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No. 1181 May 20, 1998

FIVE GOOD REASONS TO CLOSE DOWN THE DEPARTMENT OF COMMERCE

ANGELA ANTONELLI

Should a balanced budget give the President or Congress a license to waste tax dollars as long as the budget stays in balance? Not if they want to heed the intent of the 103rd Congress, which passed the Government Performance and Results Act in 1993 to require all federal agencies to submit strategic plans to Congress that clearly specify their missions and goals. In the words of House Majority Leader Richard Armey (R–TX), it enables Congress to ask the right questions: "What's working, what's wasted, what makes any difference, what's duplicative?"

The debut of these plans has been characterized by a torrent of questionable missions, goals, and objectives; faulty tools to measure performance; and clear signs of waste and duplication. Ironically, the plans the agencies themselves produce for Congress highlight much of their own mismanagement, waste, and duplication—problems that the government's own watchdogs, the U.S. General Accounting Office (GAO) and agency inspectors general (IGs), have been reporting for years. The Department of Commerce is a particularly egregious example of an agency whose own plans highlight how little it is needed. Commerce's final strategic plan, after four years of planning, drafts, and revisions, ranked dead last among agency plans, receiving the worst grade—28 out of 100. Its FY 1999 annual performance plan did not do much better, scoring a miserable 33 out of 100.

Fortunately, at least some Members of Congress seem willing to question why an agency that clearly is failing to accomplish its stated mission should exist at all, let alone receive a funding increase as Commerce would under the President's budget. Representative John Kasich (R–OH), Chairman of the House Budget Committee, for example, has proposed that the Commerce Department be eliminated in FY 1999. Given the pattern of negative evaluations by the government's own watchdogs, Congress would be wise to heed Kasich's proposal and close down the Department of Commerce.

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In FY 1998, Congress gave the Department of Commerce a 10 percent budget increase over FY 1997, raising its budget to $4.2 billion and its staff level to include 35,000 full-time employees. In return, the Department submitted to Congress a strategic plan that ranked dead last and an FY 1999 performance plan that ranked 18th out of the 24 plans graded. Yet, in FY 1999, the Department of Commerce is asking Congress to reward its dismal Results Act showing with a 16.7 percent budget hike.

The evidence clearly indicates that Congress will simply waste more taxpayer money by continuing to fund this agency. In 1992, the GAO reported that, according to its own inspector general, the Department of Commerce had evolved into "a loose collection of more than 100 programs delivering services to about 1,000 customer bases." Six years later, nothing has changed. The Results Act reports underscore more clearly than ever that the Department of Commerce suffers from five basic problems: mission creep, wasteful spending, an inability to design appropriate methods to measure performance, major management deficiencies, and many expired authorizing statutes.

REASON #1: Mission Creep and Program Duplication. A 1997 GAO report to Congress on Commerce's draft plan pointed out that the Department shares responsibility for major budget functions with 14 other departments and agencies. For example, the Economic Development Administration (EDA) is one of at least 62 community and economic development programs throughout the government.

REASON #2: Wasteful Spending. Commerce continues to house programs that are wasteful, mismanaged, or simply blatant aid to special interests, including major corporations. For example, the Advanced Technology Program (ATP) spends $200 million per year funding commercial research and development projects. Many of its largest beneficiaries, according to an MSNBC study, include such large corporations as IBM and General Motors.

REASON #3: Inability to Measure Performance. In Congress's evaluation of agency FY 1999 performance plans, the Department of Commerce scored 3 out of a possible 30 points for the quality of its performance measures. Only the Department of State and the Social Security Administration received worse scores.

REASON #4: Major Management Deficiencies. The Department's own inspector general has noted that Commerce does a poor job of planning, acquiring, and managing its systems. As a result, there are serious problems in many of Commerce's major system modernization programs, and pervasive inefficiency and mismanagement in planning and purchasing commercial systems and equipment. Yet Commerce's plan failed to address ongoing problems, such as those in its $4.5 billion National Weather Service modernization effort.

REASON #5: Expired Authorizing Statutes. At least ten laws authorizing various Commerce programs have expired. For example, the Public Works and Economic Development Act of 1965 expired on September 30, 1982; the Export Administration Act of 1979 expired on August 20, 1994; the American Technology Preeminence Act of 1991 expired on September 30, 1993; and the International Trade Administration's Export Program Act expired in 1996. Programs that congressional authorizing committees cannot justify should not be funded.

A Cabinet department reporting directly to the President should have a clearly defined mission and should not simply tie together a loose collection of agencies. No case has been made that such functions cannot be performed in the private sector or elsewhere in government, or that they are more valuable than the budgetary resources consumed. The Results Act was intended to trigger decisions to reshape the federal government. Congress should do so by eliminating this unnecessary agency.

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FIVE GOOD REASONS TO CLOSE DOWN THE DEPARTMENT OF COMMERCE

ANGELA ANTONELLI[1]

Should a balanced budget give the President or Congress a license to waste tax dollars as long as the budget stays in balance? Not if they want to heed the intent of the 103rd Congress, which passed the Government Performance and Results Act in 1993 to make all federal agencies more responsive and accountable to the American people. The Results Act requires federal agencies to submit strategic plans to Congress that clearly specify their missions and goals. As House Majority Leader Richard Armey (R–TX) observed, it enables Congress to ask the right questions: "What's working, what's wasted, what makes any difference, what's duplicative?"[2]

These now-completed agency plans only serve to reinforce the concerns of Congress and many Americans that led to passage of the Results Act. The debut of the federal agencies' plans so far has been an embarrassing disaster characterized by a torrent of questionable missions, goals, and objectives; faulty tools to measure performance; and clear signs of waste and duplication. Ironically, the plans the agencies themselves produce for Congress highlight much of their own mismanagement, waste, and duplication—problems that the government's own watchdogs, the U.S. General Accounting Office (GAO) and agency inspectors general (IGs), have been reporting for years.

A particularly egregious example of an agency whose own plan highlights how little it is needed is the Department of Commerce. On September 30, 1997, the Commerce Department submitted a five-year strategic plan to Congress. In February 1998, it also submitted its fiscal year (FY) 1999 performance plan linking specific performance measures to elements of its FY 1999 budget request.[3] Representative Armey has led the congressional effort to grade the quality of these plans.[4] The Department of

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1. The author would like to acknowledge the significant research contributions of Scott A. Hodge, former Grover M. Hermann Fellow in Federal Budgetary Affairs at The Heritage Foundation, to the preparation of this paper. See also Joe Cobb, "How to Close Down the Department of Commerce," Heritage Foundation *Backgrounder* No. 1049, August 21, 1995.
2. Stephen Barr, "Congress Pushes Agencies on Results Act Deadline," *The Washington Post*, June 5, 1997, p. A19.

Commerce's final strategic plan was the culmination of four years of planning, drafts, and revisions; it also ranked dead last, receiving the worst grade of all the plans—a deplorable 28 out of 100. Its FY 1999 annual performance plan did not do much better; it scored a miserable 33 out of 100.[5]

Fortunately, at least some Members of Congress seem willing to question why an agency that clearly is failing to accomplish any clear purpose or stated mission should exist at all, let alone receive a funding increase as Commerce would under the President's budget. Representative John Kasich (R–OH), Chairman of the House Budget Committee, for example, has proposed that the Commerce Department be eliminated in FY 1999. Given the pattern of negative evaluations by the government's own watchdogs, Congress would be wise to heed Kasich's proposal and close down the Department of Commerce.

WHY THE DEPARTMENT OF COMMERCE SHOULD BE ELIMINATED

In FY 1998, Congress gave the Department of Commerce a 10 percent budget increase over FY 1997, raising its budget to $4.2 billion and its staff level to include 35,000 full-time employees. In return, the Department submitted to Congress a strategic plan that ranked dead last and an FY 1999 performance plan that ranked 18th out of 24 plans graded. Yet, in FY 1999, the Commerce Department is asking Congress to reward its dismal Results Act showing with a 16.7 percent budget hike.[6]

The Department's unacceptable strategic plan and a succession of negative GAO and IG reports all clearly indicate that Congress will simply waste more taxpayer money by continuing to fund this agency. In 1992, the GAO reported that, according to its own inspector general, the Department of Commerce had evolved into "a loose collection of more than 100 programs delivering services to about 1,000 customer bases."[7] Six years later, nothing has changed. The Results Act reports now underscore more clearly than ever that the Department of Commerce suffers from five basic problems: mission creep, wasteful spending, an inability to design appropriate methods to measure performance, major management deficiencies, and many expired authorizing statutes.

REASON #1: Mission Creep and Program Duplication. In its strategic plan, the Department of Commerce says that its mission is to "build for the future and promote U.S. competitiveness"; "keep America competitive with cutting edge science and technology"; and "provide effective management and stewardship of our nation's resources."[8] This broad mission is not unique to Commerce; it applies to many other government agencies. Indeed, a 1997 GAO report to Congress on Commerce's draft plan pointed out that the Department shares "responsibility for major budget functions with 14 other departments and agencies."[9] Yet Commerce barely acknowledges that

3. The Department of Commerce's FY 1999 budget and five-year strategic plan are available at *http://www.doc.gov*.

4. Draft and final plans were graded by congressional staff teams representing the House committees of jurisdiction, as well as the Appropriations and Budget committees. Minority staff were invited, and they participated in many grade sessions. Senate committee staff also participated. See *http://freedom.house.gov/results/finalreport/rfin2.asp*.

5. See the final and interim grades for agency strategic plans at *http://freedom.house.gov/results/images/strategic/gif* and *http://freedom.house.gov/results/measure/finalscores.asp*. The criteria used by Congress to grade the plans can be found at *http://freedom.house.gov/results/finalreport/rfin2.asp*.

6. See Department of Commerce, *Budget in Brief, Fiscal Year 1999*, p. 2, available at *http://www.doc.gov/BMI/budget/bib98htm/tocpg.htm*.

7. U.S. General Accounting Office, Transition Series, *Commerce Issues*, GAO/OCG-93-12TR, December 1992, p. 7.

8. U.S. Department of Commerce, *Strategic Plan for 1997–2002*, September 1997, p. 9.

9. U.S. General Accounting Office, *Results Act: Observations on Commerce's June 1997 Draft Strategic Plan*, GAO/GGD-97-152R, July 14, 1997, p. 7.

many of its programs duplicate those of other agencies. Examples of its departmental mission creep and program duplication include the following:

1. The International Trade Administration (ITA) is one of at least 19 Cabinet departments and independent federal agencies responsible for export promotion and management. In FY 1996, these 19 programs cost taxpayers some $2.8 billion. ITA's Environmental Technologies Exports office and the Office of International Programs in the Environmental Protection Agency (EPA) both aid exporters of environmental equipment and technology. The efforts of ITA's Energy Division are duplicated by three agencies within the Department of Energy.[10] Vice President Albert Gore's National Performance Review noted that "the duplication and fragmentation found within the entire federal export bureaucracy is mirrored within the Commerce Department itself."[11]

2. The National Oceanic and Atmospheric Administration (NOAA) now wants to address "societal questions that the U.S. and the world face in air quality, ozone depletion, greenhouse warming, and climate change" and "to provide both the science needed for policy decisions and the information on emerging scientific issues that have policy relevance."[12] The Administration requested $7 million in new funding for Commerce in FY 1999, tied to implementation of its Climate Change Technology Initiative.[13] In addition, Commerce's strategic plan includes the mission of managing America's "natural resources to ensure that the economic benefits of these resources are available, on a sustainable basis, to the Nation as a whole."[14] The EPA, the Departments of the Interior and Energy, and dozens of other programs have the same objective.

3. The Economic Development Administration (EDA) is one of at least 62 community and economic development programs throughout the government. "Because of the competitive nature of EDA grants," notes the Congressional Budget Office, "local governments do not incorporate that type of aid into their budget plans; hence, eliminating future EDA funding would not impose unexpected hardships on communities."[15] The EDA, in classic mission creep, now seeks to help the Administration advance its environmental agenda. One of its objectives is to assist the EPA in implementing the Brownfields Economic Redevelopment Initiative, even though it has no distinct functions of its own in this area.[16]

4. The National Telecommunications and Information Administration (NTIA) costs over $50 million per year and largely duplicates the work of the Federal Communications Commission in managing the broadcast spectrum and the work of the Corporation for Public Broadcasting in subsidizing children's educational programming. NTIA operates a grant program to promote the use of advanced telecommunications in the public and nonprofit

10. Within the Department of Energy, the Offices of Fossil Energy, International Policy Trade and Investment, and Energy Efficiency and Renewable Energy are all engaged in export promotion activities. For more information, see Gareth Davis, "International Trade Administration," in Scott A. Hodge, ed., *Balancing America's Budget: Ending the Era of Big Government* (Washington, D.C.: The Heritage Foundation, 1997), pp. 194–197.

11. Office of the Vice President, "Recommendation DOC02: Provide Better Coordination to Refocus and Leverage Federal Export Promotion," *Accompanying Report of the National Performance Review, September 1993*.

12. U.S. Department of Commerce, *Strategic Plan for 1997–2002*, p. 86.

13. U.S. General Accounting Office, *Department of Energy: Proposed Budget in Support of the President's Climate Change Technology Initiative*, GAO/RCED-98-147, April 1998, p. 16.

14. U.S. Department of Commerce, *Strategic Plan for 1997–2002*, p. 115.

15. Congressional Budget Office, *Reducing the Deficit: Spending and Revenue Options*, August 1996, p. 265.

16. U.S. Department of Commerce, *Strategic Plan for 1997–2002*, p. 125.

sectors. Other federal agencies supporting telecommunications projects for similar constituencies include the Department of Agriculture, the Department of Education, the Department of Health and Human Services, and the National Science Foundation.[17]

5. The Bureau of Export Administration (BEA) has as its mission the safeguarding of national security interests by managing and enforcing U.S. export controls over potentially dangerous "dual use" technologies. A major 1993 internal report issued jointly by the Inspectors General of the Departments of Commerce, Defense, Energy, and State concluded that the duplication of export controls within Commerce was unnecessary and that the dissipation of responsibility serves to undermine the management and enforcement of these safeguards. Currently, at least 13 other federal agencies are charged with export control responsibilities.[18]

The GAO review of Commerce's draft strategic plan noted that Commerce could have done better in addressing program activities that cut across other agencies and departments. In addition to the examples listed above, Commerce shares education, training, employment, and social services responsibilities with the Departments of Education, Health and Human Services, Interior, and Labor; the National Aeronautics and Space Administration; the Library of Congress; and 20 independent agencies.[19] The Department's final strategic plan was no better at addressing or justifying the rampant duplication that characterizes the agency.

REASON #2: Wasteful Spending. The Department of Commerce continues to house programs that are often wasteful, mismanaged, or simply blatant aid to special interests, including major corporations. For example:

1. The Economic Development Administration's objective of assisting economically distressed areas under the Public Works and Economic Development Act of 1965 has evolved into classic budget pork, often targeted to districts with healthy economies that do not need federal assistance. According a 1996 Congressional Research Service report, "when EDA was created, approximately 12% of the Nation was eligible for aid; estimates now run as high as 90%."[20] Recent examples of such EDA funding, according to the FY 1995 Federal Assistance Award Data System, include:

- $45,000 to Spooner, Wisconsin, to "address the impacts of wood supply disruption during times of unusual circumstances such as floods";
- $76,000 to Dallas, Texas, for "infrastructure improvements in the Farmers Market Area";
- $2.6 million to the Los Angeles Chamber of Commerce for "LA trade telecommuting for exports"; and
- $321,122 to the Economic Development Consortium in Boston to prepare "12 evaluative research papers that examine: US economic development policy; public and private sector involvement; and degrees of responsibility."

2. The Minority Business Development Agency's main function is to show minority business how to apply for and receive federal set-aside contracts under the Small Business Administration's Section 8(a) program. Yet a 1994 audit found that 70 percent of 8(a) award recipients were millionaires.[21]

3. The National Marine Fisheries Service, a $325 million per year agency within NOAA, has

17. GAO, *Results Act*, p. 12.

18. Hodge, *Balancing America's Budget*, pp. 184–204.

19. GAO, *Results Act*, p. 11.

20. Bruce K. Mulock, "Economic Development Administration: Reinvention or Elimination," Congressional Research Service Issue Brief, May 8, 1996, p 5.

contradictory responsibilities: protecting marine resources and promoting commercial fishing interests. It spends about $28 million per year on industry-oriented programs, including $500,000 for the Hawaii Stock Management Plan, $410,000 for the Fisheries Cooperative Institute, and $8.5 million for the Washington Crab License Buy-Back Program.

4. The Advanced Technology Program spends $200 million per year funding commercial research and development projects. Many of the largest beneficiaries of this spending—either as individual recipients or as partners in joint ventures—are some of America's largest corporations. According to an MSNBC study of data provided by the ATP, these corporations and their grants include IBM ($111,279,738); General Motors ($82,134, 245); General Electric ($75,449,636); and Sun Microsystems ($50,113,692). An April 1998 GAO report revealed that 40 percent of the recipients received funding for projects that would have continued without funding. Many of those that did not receive funding financed their projects using only private funds.[22]

REASON #3: Inability to Measure Performance. When asked to tell Congress how it plans to determine how well a program is achieving its goals, Commerce, like most other agencies, seems unable to suggest a suitable method. In Congress's evaluation of agency FY 1999 performance plans, the Department of Commerce was given a score of 3 out of a possible 30 points for the quality of its performance measures. Only the Department of State and the Social Security Administration received worse scores. Examples of Commerce's poorly graded objectives and recommended performance measures include the following:

- To "[m]atch minority-owned businesses with domestic and international opportunities," Commerce will measure "increased numbers and dollar values of contracts awarded to assisted companies."[23] It is not clear whether this funding will be directed to minority millionaires as it has been in the past.
- To "[p]romote cooperative R&D ventures to encourage the rapid diffusion of new, enabling technologies throughout industry sectors," Commerce will measure "the amount of industry cost sharing commitments."[24] But industries have bottom-line incentives to diffuse new and enabling technology rapidly and do not need government enticement.
- To "[c]haracterize the agents and processes that force decadal to centennial climate change," Commerce will measure "improved understanding of trends and forcing of greenhouse gases."[25] It is unclear how "improved understanding" will be defined and measured.
- To "[o]versee domestic implementation of the Chemical Weapons Convention (CWC) by the business community," Commerce will measure the number of "chemical industrial inspections conducted."[26] The number of inspections reveals only the level of intrusiveness needed to enforce the treaty.
- To "[e]xpand trade law enforcement and compliance monitoring," Commerce will

21. Angie Cannon, "Soaked by Small Biz: Feds Aid Minority Millionaires," *New York Daily News*, June 11, 1995, p. 26; see also Small Business Administration, Office of Inspector General, "Audit Report," September 1994.

22. GAO, *Department of Energy: Proposed Budget in Support of the President's Climate Change Technology Initiative*, p. 39.

23. U.S. Department of Commerce, *Strategic Plan for 1997–2002*, p. 41.

24. *Ibid.*, p. 44.

25. *Ibid.*, p. 87.

26. *Ibid.*, p. 92.

measure "the dollar value of collections made by the U. S. Customs Service."[27] Like IRS quotas, the emphasis will be on imposing more and larger penalties, not problem solving.

Reason #4: Major Management Deficiencies. The Department of Commerce Inspector General's report highlighted a number of serious management problems. For example, the IG noted that the Department does "a poor job planning, acquiring, and managing its systems. As a result, there are serious problems in many of Commerce's major system modernization programs, and pervasive inefficiency and mismanagement in planning and purchasing commercial systems and equipment."[28] In addition, the GAO noted that the agency's draft strategic plan did not account for the need to "implement a sound financial management system to ensure that programs are managed efficiently and effectively…. [T]he Department's financial management weaknesses undermine its ability to generate needed information about program performance and costs."[29] Other management problems that go unaddressed in Commerce's plan include:

1. National Weather Service (NWS) Modernization Efforts. Today, there are more than 300 private companies in the United States preparing and disseminating weather forecasts to businesses and the public on a commercial basis. The Department's IG repeatedly has warned of management problems in NWS's $4.5 billion modernization program.[30] The IG also identified a number of ways by which the NWS could streamline operations without diminishing its ability to accomplish its mission of data collection and emergency warning efforts, including consolidating and downsizing field structure and headquarters staff.

2. Modernization of NOAA's Fleet. Since 1992, NOAA has been implementing a 15-year, $1.9 billion program to modernize its fleet of research vessels and ships. NOAA's Inspector General has urged repeatedly that it decommission the fleet and "explore alternatives to agency owned and operated ships for acquiring marine data for agency researchers."[31] The IG reported that NOAA's fleet is clearly more expensive than the available alternatives, and that its decisions have been based on faulty assumptions and inaccurate cost data.[32]

REASON #5: Expired Authorizing Statutes. Commerce's budget proposal for FY 1999 includes information on "Authorizing Legislation Required for FY 1999."[33] A review of this list reveals that at least ten laws authorizing various programs have expired. For example:

- The Economic Development Administration's Public Works and Economic Development Act of 1965 expired on September 30, 1982;
- The Bureau of Export Administration's Export Administration Act of 1979 expired on August 20, 1994;
- The Office of Technology Policy and the National Institute of Standards and Technology's American Technology Preemi-

27. *Ibid.*, p. 37.

28. U.S. Department of Commerce Office of the Inspector General, "Department of Commerce: Top 10 Management Problems," January 16, 1998, p. 6. Representative Richard Armey's office compiled information from GAO and IG reports. See "Managing for Results: Commerce Department," at *http://freedom.house.gov/results/ig/commerce.asp*.

29. GAO, *Results Act*, p. 5.

30. For example, see U.S. Department of Commerce, Office of Inspector General, *Semiannual Report to Congress*, March 31, 1996, pp. 6–7.

31. *Ibid.*, p. 2.

32. *Ibid*.

33. See Department of Commerce, *Budget in Brief, Fiscal Year 1999*, pp. 120–121.

nence Act of 1991 expired on September 30, 1993;

- The International Trade Administration's Export Program Act[34] expired in 1996; and
- The Endangered Species Act Amendments of 1988, Patent and Trademark Authorization Act of 1993, and Telecommunications Authorization Act of 1992 have all expired.

If congressional authorizing committees cannot find sufficient justification for reauthorizing many of the programs in the Department of Commerce, federal appropriators should not continue to appropriate taxpayers' money for these programs.

CONCLUSION

A Cabinet department reporting directly to the President of the United States should have a clearly defined mission and should not function simply as an organizational chart, tying together a loose collection of agencies. No case has been made that such functions cannot be performed in the private sector or elsewhere in government, or that they are more valuable than the budgetary resources consumed.

The truth is that if the Department of Commerce was closed down tomorrow, most Americans would not even notice that it was gone. Even though some programs now under the Commerce umbrella may be justifiable, there is no reason to maintain the umbrella itself. Duplicative program functions could be consolidated with those of other agencies. The Results Act was intended to trigger decisions to reshape the federal government. Congress should do so by eliminating this unnecessary agency.

—Angela Antonelli is Director of the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.

34. Public Law 103–392.