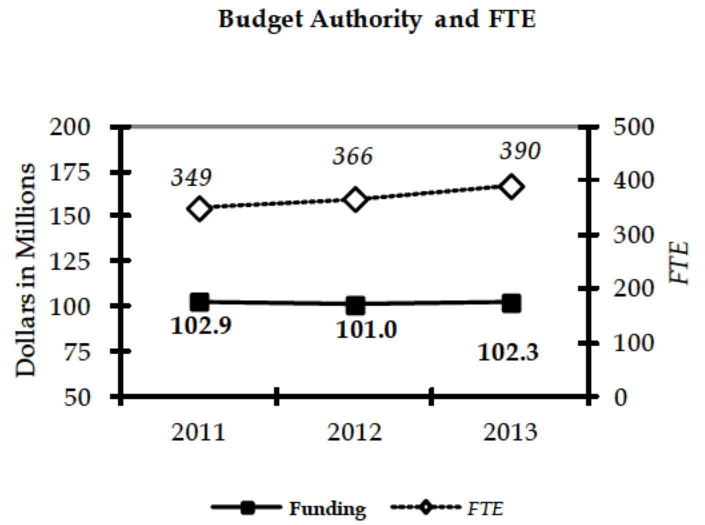
Bureau of Industry and Security

The mission of the Bureau of Industry and Security (BIS) is to advance U.S. national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and by promoting continued U.S. strategic technology leadership.



BIS accomplishes this mission through the following activities:

- Regulating the export of sensitive "dual use" goods and technologies in an effective and efficient manner;
- Enforcing export control, anti-boycott, and public safety laws;
- Cooperating with and assisting other countries on export control and strategic trade issues;
- Assisting U.S. industry in complying with international arms agreements; monitoring the viability of the U.S. defense industrial base;
- Evaluating the effects on national security of foreign investments in U.S. companies; and,
- Supporting continued U.S. technology leadership in industries that are essential to national security.

BIS's mission priorities are to:

- **Maintain and strengthen an adaptable and effective U.S. export control and treaty compliance system**: BIS administers and enforces controls on exports of dual-use goods and technologies to counter proliferation of weapons of mass destruction, combat terrorism, and pursue other national security and foreign policy goals. BIS also serves as the lead agency for ensuring U.S. industry compliance with the Chemical Weapons Convention (CWC) and the International Atomic Energy Agency (IAEA) Additional Protocol, which allows the IAEA complimentary inspection authority in order to develop a comprehensive picture of a country's nuclear and nuclear-related activities. BIS's enforcement efforts detect, prevent, and prosecute illicit dual-use export activity, with a primary focus on weapons of mass destruction, terrorism, and military diversion.

- **Integrate non-U.S. actors to create a more effective global export control and treaty compliance system**: The effectiveness of U.S. export controls is enhanced by strong controls in other nations that export or transship sensitive goods and technologies. BIS works to improve the participation and compliance of existing members of multilateral export control regimes and cooperates with other countries to help them establish effective export control programs. As part of policy formulation and implementation toward key trading partners and transshipment countries, BIS engages in a robust end-use visit program.

- **Ensure continued U.S. technology leadership in industries that are essential to national security**: BIS works to ensure that the United States remains competitive in industry sectors and sub-sectors critical to national security. To this end BIS analyzes the impact of export controls and trade policies on strategic U.S. industries, administers the Federal Government's Defense Priorities and Allocations System (DPAS), reports on the impact of defense trade offsets, and evaluates the security impact of certain proposed foreign investments in U.S. companies.

Summary of Appropriations

Funding Levels **Appropriation**	2011 Actual	2012 Enacted	2013 Estimate	Increase (Decrease)
Operations and Administration	$100,141	$101,000	$102,328	$1,328
Total Appropriation	100,141	101,000	102,328	1,328
Transfer of funds from Census*	2,800	0	0	0
TOTAL, BUDGET AUTHORITY	102,941	101,000	102,328	1,328
FTE				
Operations and Administration	349	366	390	24
Reimbursable	2	2	2	0
Total	351	368	392	24

*** During FYs 2011 and 2012, BIS will spend $4.1 million related to Export Control Reform. This is a result of BIS taking responsibility for some export licensing workload that is currently processed by the State Department. Of the $4.1 million, $1.3 million came from BIS's base operations and the remaining $2.8 million was transferred from the Census Bureau.**

Highlights of Budget Changes

Appropriation: Operations and Administration

Summary of Requirements	Detailed		Summary	
	FTE	Amount	FTE	Amount
2012 Enacted			366	$101,000
Adjustments to Base				
Other Changes				
2013 Pay raise		$183		
Civil Service Retirement System (CSRS)		(54)		
Federal Employees' Retirement System (FERS)		92		
Thrift Savings Plan		15		
Federal Insurance Contributions Act (FICA/OASDI)		56		
Health insurance		246		
Employee Compensation Fund		(41)		
Travel - Mileage		2		
Travel - Per Diem		89		
Rent payments to GSA		92		
Printing and reproduction		4		
HCHB Electricity		(217)		
HCHB Water		2		
NARA		2		
Other services:				
Working Capital Fund		69		
Fuel		(15)		
General Pricing Level Adjustment				
Transportation of things		3		
Communications, utilities, and miscellaneous		15		
Other services		233		
Supplies		19		
Equipment		76		
Subtotal, other cost changes			0	$871
Less Amount Absorbed			0	($680)
TOTAL, ADJUSTMENTS TO BASE			0	191
2013 Base			366	101,191
Administrative Savings			0	(466)
Program Changes			24	1,603
2013 APPROPRIATION			390	102,328

Comparison by Activity

DIRECT OBLIGATIONS	2012 Currently Avail. FTE	2012 Currently Avail. Amount	2013 Base FTE	2013 Base Amount	2013 Estimate FTE	2013 Estimate Amount	Increase / Decrease FTE	Increase / Decrease Amount
Management & Policy Coordination	11	$6,750	11	$6,134	11	$5,826	0	($308)
Export Administration	188	57,789	188	54,910	212	58,379	24	3,469
Export Enforcement	167	40,450	167	40,147	167	38,123	0	(2,024)
TOTAL DIRECT OBLIGATIONS	366	104,989	366	101,191	390	102,328	24	1,137
REIMBURSABLE OBLIGATIONS	2	8,545	2	2,900	2	2,900	0	0
TOTAL OBLIGATIONS	368	113,534	368	104,091	392	105,228	24	1,137
FINANCING								
Unobligated balance, start of year (Direct)		(3,989)						
Unobligated balance, start of year (Reimbursable)		(5,645)						
Offsetting collections from:								
Federal funds	(2)	(1,508)			(2)	(1,508)		
Non-Federal sources		(1,392)				(1,392)		
Subtotal, financing	(2)	(12,534)			(2)	(2,900)		
TOTAL BUDGET AUTHORITY / APPROPRIATION	366	101,000			390	102,328		

Note: The distribution of administrative savings reflected in this table is based on current estimates. As the review and implementation processes proceed, the distribution of these savings may change the funding levels for these line items.

Administrative Savings

The Administration is continuing its pursuit of an aggressive government-wide effort to curb non-essential administrative spending. As a result, the Department of Commerce continues to seek ways to improve the efficiency of programs without reducing their effectiveness. Building on the Bureau of Industry and Security's administrative savings planned for FY 2012 ($2.0 million), an additional $0.466 million in savings is targeted for FY 2013 for total savings in FY 2013 of $2.466 million. For additional information see the Administrative Savings section of the Introduction to the Budget in Brief.

Highlights of Program Changes

	Base FTE	Base Amount	Increase / Decrease FTE	Increase / Decrease Amount
Management and Policy Coordination (MPC)	11	$6,134	0	-$308

BIS requests a decrease of $0.308 million, and 0 FTE for MPC. The $0.308 million decrease is derived from MPC's portion of the Administrative Cost Savings ($0.028 million) and additional savings within MPC ($0.280 million) from reductions in application development, re-organization of Information Technology support services, and reduction of main frame requirements as BIS moves to the Department of Defense's USXPORT System.

	Base FTE	Base Amount	Increase / Decrease FTE	Increase / Decrease Amount
Export Administration (EA)	188	$54,910	24	$3,469

BIS requests an increase of $3.469 million, and 24 FTE for EA to support the Presidential, Secretarial and Administration, priority to: Implement an effective export control reform program to advance national security and overall economic competitiveness by utilizing the more flexible Commerce dual-use system to control military items of less significance. The $3.469 million increase will be added to EA's portion of the Administrative Cost Savings ($0.253 million) and additional savings derived within EA ($2.515 million) to fund a total requirement of $6.237 million for the Export Control Reform

Initiative. These savings will result from reductions in application development, re-organization of Information Technology support services, and reduction of main frame requirements as BIS moves to the Department of Defense's USXPORT System.

The U.S. Export Control System

The U.S. Government's export control and sanctions laws and regulations are administered and supported by a number of different agencies within the Departments of Commerce, State, Defense, Treasury, and Energy. These regulations are structured differently, often overlap in scope, use different definitions of the same terms, and, as a result, impose unnecessary burdens on exporters and government officials. This structure was essentially set up after World War II and expanded considerably during the Cold War.

The two primary agencies in the system are BIS and State Department's Directorate of Defense Trade Controls (DDTC). BIS processes approximately 22,000 license applications a year under the Export Administration Regulations (EAR), which are relatively flexible in that they have various country groups for different types of items and various exceptions to allow for unlicensed exports under certain circumstances. DDTC processes approximately 84,000 license applications a year under the International Traffic in Arms Regulations (ITAR), which are relatively inflexible in that they impose virtually worldwide licensing obligations on all covered items, regardless of significance, with few exceptions. Moreover, the ITAR impose many collateral burdens and controls on exporters that do not exist in the EAR, such as registration requirements, expanded controls on related services, and controls over insignificant items even when incorporated into a foreign-made end item. The authorizing statute for the ITAR, the Arms Export Control Act, largely prohibits State Department from making the ITAR more flexible and tailored to the types of items being controlled. The authorizing statutes for the EAR provide Commerce with much more flexibility to tailor how and what is controlled under the EAR to account for current threats and national security needs.

Export Control Reform

In August 2009, the President directed a broad-based interagency review of this system, with the goal of strengthening national security and increasing the competitiveness of key U.S. manufacturing and technology sectors by focusing on current threats, as well as adapting to the changing economic and technological landscape. This review determined that the current export control system is overly complicated, contains too many redundancies, and, in trying to protect too much, diminishes our ability to focus our efforts on the most critical national security priorities.

As a result, the Administration launched the Export Control Reform Initiative (ECR Initiative), which will fundamentally reform the U.S. export control system. The ECR Initiative is designed to enhance U.S. national security and strengthen the United States' ability to counter threats such as the proliferation of weapons of mass destruction. The Administration is implementing the reform in three phases. Phases I and II reconcile various definitions, regulations, and policies for export controls, all the while building toward Phase III, which will create a single control list, single licensing agency, unified information technology system, and enforcement coordination center.

Transfer of Control to Commerce from State of Less Significant Defense Articles

A core part of the White House-led, Deputies-approved plan to bring about the national security objectives described above is to transfer jurisdiction over less significant defense articles, principally generic parts and components, controlled by the regulations currently administered by the State Department to the more flexible regulations administered by the Commerce Department. This plan will create an important Phase II deliverable of significantly reducing the licensing and other collateral burdens on exporters and the government while harmonizing the system to allow for the eventual creation of a single list of controlled items administered by a single licensing agency.

Key Resource Points Associated with the Transfer of Items to Commerce from State

- It is estimated that approximately 30,000 of the license applications State's DDTC processes annually will become the responsibility of BIS.

- This means that the licensing workload for Commerce, and overall related training and compliance obligations, will increase by 150%, although the net burden the U.S. Government export control system imposes on exporters will decrease.
- BIS is in the process of putting the workforce in place to accommodate this transfer.
- BIS estimates that each Licensing Officer will process up to 1,200 licenses a year and be involved in performing related compliance training, outreach, and tasks associated with resolving control issues under the new system. This estimate incorporates the number of licenses processed by DDTC with an added factor for the additional commodity classification requirements done by BIS.
- Thus, for this key element of the President's ECR Initiative to succeed, BIS needs 24 additional staff to perform the licensing and related functions described above. Approximately $6.24 million in additional funding for BIS is needed to perform these functions. This amount covers personnel pay, benefits, training, travel, specialized information technology requirements (Secret Internet Protocol Router Network (SIPRNet), and USXPORTS), and overhead and support.
- Making the current workforce absorb the 150% increase would cause significant delays in processing times and would put U.S. exporters at a severe disadvantage during a critical point in our economic recovery.

	Base		Increase / Decrease	
	FTE	Amount	FTE	Amount
Export Enforcement (EE)	167	$40,147	0	-$2,024

BIS requests a decrease of $2.024 million, and 0 FTE for EE. The $2.024 million decrease is derived from EE's portion of the Administrative Cost Savings ($0.185 million) and additional savings within EE ($1.839 million) from reductions in application development, re-organization of Information Technology support services, and reduction of main frame requirements as BIS moves to the Department of Defense's USXPORT System.

Performance Objective and Measures

(Dollars reflect obligations in Millions)

BIS's program activities support the theme of **Economic Growth**, appearing under the goal of **Trade Promotion and Compliance** and within one objective – **Implement an effective export control reform program to advance national security and overall economic competitiveness.** BIS has continued to refine its performance measures to: (1) focus on results, (2) measure work under its control, (3) use representative data, and (4) create new measures to support new initiatives / programs.

	2011 Actual	2012 Enacted / Targets	2013 Estimate / Targets
Objective 10: Implement an effective export control reform program to advance national security and overall economic competitiveness	**$102.9**	**$101.0**	**$102.3**
Percent of licenses requiring interagency referral referred within nine days	88%	98%	98%
Median processing time for new regime regulations (months)	2.0	2.0	2.0
Percent of attendees rating seminars highly	94%	93%	93%
Percent of declarations received from U.S. industry in accordance with CWC Regulations (time lines) that are processed, certified and submitted to the State Department in time for the U.S. to meet its treaty obligations	100%	100%	100%
Number of actions that result in a deterrence or prevention of a violation and cases which result in a criminal and/or administrative charge	1,073	850	850
Percent of Shipped Transactions in Compliance with the Licensing Requirements of the Export Administration Regulations (EAR)	99%	99%	99%
Percentage of Post-Shipment Verifications completed and categorized above the "Unfavorable" classification	382 PSVs / 92%	315 PSVs / 90%	315 PSVs / 90%
Number of end-use checks completed	891	850	850
Percent of industry assessments resulting in BIS determination, within three months of completion, on whether to revise export controls	100%	100%	100%