time-tested and uniquely cost effective. They help ensure a prosperous future for the United States and a more democratic world. Americans who participate in citizen diplomacy programs experience a profound change in the way they think about the world, leading to greater understanding, mutual respect and cooperation around the complex issues affecting our global community. This is the vision that drove President Dwight D. Eisenhower to establish our organization in 1956 and it remains the vision today by which we hope to promote peace—one individual, one community at a time.

PREPARED STATEMENT OF FLORIDA STATE UNIVERSITY

I am writing to tell you about two projects Florida State University is pursing through the Department of Justice. The first is a Juvenile Justice Education Program Model Study. The request is for $2.5 million through the Juvenile Justice Programs Office, Part C. The second deals with Extreme Security for the Critical Infrastructure. The funding level is $2.5 million and is being requested through the Byrne Discretionary Grant Program.

Mr. Chairman, I would like to thank you and the Members of the Subcommittee for this opportunity to present testimony before this Committee. I would like to take a moment to briefly acquaint you with Florida State University.

Located in Tallahassee, Florida's capitol, FSU is a comprehensive Research I university with a rapidly growing research base. The University serves as a center for advanced graduate and professional studies, exemplary research, and top quality undergraduate programs. Faculty members at FSU maintain a strong commitment to quality in teaching, to performance of research and creative activities and have a strong commitment to public service. Among the current or former faculty are numerous recipients of national and international honors including Nobel laureates, Pulitzer Prize winners, and several members of the National Academy of Sciences. Our scientists and engineers do excellent research, have strong interdisciplinary interests, and often work closely with industrial partners in the commercialization of the results of their research. Florida State University had over $162 million this past year in research awards.

FSU recently initiated a new medical school, the first in the United States in over two decades. Our emphasis is on training students to become primary care physicians, with a particular focus on geriatric medicine—consistent with the demographics of our state.

Florida State University attracts students from every county in Florida, every state in the nation, and more than 100 foreign countries. The University is committed to high admission standards that ensure quality in its student body, which currently includes some 345 National Merit and National Achievement Scholars, as well as students with superior creative talent. We consistently rank in the top 25 among U.S. colleges and universities in attracting National Merit Scholars to our campus.

At Florida State University, we are very proud of our successes as well as our emerging reputation as one of the nation's top public research universities.

Mr. Chairman, let me tell you about a two projects we are pursuing this year through the Department of Justice. The first project is a Juvenile Justice Education Program Model Study.

In 1996, the U.S. Department of Justice reported that the cost of criminal victimization in this country is $450 billion a year. Given that delinquent youth constitute a major part of the crime problem, such promising methods of crime reduction as providing delinquent youth high quality education that can serve as a positive turning point in their delinquent to adult crime life course should be vigorously pursued. This is the intent of the 2001 No Child Left Behind Act which mandates the receipt of "best education" services for the country's incarcerated delinquent youth to ensure

their successful community reintegration following release from juvenile justice institutions.

The USDOE as well as the U.S. Department of Justice's Office of Juvenile Justice and Delinquency Prevention and the American Correctional Association have recognized Florida's system of juvenile justice education as an exemplary state system. This recognition reflects Florida's commitment to accountability and its implementation of an approach to the identification and validation of best practices in juvenile justice education. In 1998, to fulfill this commitment, the Florida Department of Education awarded funding for the Juvenile Justice Educational Enhancement Program (JJEEP) to FSU's School of Criminology and Criminal Justice. During the subsequent years of JJEEP's operations, Florida's system of best practices and accountability have become recognized as a model for providing juvenile justice youth quality and accountable education services that embodies the major components of NCLB.

During JJEEP's early years of implementing both best practices and an accountability system for Florida's juvenile justice education system, a number of implementation impediments were experienced and ultimately overcome. JJEEP's experiences in overcoming these implementation impediments should not be repeated but rather used to benefit other states as they attempt to successfully implement NCLB. Most importantly, JJEEP has conclusively documented that the receipt of best education practices as envisioned in NCLB well-served numerous Florida juvenile justice youth as they exited juvenile justice institutions and reentered their communities. With the successful nationwide implementation of NCLB, every juvenile justice student, regardless of state residence, will be able to receive accountable juvenile justice education best practices that increase the likelihood of their successful community reintegration and thereby reduce the incidence of crime, criminal victimization and associated costs.

This project's methodology will be centered upon the development and maintenance of effective working partnerships in each state between those responsible for juvenile justice education, the national project staff, and USDOE. These partnerships will involve collaboration throughout all phases of the project to ensure consensus and appropriate implementation of the NCLB requirements. Following the initial assessment of each state's juvenile justice education system, the findings will be compared to Florida's system and experiences and the requirements of NCLB to develop each state's NCLB implementation plan. Moreover, and throughout the process, ongoing training, technical assistance, and evaluation will be provided to ensure successful implementation of the NCLB requirements in each state's juvenile justice education systems.

We believe this is an outstanding program and will reap very positive outcomes for Florida and the Nation.

The second project we are pursuing deals with Cybersecurity. The Cybersecurity Research Institute of Florida (CRIF) at Florida State University is seeking funding to support the implementation of extreme security through the development of a new model of a cybersecurity management infrastructure. Extreme security refers to protection against a previously unanticipated attack on cyberinfrastructure. The work will focus on the protection of the cybersecurity component of this critical infrastructure. The critical infrastructure can be identified as elements of the national/international infrastructure such as the national power or water system, the international telecommunication system, and the international banking system.

CRIF is in a unique position to research and develop a cybersecurity protection model and management infrastructure through its links with: the Florida Cybersecurity Institute (FCI) which was recently established as a cooperative effort of Florida State University, the Florida Department of Law Enforcement, and the National White Collar Crime Center to conduct research and education activities in the areas of cybercrime; and the Security and Assurance in Information Technology Laboratory (SAIT) at Florida State University which was established in 1999 to promote research, education, and outreach.

The Florida State University (FSU) has been designated as a Center of Academic Excellence in Information Assurance Education by the National Security Agency. Some of the world's top researchers in cryptography, information security, and infrastructure protection work in the Computer Science Department at FSU. Coupled with the relationships and contacts of the FCI founding partners in academia, government, and industry, CRIF is particularly capable of developing and implementing a comprehensive model for extreme cybersecurity.

Our cybersecurity management model addresses such issues as cost of the system, the implementability of the model in the critical infrastructure, and definition of new risk models that focus on the types of extreme attacks previously discussed.

Our goal is the survivability of the cybersecurity critical infrastructure under extreme conditions.

CRIF will conduct research related to the development of the cybersecurity management model, and then implement it in one of the critical infrastructure environments—the banking system in the state of Florida. The banking system in Florida is a particularly important system as Florida is one of the states with the largest number of small businesses. These small businesses are notorious for not having technical assistance that larger companies use for cyberinfrastructure protection. If the banking system is disrupted for these small businesses, many would fail, having an incredibly negative effect on lives, livelihoods, and the State's short- and longer-term economy. This work will provide proof of concept of our approach to assist in protecting the cyberinfrastructure of the banking industry in Florida. We will develop a range of extreme security levels, based on costs and capabilities that can be incrementally implemented by the various critical infrastructure groups. Lessons learned could be transferred nationally.

Mr. Chairman, these are just of couple of the many exciting activities going on at Florida State University that will make important contributions to solving some key concerns our nation faces today. Your support would be appreciated, and, again, thank you for an opportunity to present these views for your consideration.

PREPARED STATEMENT OF THE CALIFORNIA INDUSTRY AND GOVERNMENT CENTRAL CALIFORNIA OZONE STUDY (CCOS) COALITION

Mr. Chairman and Members of the Subcommittee: On behalf of the California Industry and Government Central California Ozone Study (CCOS) Coalition, we are pleased to submit this statement for the record in support of our fiscal year 2005 funding request of $500,000 from the National Oceanic and Atmospheric Administration (NOAA) for CCOS as part of a Federal match for the $9.4 million already contributed by California State and local agencies and the private sector. We greatly appreciate your past support for this study ($500,000 in fiscal year 2001, $250,000 in fiscal year 2002, and $250,000 in fiscal year 2003) as it is necessary in order for the State of California to address the very significant challenges it faces as it seeks to comply with air pollution requirements of the federal Clean Air Act.

Most of central California does not attain federal health-based standards for ozone and particulate matter. The San Joaquin Valley has recently requested redesignation to extreme and is committed to updating their 1-hour ozone State Implementation Plan (SIP) in 2004, based on new technical data. In addition, the San Joaquin Valley, Sacramento Valley, and San Francisco Bay Area exceed the new federal 8-hour ozone standard. SIPs for the 8-hour standard will be due in the 2007 timeframe—and must include an evaluation of the impact of transported air pollution on downwind areas such as the Mountain Counties. Photochemical air quality modeling will be necessary to prepare SIPs that are approvable by the U.S. Environmental Protection Agency.

The Central California Ozone Study (CCOS) is designed to enable central California to meet Clean Air Act requirements for ozone SIPs as well as advance fundamental science for use nationwide. The CCOS field measurement program was conducted during the summer of 2000 in conjunction with the California Regional PM10/PM2.5 Air Quality Study (CRPAQS), a major study of the origin, nature, and extent of excessive levels of fine particles in central California. This enabled leveraging of the efforts of the particulate matter study in that some equipment and personnel served dual functions to reduce the net cost. From a technical standpoint, carrying out both studies concurrently was a unique opportunity to address the integration of particulate matter and ozone control efforts. CCOS was also cost-effective since it builds on other successful efforts including the 1990 San Joaquin Valley Ozone Study.

CCOS includes an ozone field study, data analysis, modeling performance evaluations, and a retrospective look at previous SIP modeling. The CCOS study area extends over central and most of northern California. The goal of the CCOS is to better understand the nature of the ozone problem across the region, providing a strong scientific foundation for preparing the next round of State and Federal attainment plans. The study includes five main components: Designing the field study; conducting an intensive field monitoring study from June 1 to September 30, 2000; developing an emission inventory to support modeling; developing and evaluating a photochemical model for the region; and evaluating emission control strategies for upcoming ozone attainment plans.

The CCOS is directed by Policy and Technical Committees consisting of representatives from Federal, State, and local governments, as well as private industry.

These committees, which managed the San Joaquin Valley Ozone Study and are currently managing the California Regional PM10/PM2.5 Air Quality Study, are landmark examples of collaborative environmental management. The proven methods and established teamwork provide a solid foundation for CCOS. The sponsors of CCOS, representing state, local government, and industry, have contributed approximately $9.4 million for the field study. The federal government has contributed $4,874,000 to support some data analysis and modeling. In addition, CCOS sponsors are providing $2 million of in-kind support. The Policy Committee is seeking federal co-funding of $2.5 million to complete the data analysis and modeling portions of the study and for a future deposition study. California is an ideal natural laboratory for studies that address these issues, given the scale and diversity of the various ground surfaces in the region (crops, woodlands, forests, urban and suburban areas).

For fiscal year 2005, our Coalition is seeking funding of $500,000 from the National Oceanic and Atmospheric Administration (NOAA). This request will be used to continue NOAA's involvement in developing meteorological simulations for CCOS episodes, which are also being used as inputs to SIP-related photochemical modeling. NOAA has a direct stake in the CCOS because the extensive meteorological data collected as part of the field study can be used by NOAA to improve its meteorological forecasting abilities, particularly by providing NOAA with a new database for use in the evaluation of U.S. western boundary conditions for weather forecasting models. As you know, NOAA is also at the scientific forefront of the development of meteorological models including the Weather Research and Forecasting (WRF) model that is viewed as a future replacement for the current Mesoscale Meteorology Model, Version 5 (MM5). Thus, NOAA's involvement in the CCOS would facilitate the use of CCOS measurements in the development of WRF. In addition, the CCOS includes atmospheric airflow research, and data were collected on sea breeze circulations, nocturnal jets and eddies, airflow bifurcation, convergence and divergence zones, up-slope and down-slope flows, and up-valley and down-valley airflows. This research provides fundamental data needed to understand airflows over complex terrain, and has national applicability.

Thank you very much for your consideration of our request.

CURRENT CCOS STUDY SPONSORS

Private Sector

Western States Petroleum Association
Pacific Gas and Electric Company
Electric Power Research Institute
NISEI Farmers League and Agriculture
Independent Oil Producers' Agency
California Cotton Ginners and Growers Associations

Local Government

San Joaquin Valley Unified Air Pollution Control District (on behalf of local cities and counties)
Bay Area Air Quality Management District
Sacramento Metro Air Quality Management District
San Luis Obispo County Air Pollution Control District
Mendocino County Air Pollution Control District

State Government

California Air Resources Board
California Energy Commission

Federal Government

National Oceanic and Atmospheric Administration
Environmental Protection Agency
Department of Agriculture
Department of Transportation

PREPARED STATEMENT OF THE NATIONAL AMERICAN INDIAN COURT JUDGES ASSOCIATION

On behalf of the National American Indian Court Judges Association (NAICJA), I am pleased to submit this testimony on the proposed fiscal year 2005 budget for the Justice Department's Indian Country Law Enforcement Initiative and the Indian Tribal Justice Technical and Legal Assistance Act of 2000 (Public Law 106–559). We request $73.4 million for Tribal Courts including $15 million for Indian

Country Law Enforcement Initiative and $58.4 million in funding for the Indian Tribal Justice Technical and Legal Assistance Act of 2000 (Public Law 106–559). In addition, we request full funding for the following areas or, at minimum, proportional increases in keeping with economic growth. Specifically, this includes:

—Increase by $4.74 million Administration proposed cuts in Law Enforcement under the COPS program in DOJ.

—Increase by $7.59 million Administration proposed cuts in Tribal Courts under DOJ.

—Increase by $2 million Administration proposed cuts in BIA for "contract support costs" to $135,314,000.

—Increase by $2.46 million Administration proposed cuts in DOJ for Indian Country Prison grants.

The National American Indian Court Judges Association (NAICJA), www.naicja.com, was incorporated in 1969. NAICJA is the largest organization representing Tribal Judges and Tribal Courts in the United States. The mission of NAICJA is to strengthen and enhance all Tribal justice systems through improvement and development of Tribal Courts and Tribal Court Judges.

Justice Department Funding: Indian Country Law Enforcement Initiative and Indian Tribal Justice Technical and Legal Assistance Act of 2000 (Public Law 106–559)

$15 million for Indian Country Law Enforcement Initiative.—NAICJA strongly supports full funding for the Indian Country Law Enforcement Initiative. NAICJA would like to specifically emphasize our support for the funding of the Indian Tribal Court Fund at a level of at least $15 million (Please note that this fund was formally authorized by the 106th Congress—see Public Law 106–559, section 201). Through the increased funding for law enforcement under the Indian Country Law Enforcement Initiative, more police officers have been added throughout Indian Country. Without substantial additional funding, tribal courts will be unable to handle the increased caseloads generated by this increased law enforcement.

$58.4 million in funding for the Indian Tribal Justice Technical and Legal Assistance Act of 2000 (Public Law 106–559).—When the 106th Congress enacted Public Law 106–559 in December 2000, it recognized the vital legal and technical assistance needs of tribal justice systems—finding in part that "there is both inadequate funding and inadequate coordinating mechanism to meet the technical and legal assistance needs of tribal justice systems and this lack of adequate technical and legal assistance funding impairs their operation" and promised three grant programs to address these Congressional recognized needs. It is vital that Congress provide adequate funding for Public Law 106–559 (see the Act itself for more specific information). NAICJA strongly supports funding of Public Law 106–559 at the level of at least $58.4 million. Failure to provide this funding level would make the Indian Tribal Justice Technical and Legal Assistance Act of 2000 (Public Law 106–559) a hollow recognition of tribal justice systems needs without providing needed resources.

We further express our concern with the Administration's fiscal year 2005 Budget proposals regarding Tribal Courts. Decreases in these areas will severely hinder effective law enforcement and Tribal Courts in Indian Country.

We request full funding for the following areas or, at minimum, proportional increases in keeping with economic growth. Specifically, this includes: Cuts in Law Enforcement under the COPS program by $4.74 million in DOJ; cuts in Tribal Courts under DOJ by $7.59 million; cuts in BIA for "contract support costs" by $2 million down to $133,314,000; and cuts in DOJ for Indian Country Prison grants by $2.46 million.

IMPORTANCE OF TRIBAL COURTS

Tribal justice systems are the primary and most appropriate institutions for maintaining order in Tribal communities.

"Tribal courts constitute the frontline tribal institutions that most often confront issues of self-determination and sovereignty, while at the same time they are charged with providing reliable and equitable adjudication in the many and increasingly diverse matters that come before them. In addition, they constitute a key tribal entity for advancing and protecting the rights of self-government. . . . Tribal courts are of growing significance in Indian Country." (Frank Pommersheim, Braid of Feathers: American Indian Law and Contemporary Tribal Law 57 (1995)).

Tribal Courts must deal with the very same issues state and Federal courts confront in the criminal context, including, child sexual abuse, alcohol and substance abuse, gang violence and violence against women. Tribal Courts, however, must ad-

dress these complex issues with far fewer financial resources than their Federal and state counterparts. Judicial training that addresses the existing problems in Indian Country, while also being culturally sensitive, is essential for Tribal Courts to be effective in deterring and solving crime in Indian communities.

INADEQUATE FUNDING OF TRIBAL JUSTICE SYSTEMS

There is no question that Tribal justice systems are, and historically have been, underfunded. The 1991 United States Civil Rights Commission found that "the failure of the United States Government to provide proper funding for the operation of tribal judicial systems . . . has continued for more than 20 years." The Indian Civil Rights Act: A Report of the United States Civil Rights Commission, June 1991, p. 71. The Commission also noted that "[f]unding for tribal judicial systems may be further hampered in some instances by the pressures of competing priorities within a tribe." Moreover, they opined that "If the United States Government is to live up to its trust obligations, it must assist tribal governments in their development . . ." More than ten years ago, the Commission "strongly support[ed] the pending and proposed congressional initiatives to authorize funding of tribal courts in an amount equal to that of an equivalent State court" and was "hopeful that this increased funding [would] allow for much needed increases in salaries for judges, the retention of law clerks for tribal judges, the funding of public defenders/defense counsel, and increased access to legal authorities."

With the passage of the Indian Tribal Justice Act, 25 U.S.C. § 3601 et seq. (the "Act"), Congress found that "[T]ribal justice systems are an essential part of tribal governments and serve as important forums for ensuring public health, safety and the political integrity of tribal governments." 25 U.S.C. § 3601(5). Congress found that "tribal justice systems are inadequately funded, and the lack of adequate funding impairs their operation." 25 U.S.C. § 3601(8). In order to remedy this lack of funding, the Act authorized appropriation of base funding support for tribal justice systems in the amount of $50,000,000 for each of the fiscal years 1994 through 2000. 25 U.S.C. § 3621(b). An additional $500,000 for each of the same fiscal years was authorized to be appropriated for the administration of Tribal Judicial Conferences for the "development, enhancement and continuing operation of tribal justice systems . . ." 25 U.S.C. § 3614.

Nine years after the Act was enacted into law, and even after reauthorization, no funding has been appropriated. Only minimal funds, at best, have been requested. Yet, even these minimal requests were deleted prior to passage. Even more appalling is the fact that BIA funding for Tribal Courts has actually substantially decreased following the enactment of the Indian Tribal Justice Act in 1993.

BIA-DOJ INDIAN COUNTRY LAW ENFORCEMENT INITIATIVE

Full funding is requested for the Joint BIA-DOJ Law Enforcement Initiative proposal to improve law enforcement in Indian Country. The Final Report of the Executive Committee for Indian Country Law Enforcement Improvements documents the "stark contrast between public safety in Indian Country and the rest of the United States." (Final Report, p. 4.) "While law enforcement resources have been increased and deployed throughout the United States, BIA resources actually have been reduced in Indian Country during the past few years." It is axiomatic that "as a consequence of improvements to law enforcement services, a corresponding increase in funds is needed for judicial services, especially tribal courts." (Final Report, p. 8).

The Initiative includes funding to continue the Department of Justice Indian Tribal Court Program. We urge the Committee to support full funding of the Tribal Court Program to assist in the development, enhancement and continued operation of tribal judicial systems. While funding has fallen far short of the $58 million in annual funding promised by the Indian Tribal Justice Act, the Initiative will fail without it. Without well-staffed, competent Tribal judiciaries to handle the influx of the new criminal prosecutions flowing from the Law Enforcement Initiative, the goal of providing service to 1.4 million Native Americans who live on or near Indian lands the same "protection of their basic rights, a sense of justice, and freedom from fear" enjoyed by Americans at large, will not be attained. (Final Report, p. 4).

CONCLUSION

Tribal justice systems are the primary and most appropriate institutions for maintaining order in tribal communities. They are key to Tribal economic development and self-sufficiency. Any serious attempt to fulfill the federal government's trust responsibility to Indian nations, must include increased funding and enhancement of Tribal justice systems.

We welcome the opportunity to comment on the Justice Department's Budget Request for the fiscal year 2004 funding of the Indian Country Law Enforcement Initiative and the Indian Tribal Justice Technical and Legal Assistance Act of 2000 (Public Law 106–559).

Please contact me at (715) 478–7255, or NAICJA Executive Director Chuck Robertson, at (605) 342–4804 or naicja@rushmore.com with questions or comments. Thank you.

PREPARED STATEMENT OF THE AMERICAN SPORTFISHING ASSOCIATION

The American Sportfishing Association (ASA) recommends the following as the Subcommittee considers appropriations for the National Marine Fisheries Service (NMFS) for fiscal year 2005. The American Sportfishing Association is a non-profit trade association whose 600 members include fishing tackle manufacturers, sport fishing retailers, boat builders, state fish and wildlife agencies, and the outdoor media. The ASA makes these recommendations on the basis of briefings with agency staff and from years of experience with fisheries management in this Nation. It is important to note that sportfishing provides $116 billion in economic output to the economy of the United States each year. Sportfishing in marine waters alone provides a $31 billion impact each year to coastal states.

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION—NATIONAL MARINE FISHERIES SERVICE

An important but often underrepresented NOAA constituency is the Nation's 34 million sportfishing anglers, who collectively provide billions of dollars in economic impact each year to the U.S. economy. The importance of adequately including this group and their activities in management decisions cannot be overstated.

Recreational Fisheries

With over nine million participants and 91 million fishing days, saltwater recreational fishing is the fastest growing segment of sportfishing in the United States. NOAA-Fisheries has a responsibility to recreational anglers. Sportfishing in marine waters alone provides $8.1 billion in salaries and wages to nearly 300,000 wage earners in coastal areas. Good socio-economic information is critical for effective marine resources management efforts, and the ASA applauds the Administration's requested increase of $1,200,000 (for a total of $5.2 million) for additional economic and social science research, data collection and analysis. But, the ASA asks Congress to require NOAA-Fisheries to provide adequate data for sportfishing in marine waters and that an additional $1.7 million be provided for economic and social science research and data collection.

Stock Assessment and Monitoring

Our nation's valuable marine fish resources are under intense pressure from coastal population growth, increasing fishing effort and accompanying declines in habitat quality. These pressures demand well-documented information on marine fish stocks. NOAA-Fisheries has not fully demonstrated an ongoing and comprehensive commitment to modernization and improvement of fisheries stock assessment and management of marine systems. It will take a sustained commitment on the part of the Administration, Congress and partner agencies to ensure that these initiatives are in place, sustained and effective over the long-term.

The ASA recognizes and supports the fiscal year 2005 President's budget request to increase funds for fisheries stock assessments, cooperative research, and management by $4 million to a total of $18.9 million, but the NOAA-Fisheries stock assessment program needs to build to the $100 million level over the next five years if it is to be effective in providing data for proper management of marine stocks. The ASA recommends an additional $10 million to begin building this program to the necessary level.

NOAA-Fisheries has developed successful joint programs in statistics, including the RecFIN, and ComFIN programs and, most recently, the Atlantic Coastal Cooperative Statistics Program. The ASA recommends that Congress fund GulFIN at $4.5 million and RecFIN at $3.9 million, and urges NOAA-Fisheries to use the RecFIN funding for cooperative data collection for recreational fisheries consistent with statutory directives. The ASA is pleased with the President's request of $3.0 million for PacFIN, the proposed $6.7 million for the Alaska groundfish monitoring effort, and the recommended funding levels for AKFIN at $3.2 million.

The ASA strongly urges Congress to address the statistics gaps on the Atlantic Coast by supporting the Atlantic Coastal Cooperative Statistics Program (ACCSP.)

NOAA-Fisheries and the Atlantic states share a commitment through and Memorandum of Understanding to proceed with this program. The ASA urges Congress to appropriate the funds necessary for success by adding a $5 million appropriation in fiscal year 2005 for "Fish Statistics—Atlantic States Marine Fisheries Commission" as the ACCSP is fully prepared to utilize this amount immediately as stated in their planning document.

Cooperative research programs, including the SEAMAP and MARFIN programs, support fishery-independent research on high priority species. MARFIN continues to provide funds for Congressionally mandated shrimp bycatch studies. SEAMAP is building a long-term fishery-independent database needed for managing heavily exploited species and for identifying and protecting critical habitat. The ASA is concerned with the decline in funding for these critical information-gathering programs; therefore, the ASA recommends that the MARFIN competitive grant program be funded at $6.0 million (with $4 million for the Southeast and $2 million for the Northeast) and SEAMAP at $6.0 million.

Habitat Loss

The Administration has proposed the elimination of several habitat-related programs including important work being carried out on the Charleston Bump. The Charleston Bump is an important nursery habitat for Atlantic Highly Migratory Fish species (HMS), and the ASA supports continuation of this program at fiscal year 2004 levels.

The ASA supports the fiscal year 2005 request of $13.2 million for Fisheries Habitat Restoration. This program provides funding to foundations that awards grants to restore fish habitat. Specifically, the ASA is pleased with the $1.5 million increase for the Community-based Restoration Program (CRP) that has funded over 800 vitally important restoration projects that entail volunteers and educational opportunities to promote stewardship and public involvement. The ASA recommends an additional $2 million for CRP grants that are regularly matched by a 3–5 ratio and completed by many groups including regional or national partners, non-profit organizations, communities, and industry.

Interagency Efforts

The ASA strongly recommends that Congress appropriate $10.0 million for the Atlantic Coastal Fisheries Cooperative Management Act. It provides the Atlantic States Marine Fisheries Commission with the financial resources to carry out their Congressional mandates and the program continues to accomplish goals, such as the continuing successes in striped bass and weakfish management.

The ASA urges Congress to appropriate adequate funding for all cooperative programs with state agencies, including ESA Section 6 cooperative programs and to implement restoration programs under the authority granted in the Endangered Species Act. These agreements would provide funding on a matching basis to accomplish conservation activities and to protect candidate species at risk of extinction. It is essential to protect the species important to recreational anglers and to sustain populations through sound management. The ASA recommends an additional $4 million be included in the fiscal year 2005 appropriation to provide funding for cooperative agreements with states to enhance the states' roles under the Endangered Species Act.

Addressing the significant shortfalls in financial assistance to accomplish mandated and timely fisheries management needs is critical to allow for implementation of the Magnuson-Stevens Fisheries Conservation and Management Act. The ASA supports the additional $800,000 in funding for NOAA-Fisheries Regional Fishery Management Councils that will allow the Councils to provide a more timely response to regional problems as fishing pressures continue to grow in many areas.

Reliable fishery statistics provide the foundation upon which all fishery management decisions are based. State participation in the development and implementation of fishery statistics programs is critical to ensure the validity, comparability, and usefulness of data. The States and NOAA-Fisheries are each authorized to collect and interpret statistics for marine fisheries. Therefore, it is essential that States and the Interstate Marine Fisheries Commissions participate in cooperative statistics programs.

Other NOAA-Fisheries Issues

The ASA is pleased with the increase of $10.9 million for the Pacific Coastal Salmon Recovery Fund and the inclusion the state of Idaho for salmon funding. We urge the Subcommittee to support funding for this program that is essential to recovery efforts of endangered and at-risk salmon species that are so critically important to the Pacific Northwest. The Pacific Coastal salmon fisheries provide out-

standing opportunities for recreational anglers and the ASA appreciates all efforts designated to restore these recreational species.

The ASA is concerned over the continuing low level of funding for implementation of the Anadromous Fisheries Act. The Anadromous Fisheries Act budget line has traditionally been used to fund activities that cannot be supported through other federal and state funds, and the fisheries management community has been unable to adequately address the needs of most anadromous fish stocks. Therefore, the ASA urges Congress to fund the Anadromous Fisheries Act grants to States at $8.0 million.

The ASA strongly recommends that Congress appropriate $30 million for cooperative law enforcement arrangements with the states for fiscal year 2005. Additionally, the ASA urges Congress to insist that NOAA-Fisheries work with the Department of Justice to streamline the reimbursement process to states prosecuting federal fisheries violations, as was intended by Congress.

Other National Oceanic and Atmospheric Administration (NOAA) Programs

The ASA urges Congress to aggressively support the development of new technologies to help address critical marine resource issues. Several ongoing efforts, including the Hollings Marine Laboratory (HML) and the Fish Cooperative Institute, are funded through the Oceanic and Coastal Research line of the National Ocean Service budget. The ASA is pleased with the Administration's recognition of this important work in marine environmental health and the included funding level of $4.0 million for the HML and $0.750 for the Fish Cooperative Institute.

The National Estuarine Research Reserve (NERR) and Coastal Zone Management (CZM) programs are two highly successful examples of state-federal partnership efforts to improve the quality of our natural resources. The ASA is pleased with the proposed $16.4 million for NERR operations as well as with the Administration's request of $7.25 million for construction of research and educational facilities at NERR sites. Additionally, the ASA is pleased that the Administration recognizes the efforts of coastal states to address issues ranging from public access to non-point source pollution to development and urban sprawl. Increased development continues to have detrimental impacts on the quality of life in our communities, and states and local communities are in the best position to develop sound solutions to these pressures. Therefore, the ASA strongly urges Congress to support the nation's coastal zone management enterprise at a level of $85 million for Coastal Zone Management grants to help states and local communities work to improve the quality of our coastal natural environment.

The ASA is pleased with the Administration's acknowledgement of the problems posed by pfiesteria and other harmful algal blooms. However, the ASA is concerned over the proposed termination of work carried out in concert with the states. The Administration has proposed to terminate the $600,000 for pfiesteria work being carried out by the South Carolina Harmful Algal Bloom Task Force. This effort is especially important in evaluating the risks of harmful algal blooms in tidal-dominated high flow systems, and the ASA urges Congress to restore funding for this effort.

PREPARED STATEMENT OF THE AMERICAN COUNCIL OF YOUNG POLITICAL LEADERS

Mr. Chairman, distinguished members of the Subcommittee on Commerce, Justice, and State, the Judiciary and Related Agencies, ladies and gentlemen:

The American Council of Young Political Leaders (ACYPL) welcomes this opportunity to present testimony as you consider the U.S. Department of State's fiscal year 2005 appropriations for cultural and educational exchange programs. My name is Brad Minnick, and as the ACYPL's executive director, I oversee nearly 30 annual exchange programs funded in part by a core grant from the State Department's Bureau of Educational and Cultural Affairs (ECA). Today I offer some perspectives about the value of exchanges like ours against the backdrop of global terrorism and rising anti-Americanism around the world. In my view, citizen exchanges are a critical component in the war against terrorism and the promotion of democratic ideals.

Background and History of ACYPL

Since its founding in 1966 as an outgrowth of the Fulbright-Hays Act, ACYPL has introduced nearly 6,500 select emerging leaders from around the globe to international diplomacy and to each other. ACYPL prepares in-depth study tours for young leaders, aged between 25 and 40 years old, to give them much-needed international exposure early in their political careers. U.S. participants travel overseas to study the political system and culture of another nation. Reciprocal visits bring

young leaders here from abroad for an introduction to American democracy and culture and our federalist form of government.

We target young politicians likely to assume future positions of responsibility and leadership. Here at home, our delegates are typically state legislators, mayors, city council members and other state and local elected officials. Many have never before traveled outside the United States.

ACYPL programs are strictly bipartisan; our delegates are drawn from all 50 states and equally from both major political parties. We take particular care in putting together our delegations to demonstrate to the world that this nation has diverse opinions, cultures, ethnicities, religions, and politics. Similarly, ACYPL's overseas delegations are chosen by our partners and U.S. Embassies abroad to represent the political and cultural diversity of their home countries.

Here in the United States ACYPL can claim nearly 40 sitting members of Congress among its distinguished alumni; six sitting state governors; several current and former Cabinet secretaries and many leaders in business, finance, community affairs, and education. Overseas, our distinguished alumni include prime ministers, cabinet officers, ambassadors and parliamentarians. The current Hungarian prime minister and the current Hungarian ambassador to the United States were roommates on an ACYPL exchange in 1983.

A Model for Experience and Understanding

ACYPL is but one of many international organizations actively engaged in citizen diplomacy. Why are we unique and why are we effective?

ACYPL is cost-efficient. For practically every dollar we receive in federal funding, we turn it into at least two dollars through cost-share, in-kind contributions and outside fundraising. Overall, we will leverage nearly 160 percent of our base federal grant in corporate and private funding support this year—a $1.2 million return on a federal investment of $800,000.

ACYPL exchanges are bilateral. Appearing recently before the House Appropriations Subcommittee on Commerce, Justice, and State, Ambassador Edward Djerejian noted that "the most effective programs of public diplomacy—the ones most likely to endure and have long-term impact—are those that are mutually beneficial . . ." We host the same number of delegates from each country that we send to those countries. Our in-country counterpart organizations willingly organize and underwrite the visits of our American delegates because we reciprocate.

We focus only on emerging political leaders. We believe passionately in the need to identify, educate and introduce to each other tomorrow's global leaders today. Through familiarity and relationships comes knowledge and understanding. The earlier in one's political career we can make these connections, the better.

As Assistant Secretary of State Patricia de Stacy Harrison is fond of saying, "if you don't go, you don't know." ACYPL brings young leaders here to see for themselves the multicultural, pluralistic nation of friendly and generous people that is the United States. A delegation from Indonesia visiting Dearborn, Michigan was shocked to see that Muslims here not only worship openly but are assimilated into the fabric of American society. A Chinese delegation didn't know until they met him that a Chinese-American could be and was elected one of our nation's 50 governors.

American delegates make similar discoveries. Delegates to India and Tanzania had never before seen such rampant poverty. Through their meetings in Egypt, Jordan and Morocco delegates experienced first-hand the intensity of anti-American sentiment among young adults. Delegates in Vietnam saw the deep bitterness many government officials still hold over the "American war." In Australia delegates learned about the true strength and history of our alliance.

ACYPL continues to engage its alumni. We view the initial exchange as only the beginning of our delegates' experience as citizen diplomats. And we tap these well connected alumni at home and abroad to give current delegates access to leaders at the highest levels of government. A recent Chinese delegation learned about the rule of law directly from Supreme Court Justice Sandra Day O'Connor and White House Counsel Alberto Gonzales, who is himself an alumnus of ACYPL. Palestinian delegates quizzed Ambassador Dennis Ross and Secretary of State Colin Powell about Middle East peace. Israelis met with former Defense Secretary William Perry. In Jordan, U.S. delegates met with King Abdullah; in Romania they talked NATO membership with Prime Minister Nastase and Foreign Minister Geoana; in Uruguay, delegates questioned President Battle about Iraq and international cooperation in the war on terrorism.

Many alumni can testify about the deep impact the program had on them as they rose through the ranks to their current position of national or international leadership. The phrase most frequently used in describing their ACYPL experience is "life-changing." Here is a typical comment from our delegate evaluations: "As a state leg-

islator, I was never focused on foreign issues before this trip. This trip and access to the political leaders has opened my eyes forever on our responsibility as a nation." Said a recent foreign delegate: "I have come to realize that actually I know less about the United States than I thought I did before going on this trip." Another wrote that going forward "I'll be able to avoid the fallacy of oversimplifying America."

U.S. Embassies abroad widely speak of the positive results ACYPL visits generate. For example, a recent delegation spent time in Malaysia, ACYPL's first visit there in over 10 years, where they were introduced to some of the new political leadership elected just one week before the delegates' arrival. We were told that this could not have been a better time for the ACYPL delegation to come to Malaysia because the visit allowed Embassy staff to meet many key contacts in the major political parties, government officials and non-governmental organizations for the first time. One notable contact was with the executive director and secretary of the International Movement of Muslim Youth (ABIM), based in Malaysia, who attended the ACYPL welcoming reception hosted by the Embassy's deputy chief of mission. This was the first time ABIM had ever accepted an Embassy invitation to any event, and the occasion allowed Embassy staff and the ABIM to discuss how they could work together in the future in places like Iraq.

Why Exchanges Are Needed

Current events around the world speak of the tragedy of the increasing lack of understanding between the United States and some of its traditional allies; it also speaks volumes to the deeply-rooted mistrust of the United States felt by millions around the globe. Citizen-to-citizen exchanges offer unique opportunities for learning from one another about commonly-shared solutions to problems, as well as about different perspectives on forms of government and the aspirations other nations have for their citizens. This is especially true when it applies to emerging democracies, post-conflict nations, or in countries where the United States has a critical focus.

Worldwide, ACYPL has succeeded in addressing immediate national public diplomacy interests. When U.S. relations with the People's Republic of China were normalized in 1979, ACYPL was one of the first exchange programs established between our two nations. This year we are celebrating the 25th anniversary of the first ACYPL visit to mainland China. We are proud to be in the vanguard of exchange programs that seek to promote peace, reconciliation, and friendship among former adversaries.

Our experience with China illustrates the benefits that come when exchanges are sustainable over a quarter of a century. Since 1979 nearly 400 young leaders on both sides have gained valuable understanding about the other; indeed, many of these alumni have risen to high levels of leadership in both countries. This exchange never fell victim to the ebb and flow of funding or of relations between our two governments, even during Tiananmen Square or the downing of a U.S. Air Force plane over Hainan Island. I remember vividly arriving in Beijing as an ACYPL delegate myself the day martial law was declared in 1989. Despite the Tiananmen Square protests, both nations agreed our visit should proceed. It was an experience I shall never forget.

With regard to public diplomacy in the Middle East and other areas of focus by the State Department, ACYPL has strengthened its exchanges to promote current priorities. While 25 percent of State Department funding for exchanges this year will go to programs in the Middle East and South Asia, fully 37 percent of ACYPL's exchanges in 2004 are with nations with predominant Muslim populations. We have already brought to the United States approximately 100 delegates from the Near East. Recent inbound exchanges have included parliamentarians from Indonesia, where it has been stated in a September 2003 General Accounting Office report that only 15 percent of Indonesians view the United State favorably. We are also hosting Egyptian parliamentary staffers who are witnessing first-hand how representative government works in the U.S. Congress; and later this summer a delegation from Jordan (where only 1 percent view the United States favorably, according the same GAO report) will visit schools, citizen groups, and local legislators to learn about a civil society. We feel these visits offer more than just education, but an opportunity to expose mutual misconceptions; create goodwill that promotes understanding and dialogue; and engage young leaders in public diplomacy efforts with lasting results.

Where We Are Today and Challenges for the Future

Unfortunately, like many of our exchange program colleagues, ACYPL does not have the resources to conduct and maintain exchanges worldwide on the scale ap-

propriate for the world's only super power. America's national leaders agree on the value of educational and cultural exchanges, yet those of us who organize these exchanges typically operate on shoestring budgets. The United States spends less than one percent of the annual Defense budget on all of its public diplomacy programs combined. Because resources are so limited, my organization must constantly choose between maintaining existing relationships or establishing new ones. We cannot do both under existing funding.

The international exchange community understands the severe budget pressures facing this subcommittee. But we also understand what America gains from these exchanges. Government-to-government dialogue and military strength can only reach so far and do so much. Public diplomacy efforts underscore or compliment government-to-government achievements while imparting personal experience and developing mutual understanding among future leaders. Yet, without sustained or new funding for programs like ours, progress towards impressing upon other nations the blessings of democracy and freedom cannot be made fully; nor will we reach those who need to hear our message the most. Indeed, as Ambassador Djerejian notes in Changing Minds, Winning Peace, "the importance of public diplomacy in meeting the strategic challenge that America faces in the Arab and Muslim world requires a dramatic increase in funding."

Our organization could facilitate exchanges with 100 emerging young political leaders in Afghanistan and/or Iraq that focus on democracy, rule of law, openness in government, civil society, women's rights, and the importance of public service for $600,000. We could double the number of countries we exchange with for $2 million. With $300,000 more we could add enhanced follow-on activities and better communicate with our global alumni.

Thank you for this opportunity to share my thoughts about why public diplomacy programs like ours must be strengthened in a post 9/11 world. As you deliberate how best to allocate limited resources I encourage you to consider the important role that ACYPL and its sister exchange organizations can play in fostering improved understanding among emerging leaders, combating global terrorism and changing perceptions abroad about America. Thank you.

PREPARED STATEMENT OF THE NATIONAL CENTER FOR VICTIMS OF CRIME

The National Center for Victims of Crime submits this testimony to urge members of the Subcommittee on Commerce, Justice, State and the Judiciary to approve the President's budget request and release $675 million from the Victims of Crime Act (VOCA) Fund for fiscal year 2005. In addition, we urge Subcommittee members to prevent the creation of additional earmarks from the VOCA Fund and to discontinue the use of earmarks from the VOCA Fund for federal positions.

The National Center for Victims of Crime is the leading resource and advocacy organization for victims of crime. From our work with crime victims and service providers across the country, we are well acquainted with the funding needs of those who assist victims of crime. Since our founding in 1985, the National Center has worked with public and private non-profit organizations and agencies across the country, and has provided information, support, and technical assistance to hundreds of thousands of victims, victim service providers, allied professionals, and advocates. Our toll-free information and referral Helpline keeps us in touch with the needs of crime victims nationwide. Through our day-to-day interactions with our members and with the 8,300 crime victim service providers in our referral network, we stay informed of the work they do and of the impact that funding decisions at the federal level have on their ability to meet the needs of victims. We also interact with crime victim service providers through our regional Training Institute, which offers training on a variety of issues to service providers throughout the country. In short, we hear from victims and service providers every day about the impact and importance of the VOCA Fund.

About the VOCA Fund

The VOCA Fund was created twenty years ago to provide ongoing federal support for state and local crime victim programs. It is funded by criminal fines and penalties imposed on federal offenders. Since fiscal year 2000, the VOCA Fund has carried over money from year to year, with each year's VOCA Fund disbursement reflecting a cap on the amount of money released from the Fund. The bulk of the funds are distributed each year by formula grants to the states to fund: (a) crime victim compensation programs, which pay many of the out-of-pocket expenses incurred by victims; and (b) crime victim assistance. The VOCA Assistance funding

supports rape crisis centers, domestic violence shelters, victim assistants in law enforcement and prosecutor offices, and other direct services for victims of crime.

VOCA funding for victim assistance has decreased since fiscal year 2002

For the last two years, a cursory look at the federal appropriations might indicate that VOCA funding for victim services has increased. In fact, it has fallen since fiscal year 2002. The decrease in VOCA funding for victim assistance has resulted from changes in the statutory formula for disbursement of VOCA dollars and from the disproportionate impact of the budgetary rescission on VOCA assistance spending. While the total VOCA disbursement has increased, from $550 million in fiscal year 2002 to $625 million in fiscal year 2004, VOCA assistance spending has dropped in that time, from $383 million in fiscal year 2002 to approximately $356 million in fiscal year 2004. This seven percent decrease has had a significant impact on rape crisis centers, homicide survivor groups, and victim/witness programs that are already suffering steep declines in support from states and private funders.

Under the terms of the VOCA statute (42 U.S.C. § 10601), there are certain set asides for federal programs that are funded according to their need. These programs are victim/witness coordinators in the offices of U.S. Attorneys, victim assistants in FBI field offices, and the federal automated victim notification system. Another set aside exists for children's justice programs. From the remaining VOCA dollars, five percent is allocated to the Office for Victims of Crime for additional federal programs and for national-scope projects. Payouts from the VOCA Fund to state crime victim compensation programs are then made, based on a partial reimbursement of each state payments to victims. The amount of funds remaining becomes that year's VOCA assistance figure. Thus, any change in earmarks from the fund or in the needs of the funded federal programs, any reduction in overall VOCA spending, and any budgetary rescission, disproportionately impacts VOCA assistance spending.

The importance of VOCA funding to state and local victim services

VOCA assistance money provides the crucial federal support for core services to crime victims. Through the VOCA fund, the federal government supports services for survivors of homicide victims and for victims of assault, robbery, gang violence, hate and bias crimes, intoxicated drivers, bank robbery, fraud, elder abuse, child abuse and neglect, domestic violence, and sexual assault. VOCA assistance dollars fund services that help victims in the immediate aftermath of crime, including accompaniment to hospitals for examination; hotline counseling; emergency food, clothing and transportation; replacing or repairing broken locks; filing restraining orders; and more. This program also funds assistance as victims move through the criminal justice system, including notification of court proceedings, transportation to court, help completing a victim impact statement, notification about the release or escape of the offender, and assistance in seeking restitution.

Organizations receiving VOCA assistance grants include sexual assault and rape treatment centers, domestic violence programs and shelters, child abuse programs, centers for missing children, mental health services, and other community-based victim coalitions and support organizations including those who serve homicide survivors. Also funded are victim service programs operated by other types of organizations, including criminal justice agencies, faith-based organizations, emergency medical facilities, and others.

The need far outpaces the funds

Victims from around the country call our toll-free Helpline, looking for the assistance that can help them rebuild their lives. Too often we have had to tell rural domestic violence victims that the closest services are 200 miles away, to tell mothers of sexual abuse victims that they will have to drive over an hour to get to special children's services, and to tell rape victims that there are no longer services in their county and they will have to call the state coalition for help. Immigrant victims find there are no service providers with available interpreters; victims with disabilities can't locate specialized services. Because the recent decrease in federal funding follows decreases in state and private giving, any additional cuts come at the expense of core services to victims.

—Service providers tell us they have long waiting lists for services that victims need immediately. When a teenage sexual assault victim turns to a rape crisis center, telling her she can come back in three months isn't good enough.

—Program directors tell us they have had to chose between retaining a volunteer coordinator who can provide the necessary professional oversight to volunteers who inform victims about their rights and assist them as they apply for compensation, and a counselor who can provide in-depth counseling and group therapy.

—Programs that formerly served multiple counties through satellite offices have had to contract their services to a single location. Not only does this change directly affect the accessibility of their services, but it also means a lessening of ties to others in the community who can collaborate to respond to victims.
—Programs that have spent years making inroads into immigrant communities are now faced with discontinuing their services because they can no longer afford bilingual advocates.
—Services for "secondary" victims have been cut. While service providers understand the need to provide services to children of domestic violence victims, to non-offending mothers in cases of child sexual abuse, and to family members of victims of other violent crime, the combined budget cuts have often resulted in eliminating those services.
—As programs have had to cut back, they report that experienced but overworked staff are leaving the field. Where new staff have been hired, directors report a lack of funding to train them.

Victim service providers understand the needs in their community. With additional funding, they could increase their community collaborations to reach out to underserved victims, including elderly victims, teen victims, immigrant victims, victims with disabilities, and victims in rural areas. They can also expand their core services to meet the needs of those victims of crime, to help them rebuild their lives. They also report a need for funding for technology that can increase their efficiency and effectiveness—such as automated victim notification systems, databases to enable service providers to coordinate their efforts for a single victim, and Web technology to improve their outreach to the community.

There must be no additional earmarks from VOCA

Finally, while our first priority is to see the cap on the VOCA Fund raised to $675 million for fiscal year 2005, we also urge you to prevent the creation of additional earmarks from the VOCA Fund, even for projects that serve crime victims. VOCA formula grants are designed to let each state fund victim services based on the needs and strategic plans of that state. Money from the general VOCA Fund must not be set aside for additional specific purposes.

We also urge that earmarks for federal positions from the VOCA Fund be discontinued. New earmarks on the Fund have been enacted over the last several legislative sessions, limiting the amount of money ultimately available to states to fund local programs. These earmarks result in a significant decrease in funding available to help the vast majority of crime victims—victims whose cases are prosecuted and who are served at the state and local levels. Such federal positions may be warranted, but surely Congress can find other sources of revenue to support federal employees. Moreover, because of the statutory construction of those earmarks, they are immune from any budgetary actions that restrict VOCA spending overall, and so are disproportionately favored.

The most important action Congress can take to help this nation's victims of crime is to provide the funding for services and compensation programs that help them rebuild their lives. Congress' creation of the VOCA Fund in 1984 was a landmark action that fundamentally changed the way our society responds to victims of crime. We urge you to continue this great effort, by approving the President's budget request of $675 million for VOCA and holding fast against pressure to earmark the Fund.

PREPARED STATEMENT OF THE GREAT LAKES INDIAN FISH AND WILDLIFE COMMISSION

Summary of GLIFWC's Fiscal Year 2005 Testimony.—The Commission requests that Congress restore funding for the COPS Tribal Resources Grant Program to $40 million in fiscal year 2005 in the Department of Justice. The Administration is proposing to reduce funding for this essential program to $20 million.

Disclosure of DOJ Grants Contracted.—The Commission is an intertribal organization which, under the direction of its member tribes, implements federal court orders governing tribal harvests of off-reservation natural resources and the formation of conservation partnerships to protect and enhance natural resources within the 1836, 1837, and 1842 ceded territories. Under COPS Tribal Resources Grant Program, the Commission contracted:

—$172,924 in fiscal year 2000 for the purposes of replacing obsolete radio equipment and to improve the capacity of GLIFWC's officers to provide emergency services throughout the Chippewa ceded territories;

—$292,190 in fiscal year 2001 for the purposes of replacing obsolete patrol vehicles (boats, ATVs, and snowmobiles), purchasing portable defibrillators, and training GLIFWC officers;

—$302,488 in fiscal year 2002 for the purposes of replacing obsolete patrol vehicles (ATVs and snowmobiles), improving officer safety (in-car video cameras), increasing computer capabilities, and expanding training of GLIFWC officers in interagency emergency response; and

—$280,164 in fiscal year 2003 for the purposes of hiring 3 additional officers, providing basic recruit training, and supplying standard issue items.

Ceded Territory Treaty Rights and GLIFWC'S Role.—GLIFWC was established in 1984 as a "tribal organization" within the meaning of the Indian Self-Determination Act (Public Law 93–638). It exercises authority delegated by its member tribes to implement federal court orders and various interjurisdictional agreements related to their treaty rights. GLIFWC assists its member tribes in: securing and implementing treaty guaranteed rights to hunt, fish, and gather in Chippewa treaty ceded territories; and cooperatively managing and protecting ceded territory natural resources and their habitats.

For the past 19 years, Congress and Administrations have funded GLIFWC through the BIA, Department of Justice and other agencies to meet specific federal obligations under: (a) a number of U.S./Chippewa treaties; (b) the federal trust responsibility; (c) the Indian Self-Determination Act, the Clean Water Act, and other legislation; and (d) various court decisions, including a 1999 U.S. Supreme Court case, affirming the treaty rights of GLIFWC's member Tribes. GLIFWC serves as a cost efficient agency to conserve natural resources, to effectively regulate harvests of natural resources shared among treaty signatory tribes, to develop cooperative partnerships with other government agencies, educational institutions, and non-governmental organizations, and to work with its member tribes to protect and conserve ceded territory natural resources.

Under the direction of its member tribes, GLIFWC operates a ceded territory hunting, fishing, and gathering rights protection/implementation program through its staff of biologists, scientists, technicians, conservation enforcement officers, and public information specialists.

Community-based Policing.—GLIFWC's officers carry out their duties through a community-based policing program. The underlying premise is that effective detection and deterrence of illegal activities, as well as education of the regulated constituents, are best accomplished if the officers live and work within tribal communities that they primarily serve. The officers are based in 10 satellite offices located on the reservations of the following member tribes: In Wisconsin—Bad River, Lac Courte Oreilles, Lac du Flambeau, Red Cliff, Sokaogon Chippewa (Mole Lake) and St. Croix; in Minnesota—Mille Lacs; and in Michigan—Bay Mills, Keweenaw Bay and Lac Vieux Desert.

Interaction With Law Enforcement Agencies.—GLIFWC's officers are integral members of regional emergency services networks in Minnesota, Michigan and Wisconsin. They not only enforce the tribes' conservation codes, but are fully certified officers who work cooperatively with surrounding authorities when they detect violations of state or federal criminal and conservation laws. They also are certified medical emergency first responders, including CPR, and in the use of defibrillators, and are trained in search and rescue, particularly in cold water rescue techniques. When a crime is in progress or emergencies occur, local, state, and federal law enforcement agencies look to GLIFWC's officers as part of the mutual assistance networks of the ceded territories. This network includes the Wisconsin Department of Natural Resources, Minnesota Department of Natural Resources, Michigan Department of Natural Resources, U.S. Coast Guard, USDA-Forest Service, State Patrol and Police, county sheriffs departments, municipal police forces, fire departments and emergency medical services.

GLIFWC Programs Currently Funded by DOJ.—GLIFWC recognizes that adequate communications, training, and equipment are essential both for the safety of its officers and for the role that GLIFWC's officers play in the proper functioning of interjurisdictional emergency mutual assistance networks in the ceded territories. GLIFWC's COPS grants for the past four years have provided a critical foundation for achieving these goals. Significant accomplishments with Tribal Resources Grant Program funds include:

—*Improved Radio Communications and Increased Officer Safety*.—GLIFWC replaced obsolete radio equipment to improve the capacity of officers to provide emergency services throughout the Chippewa ceded territories. GLIFWC also used COPS funding to provide each officer a bullet-proof vest, night vision equipment, and in-car videos to increase officer safety.

—*Emergency Response Equipment and Training*.—Each GLIFWC officer has completed certification as a First Responder and in the use of life saving portable defibrillators. In 2003, GLIFWC officers carried First Responder kits and portable defibrillators during their patrol of 275,257 miles throughout the ceded territories. In remote, rural areas the ability of GLIFWC officers to respond to emergencies provides critical support of mutual aid agreements with federal, state, and local law enforcement agencies.

—*Ice Rescue Capabilities*.—Each GLIFWC officer was certified in ice rescue techniques and provided a Coast Guard approved ice rescue suit. In addition, each of GLIFWC's 10 reservation satellite offices was provided a snowmobile and an ice rescue sled to participate in interagency ice rescue operations with county sheriffs departments and local fire departments.

—*Wilderness Search and Rescue Capabilities*.—Each GLIFWC officer completed Wilderness Search and Rescue training. The COPS Tribal Resources Grant Program also enabled GLIFWC to replace many vehicles that were purchased over a decade ago including 10 ATV's and 16 patrol boats and the GPS navigation system on its 25 foot Lake Superior Patrol Boat. These vehicles are used for field patrol, cooperative law enforcement activities, and emergency response in the 1837 and 1842 Chippewa Ceded Territories. GLIFWC officers also utilize these vehicles for boater, ATV, and snowmobile safety classes taught on Reservations as part of the Commission's Community Policing Strategy.

—*Hire, train, and supply 3 additional officers*.—Funding has been contracted to provide 3 additional officers to ensure tribes are able to meet obligations to both enforce off-reservation conservation codes and effectively participate in the myriad of mutual assistance networks located throughout a vast region covering 60,000 square miles.

Consistent with numerous other federal court rulings on the Chippewa treaties, the United States Supreme Court recently affirmed the existence of the Chippewa's treaty-guaranteed usufructuary rights (*Minnesota* v. *Mille Lacs Band*, Case No. 97–1337, March 24, 1999). As tribes have re-affirmed rights to harvest resources in the 1837 ceded territory of Minnesota, workloads have increased. This expanded workload, combined with staff shortages would have limited GLIFWC's effective participation in regional emergency services networks in Minnesota, Michigan and Wisconsin. The effectiveness of these mutual assistance networks is more critical than ever given: National homeland security concerns; State and local governmental fiscal shortfalls; and staffing shortages experienced by local police, fire, and ambulance departments due to the call up of National Guard and military reserve units.

Examples of the types of assistance provided by GLIFWC officers are provided below: as trained first responders, GLIFWC officers routinely respond to, and often are the first to arrive at, snowmobile accidents, heart attacks, hunting accidents, and automobile accidents (throughout the ceded territories); search and rescue for lost hunters, fishermen, hikers, children, and elderly (Sawyer, Ashland, Bayfield, Burnett, and Forest counties in Wisconsin and Baraga, Chippewa, and Gogebic counties in Michigan); being among the first to arrive on the scene where officers from other agencies have been shot (Bayfield, Burnett, and Polk counties in Wisconsin) and responding to weapons incidents (Ashland, Burnett, Sawyer, and Vilas counties in Wisconsin); assist with drowning incidents (St. Croix River on the Minnesota/Wisconsin border, Sawyer county in Wisconsin, Gogebic county in Michigan) and searching for lost airplanes (Ashland, Forest and Washburn counties in Wisconsin); organize and participate in rescues of ice fishermen on Lake Superior (Ashland and Bayfield counties in Wisconsin) and assisting with Lake Superior boat rescues (Baraga county in Michigan and with the U.S. Coast Guard in other parts of western Lake Superior); and assist sheriffs departments with natural disasters (e.g. floods in Ashland County and a tornado in Siren, Wisconsin).

Simply put, adding three additional officer positions will not only assist GLIFWC in meeting its obligations to enforce tribal off-reservation codes, but it will enhance intergovernmental efforts to protect public safety and welfare throughout the region by the states of Wisconsin, Minnesota, and Michigan.

PREPARED STATEMENT OF THE AMERICAN FOREIGN SERVICE ASSOCIATION

Mr. Chairman and members of the Subcommittee: On behalf of the American Foreign Service Association (AFSA) and the 23,000 active-duty and retired members of the Foreign Service, I express our appreciation for the opportunity to share our views and concerns with you regarding the 2005 fiscal year funding request for the Department of State and its programs.

Our country is facing the most serious threat to its well-being since the Cold War. Foreign Service personnel are working long hours, in difficult circumstances with uncommon courage, to advance our bilateral and multilateral relationships, fight the battle against international terrorism, stop the flow of illegal drugs, uncover international crime and illegal financing networks, and work for the kind of development that will remove safe havens for international terrorists. On July 1, the State Department will take on a task that may reverberate for decades in the Middle East. The United States will be turning over sovereignty to the Iraqi people and the Department of State will be establishing one of the largest diplomatic missions in its history. The United States will become a partner with the Iraqi people in bringing peace and justice to their wartorn nation.

As the United States takes on these ever-expanding diplomatic responsibilities, this Subcommittee's actions are vital to their success. Your decisions determine whether we will have the resources necessary to support the foreign affairs infrastructure and many of the tools of diplomacy needed to implement our foreign policy.

The Subcommittee's and the Congress' past support of the Administration's request in meeting staffing needs, improving information technology systems, making posts and missions more secure, and providing for an active exchange program is very much appreciated. Certainly Secretary of State Colin Powell and his staff also must be thanked for their hard work on our behalf. For over three years, the Secretary has successfully served our Nation and the President as both his principal foreign policy advisor and as the effective and inspiring CEO of the Department of State.

PERSONNEL FUNDING REQUIREMENTS

With the fiscal year 2004 funding, the Department completed its three-year Diplomatic Readiness Initiative (DRI) and by September 2004 will have hired 1,158 new employees above attrition into the Foreign and Civil Services. Because of DRI, the majority of the Department's long vacant overseas positions will be filled. Further, the Department will be able to staff new operations in Iraq and Afghanistan, and in new offices like MEPI and HIV/AIDS without "robbing Peter to pay Paul" as had been the practice.

However, the 1,158 additional Foreign and Civil Service personnel target was chosen prior to the changes in the world brought about by the September 11, 2001, attacks on the United States. When the numbers were selected, it was a different time and a different world. For fiscal year 2005 the Administration has requested an additional $76 million to fund 317 new positions which would include 183 individuals for new staffing requirements, 63 positions for the Consular Associates Replacement Program, and 71 new security positions.

AFSA supports this additional personnel request. Through reprioritization, DRI allowed the Department to meet unforeseen demands. However, this reprioritization also meant that current needs are not being met. The additional personnel "float" that was needed so that training could take place or positions will be covered while our personnel move from one post to another, take home leave, or the myriad other reasons for people to be in motion has not materialized. This personnel float must be replaced. Also additional security staffing is required to meet an increasingly dangerous world. Last year, Mr. Chairman, the Foreign Service experienced the most mandatory evacuations of posts than ever before, and we do not see this trend abating soon.

Without the additional requested funding for staffing, the gains made by DRI could be lost. With the lack of appropriate funding in the decade of the 1990s, our foreign affairs infrastructure fell into a state of near crisis. This cannot be allowed to happen again, and we urge the Congress to meet the Administration's personnel request.

There is one other matter in terms of the funding request that AFSA wishes to call to the Subcommittee's attention. In the State Department authorization bill, there is a provision in the House and Senate bills that would increase the hardship and danger pay differentials from a maximum of 25 percent to 35 percent. AFSA requests that if this increase is authorized, sufficient funding be included in this appropriations bill to accommodate this increase in differentials. The world has become a much more dangerous and difficult place to live. An increasing number of posts have hit the maximum but there still is a difference of "worse and worst" among these posts. An increase in the differential would help acknowledge the greater hardship that is required to live in the worst posts.

PERSONNEL ISSUES FOR SUBCOMMITTEE CONSIDERATION

Mr. Chairman, there is another issue to be considered is the treatment of our personnel. The Foreign Service is very fortunate in that we continue to attract from the best and brightest of our nation. Today, because of DRI and increased funding, hiring finally has began to increase. Currently nearly one-third of the State Department's Foreign Service has been hired since 1998, which creates a new dynamic for our institution. We ask for the Congress' attention in this matter because it can create personnel problems that work against retention and the morale of the Foreign Service.

The newer members of the Foreign Service have much in common with their older colleagues. They, too, are the best that our nation has to offer. They, too, are hard working, dedicated, patriotic individuals who are willing to serve in dangerous and remote places. But one major difference is the importance of the spouse and family concerns in their consideration of their employment satisfaction level. In line with societal trends, our new Foreign Service members are marrying well-educated, career oriented spouses. These spouses do not see themselves continually sacrificing their career and serving as part of a "two-fer" couple. For many, spousal employment options and the attitudes of the spouse constitute the single most important factor in determining both mobility of the Foreign Service members and whether a person will make the Foreign Service a career. The efforts made by the Department in this area are noteworthy, but the problems have yet to be solved. AFSA urges the Committee to work with the Department in seeking ways to improve the career opportunities and the personal satisfaction of spouses for the long-term health of the Foreign Service.

Another issue that should be addressed revolves around training and the per diem provided. As DRI concept continues to succeed and more individuals take additional training to learn new skills regarding their next assignment or to learn new hard language skills, AFSA believes that the per diem levels provided for those assigned to training need to be revised. Current allowances do not accommodate increased cost of living in the Washington, D.C. metropolitan area. AFSA asks that the Subcommittee provide funding to the Department of State so that appropriate support levels for those in long-term training can be provided.

EMBASSY SECURITY

Mr. Chairman, AFSA continues to thank both the Congress and the Department of State for the impressive work they have been doing together in improving the security of our posts and missions abroad since the U.S. embassy bombings in East Africa in 1998.

When Secretary Powell testified before this Subcommittee on March 25, he discussed the vast improvements being made in terms of embassy security brought on by changes in management. He testified that at the beginning of this Administration, one new secure embassy was being built each year. Today, the Department is building 10 new secure embassy compounds a year. Moreover, the embassy's program costs have been reduced by 20 percent.

However, the threats to Americans and the historic number of mandatory evacuations of our posts and missions abroad last year both attest to the need to continue our efforts in this area. It must be remembered that despite significant upgrades to the security of our facilities around the world, the General Accounting Office reported in its March 20, 2003 testimony before the Senate Committee on Foreign Relations that:

". . . even with these improvements, most office facilities do not meet security standards. As of December 2002, the primary office building at 232 posts lacked desired security because it did not meet one or more of State's five key current security standards . . .. Only 12 posts have a primary building that meets all 5 standards. As a result, thousands of U.S. government and foreign national employees may be vulnerable to terrorist attacks."

Mr. Chairman, the Foreign Service does not seek hilltop fortresses. Such would be counterproductive to our purpose for being in a country. We accept that dangers are part of our profession. But we also expect that our government, should provide for our safety as much as possible. AFSA urges that funding continue at its current, if not an accelerated pace, to complete the work of securing our posts and missions abroad.

In this regard, we are aware of the proposed Capital Security Cost Sharing (CSCS) program to help provide additional funding to increase the speed in which secure embassy compounds can be built. Given the situation in the world today, no one can argue against building secure facilities faster. However, we wish to express

our hope that the participating departments and agencies will be provided additional funding to meet the additional CSCS building costs. It is our concern that the mission that overseas staff were doing would be lost due to a strictly budget driven decision.

SOFT TARGETS

Mr. Chairman, for the past few years, AFSA expressed its concerns to this Subcommittee regarding the lack of attention the Department of State seemed to give to the protection of soft targets. We have always been appreciative of your and the Subcommittee's efforts to direct the Department's attention to that area. As you know, this was a particular concern to the Foreign Service because we believed that the term "soft targets" was nothing more than a euphemism for attacks against our spouses and children as we try and lead a somewhat normal life of going to school, to church, and on other family outings.

It was thus particularly gratifying when the Secretary said to this Subcommittee:

"Our budget request also, I might say, touches on physical security improvements to those soft targets in our missions: schools, recreational facilities. And you know that we have an extensive plan to go after this soft targeting possibility, providing physical security improvements to overseas schools attended by dependents of government employees and other citizens. Our 2005 request includes $27 million for this effort, including $10 million for the schools, $5 million to improve security at employee association facilities, and $12 million for residential security upgrades. Protection of Americans living and working overseas is one of our highest priorities."

PAY DISPARITIES BETWEEN SERVICE OVERSEAS AND SERVICE AT HOME

Finally Mr. Chairman, we wish to bring to your attention a concern that grows each year and seriously damages the morale of those in the Foreign Service. Because of prohibitions in the Federal Employees Pay Comparability Act, federal employees under Title V cannot receive locality pay when they go abroad. This means that currently when a member of the Foreign Service is posted abroad, that person will take a 13 percent cut in base pay. Further, because of the "rest of U.S. concept" in locality pay, there is no federal employee of the same grade serving in the United States who will receive less than 8 percent more than a member of the Foreign Service member posted abroad.

This difference has devalued the concept of differentials for serving in hardship and danger posts, it devalues the concept of equal pay for equal work, and it harms the individual because it affects the amount a person serving abroad can contribute to his or her retirement.

There are now several pay disparities afflicting a member of the Foreign Service serving abroad caused by locality pay. Two people of the same rank, one serving in Washington and the other serving abroad, will have a difference of more than 13 percent because of locality pay. Since the adjustments in pay procedures for the Senior Executive Service and the Senior Foreign Service, due to personnel changes in last year's Defense Authorization bill, a member of the Senior Foreign Service will receive 13 percent more than a colleague at the same post but who is not at the Senior level. Finally, it is our understanding those in this nation's intelligence services receive an overseas adjustment similar to locality pay.

Mr. Chairman, AFSA believes the current situation needs to be corrected, and we will seek that end. The laws will have to be changed, but when that happens, we urge this Subcommittee to provide the necessary funds to eliminate this pay disparity.

CONCLUSION

Again, Mr. Chairman and members of the Subcommittee, thank you for the opportunity to share the views of the American Foreign Service Association.

Ultimately, our security cannot be won on the battlefield alone. Rather, it will turn on our ability to make foreign governments, international organizations, and the people of the world understand the threats that confront all of us and then face those threats with us. In the long run, our best defense will be convincing others to work toward an international society that is tolerant and just, as well as vigilant against common threats. This is the work of diplomacy, and we trust that you and your subcommittee will want to assign our diplomatic efforts the same strategic priority and funding that is assigned to this nation's military efforts.

LIST OF WITNESSES, COMMUNICATIONS, AND PREPARED STATEMENTS

Page

Alliance for International Educational and Cultural Exchange, Prepared Statement of 198
American Council of Young Political Leaders, Prepared Statement of 210
American Foreign Service Association, Prepared Statement of 217
American Museum of Natural History, Prepared Statement of 167
American Sportfishing Association, Prepared Statement of 208
Association for Enterprise Opportunity, Prepared Statement of 172
Association of Small Business Development Centers, Prepared Statement of ... 193

Byrd, Senator Robert C., U.S. Senator From West Virginia, Questions Submitted by 49

California Industry and Government Central California Ozone Study (CCOS) Coalition, Prepared Statement of 204
Campbell, Senator Ben Nighthorse, U.S. Senator From Colorado, Questions Submitted by 40
Confederated Tribes of the Warm Springs Reservation of Oregon, Prepared Statement of 189
Consortium for Oceanographic Research and Education (CORE), Prepared Statement of 174

Domenici, Senator Pete V., U.S. Senator From New Mexico, Questions Submitted by 39
Doris Day Animal League, Prepared Statement of 196

Ekstrand, Laurie E., Director, Homeland Security and Justice Issues, Government Accountability Office 84
Prepared Statement of 86
Evans, Hon. Donald L., Secretary, Office of the Secretary, Department of Commerce 1
Prepared Statement of 5

Fine, Glenn A., Inspector General, Department of Justice 74
Prepared Statement of 76
Florida State University, Prepared Statement of 202

Great Lakes Indian Fish and Wildlife Commission, Prepared Statement of 215
Gregg, Senator Judd, U.S. Senator From New Hampshire:
Opening Remarks of 53
Questions Submitted by 28

Hite, Randolph, Director, Information Technology Architecture and Systems Issues, Government Accountability Office 84
Hollings, Senator Ernest F., U.S. Senator From South Carolina, Questions Submitted by 41

Inouye, Senator Daniel K., U.S. Senator From Hawaii, Questions Submitted by 41
Institute of Makers of Explosives, Prepared Statement of 186

Kerr, Honorable Jimmie, Pinal County Supervisor, Prepared Statement of 182
Kohl, Senator Herb, U.S. Senator From Wisconsin, Questions Submitted by ... 47

Page

Leahy, Senator Patrick J., U.S. Senator From Vermont:
Prepared Statement of 1
Questions Submitted by 44

Marine Fish Conservation Network, Prepared Statement of 181
Mueller, Robert S., III, Federal Bureau of Investigation, Department of Justice 53
Prepared Statement of 57

National American Indian Court Judges Association, Prepared Statement of 205
National Association of State Universities and Land-Grant Colleges (NASULGC), Prepared Statements of..... 170, 174
National Association of University Fisheries and Wildlife Programs, Prepared Statement of 176
National Center for Victims of Crime, Prepared Statement of 213
National Federation of Community Broadcasters, Prepared Statement of 180

Powell, Colin L., Secretary of State, Office of the Secretary, Department of State 119
Prepared Statement of 126

Regional Information Sharing Systems (RISS) Program, Prepared Statement of 183

Sister Cities International, Prepared Statement of 200
Stevens, Senator Ted, U.S. Senator From Alaska, Questions Submitted by 38

The Asia Foundation, Prepared Statement of 190
The Ocean Conservancy, Prepared Statement of 177

University Corporation for Atmospheric Research (UCAR), Prepared Statement of 170

SUBJECT INDEX

DEPARTMENT OF COMMERCE

Office of the Secretary

	Page
Additional Committee Questions	28
Advanced Technology Program and Homeland Security Technologies	29
American Jobs	11
Assistance to Alaska Fishermen	14, 38
Assistant Secretary for Manufacturing and Services	10
BIS Mission and Activities	37
Budget Choices	20, 26
Climate Change Programs	41
Climate Change Research Initiative	22
Crab Rationalization Program	14
And Ocean Policy	38
DOC Manufacturing Report	9
Emergency Steel Guarantee Loan Program	49
Exporting of Jobs	26
Focus on Creating Jobs	17
Funding for Census Programs	35
Global Climate Change	23
ITA Reorganization	39
And Collaboration With USTR	31
Infrastructure Protection	30
International Trade Administration Reorganization	9
International Travel to the United States	43
Iraq Reconstruction	32
Job Losses in Wisconsin	47
Long-term Plan for Spectrum Management	30
MEP Funding and Recompetition	47
Manufacturing Extension Partnership	12, 19, 25, 44
NIST/Manufacturing Extension Partnership	29
NOAA:	
Funding	39
N-Prime Satellite	8
NIST Boulder Campus	40
Space Initiatives	28
National Sea Grant Program	46
New Assistant Secretary of Manufacturing	49
Ocean Programs	27
Oceans Policy Commission	15
PTFP Grants	30
PTO:	
Funding and Reduced Pendancy	35
Hiring Plan for 900 New Staff	25
Increase	24
Participation in Commodity Prices	39
Patent and Trade Complaints and Backlog	49
Patriotism	16
President's Economic Report	16
Public Telecommunications Facilities Program	41
Section 201 Duties and Steel Imports	50
Support for MEP	21
Taking PTO Off Budget	36

Page

Tourism 24
Industry 23
Trade Deficit 19
2010 Decennial Census and American Community Survey 33
U.S. Dumping Laws 51
U.S. Economy 16
WTO Ruling on Continued Dumping and Subsidy Offset Act 50

DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

Additional OIG Reviews in the FBI 81
Counterterrorism Agents 70
Duplication of Efforts/Terrorist Explosive Device Analytical Center 65
Enterprise Architecture 109
Explosives 63
FBI Culture 59
Federal Bureau of Investigation/Drug Enforcement Administration Relationship 110
IDENT:
System 72
IAFIS Integration 112
Information Technology 56, 58
Language Translation 72
Legat Program 114
Linguists 115
Management 56
Possible Integration of X-Base Into TEDAC 66
Summary of TOPOFF 2 After-Action Report 69
TOPOFF 68
Terrorist Screening Center 64
The Trilogy Project 77
Training 55, 57
Transportation Security 63
Trilogy Program 59
Virtual Case File Contract 111

DEPARTMENT OF STATE

OFFICE OF THE SECRETARY

Afghanistan Over Iraq 144
Armed Services Will not Give Money 140
Caring for the World's Most Vulnerable People 132
Charles Taylor Before Tribunal 156
Clarke Lacking 141
Clarke and State Connection 141
Department of Defense Sharing With State 139
Failure of Clinton Administration With Terrorism 135
Funding for the Coalition Provisional Authority Post-July 149
Funds From the Department of Defense 139
Hmong Refugees in Laos 153
Iraq Reconstruction, Cost of 159
Israel Fence Status and Cost and Israel-Palestinian Conflict 161
Keeping Americans Safe at Home and Abroad 133
MOX Program; Status of Liability With Russia 160
Mideast-West Dialogue 157
Money to Afghanistan 142
Our New Approach to Global Prosperity 131
Putting More Aid in Afghanistan 143
Readiness of Iraqi Self-defense Forces 150
Secretary Witness Clarke 142
State Budget in Iraq 139
Terrorism—High Priority 136
Transfer 140
Update on Iraq and Afghanistan 137
Who Pays the Coalition Provisional Authority 139

Page

Why Does the Department of Defense Fund the Coalition Provisional Authority 145
Winning the War on Terrorism 127

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