STATEMENT OF THE HONORABLE DANIEL R. PEARSON, VICE CHAIRMAN, UNITED STATES INTERNATIONAL TRADE COMMISSION, BEFORE THE SENATE FINANCE COMMITTEE
June 24, 2008

Introduction

Mr. Chairman and members of the Committee, I am pleased to have this opportunity to discuss issues pertaining to the budget and workload of the U.S. International Trade Commission. Chairman Shara Aranoff has asked me to convey her regret that she was not able to attend due to a long-scheduled travel commitment. I would like to acknowledge the presence of Director of Administration and CIO Stephen McLaughlin.

Let me begin by thanking this Committee for its past support of the Commission's mission. That support has been ongoing and bipartisan and is greatly appreciated. The ITC recognizes that it plays a key role in enforcing U.S. trade remedy laws that have been crafted in large part by this Committee. We take those responsibilities seriously. In my view, the six commissioners have done an admirable job of collaborating together in a thoughtful and bipartisan way to address the challenges facing our agency.

Mission and Function

The U.S. International Trade Commission is an independent, quasi-judicial federal agency with broad responsibilities on matters of trade. In Import Injury Investigations, we enforce antidumping (AD), countervailing duty (CVD) and safeguard laws by investigating whether domestic industries have been injured by imports. In Intellectual Property-Based Import Investigations, we enforce U.S. intellectual property (IP) rights by adjudicating cases under section 337 involving imported goods that are alleged to infringe patents or trademarks. Through such proceedings, the Commission facilitates a rules–based international trading system. The

Commission also serves as a federal resource where trade data and other trade policy–related information are gathered and analyzed. The information and analysis are provided to the President, the Office of the United States Trade Representative (USTR), and Congress pursuant to requests under section 332 or requests for technical assistance. The Commission makes most of its information and analysis available to the public to promote understanding of international trade issues.

The mission of the Commission is to: (1) enforce U.S. trade remedy laws within its mandate in a fair and objective manner; (2) provide the President, USTR, and Congress with independent, quality analysis, information, and support on matters of tariffs and international trade and competitiveness; and (3) maintain the Harmonized Tariff Schedule of the United States (HTS). In so doing, the Commission strives to serve the public by implementing U.S. law and contributing to the development of sound and informed U.S. trade policy.

The USITC's Financial Situation

The Commission initially sought an appropriation of $73,600,000 for FY 2009. This represented a 7.6 percent increase over the FY 2008 appropriation request. The Commission has recently advised the CJS Subcommittees of the Senate and House Appropriations Committees that, due to developments since that initial request was submitted in September, the Commission now requests an additional $1,500,000, for a total of $75,100,000. (An updated budget summary reflecting the amended request is attached to this testimony.) This may seem like a substantial increase. However, it is warranted in light of the Commission's unique circumstances.

The Commission is governed by statutes allowing it to carry forward any budget surplus from one fiscal year to the next. In May 2005, the Commission correctly anticipated a substantial surplus for FY 2005, as a result of several unforeseen and non-recurring cost reductions. The Commission therefore made the somewhat unusual decision to write the House and Senate Appropriations Committees requesting that its appropriation for FY 2006 be lowered by $2.750 million. Congress agreed and responded by providing an FY 2006 appropriation, net of rescissions, of $61.951 million. That amount, combined with the Commission's FY 2005 carryover, was sufficient to fund operations in FY 2006.

The Commission's actions in 2005 were reasonable and responsible. However, the reduced FY 2006 appropriation left the Commission with an artificially low baseline to which the FY 2007 spending freeze was applied. Funds available to the Commission in FY 2007 were $1.327 million lower than in FY 2006. (Note: The Commission received a special $1.3 million increase in its FY 2008 appropriation that would have offset the FY 2007 shortfall. However, the unanticipated rent increase (see below) absorbed all those funds.)

Managing Cash Flow in FY 2007

Salaries and benefits together typically account for more than 70 percent of the Commission's expenditures. Rent accounts for over 10 percent. The Commission had few options in coping with the financial restraints imposed by the year-long continuing resolution (CR) in FY 2007. The primary means of managing cash flow was simply not to hire people. The Commission filled very few personnel vacancies as they arose. By the end of FY 2007, the Commission's vacancy rate was at 14 percent and in FY 2008 rose as high as 16 percent as the pace of retirements and departures continued to outpace new hirings. Such a high vacancy rate is unsustainable in light of the Commission's rising workload and its need for staff with highly specialized skills. People with decades of experience were retiring, yet we were unable to harvest their experience by teaming them for six months or a year with newly hired employees. These departures reduced the depth of the Commission's technical and analytical expertise and imposed considerable strain on the remaining people. The Commission has begun efforts to address these personnel gaps and has set a vacancy goal of 9 percent by the end of FY 2008 and 7 percent by the end of FY 2009. However, meeting the goal for FY 2008 now appears unlikely due to continuing retirements and difficulty in recruiting qualified personnel. The Commission's current vacancy rate is 14 percent.

Despite a high vacancy rate in FY 2007, personnel costs nonetheless increased due to government-wide salary increases (4.5 percent in Washington, DC) and the need to hire some highly compensated individuals to work on our growing caseload of intellectual property investigations. Increases in some other expenses were also unavoidable. Actual reductions in expenditures on items other than personnel, benefits, and rent were necessary given the reduction in available funds. In FY 2007, the Commission's non-personnel/non-rent expenditures were $10.4 million, down from $13.5 million in FY 2006, a decline of nearly 23 percent. The largest portion of this decline was accomplished by postponing a number of previously planned information technology (IT) and security-related expenditures. The Commission's FY 2009 request allocates $12.6 million for such expenditures, a significant increase over FY 2007 and FY 2008, but still well below FY 2006 levels. Full funding in FY 2009 is essential so that the Commission may undertake maintenance and replacement activities postponed in FY 2007 and FY 2008, thus mitigating the risk of service disruptions that occur when equipment fails. Full funding also would allow the ITC to make progress toward meeting government-wide security mandates.

Increases in the Intellectual Property Workload

The Commission's intellectual property workload consists primarily of investigations under section 337 of the Tariff Act that involve allegations of imported products that infringe U.S.

intellectual property rights. Cases are first heard by a Commission administrative law judge (ALJ), and the Commission then adopts, modifies, or remands the ALJ's determination.

The Commission's intellectual property workload has expanded dramatically in recent years. The number of section 337 investigations instituted on the basis of new complaint filings tripled from 11 in FY 2000 to 34 in FY 2006. The rate of new institutions basically held steady in FY 2007 at 31, but now has soared at a truly unprecedented rate. As of mid-June -- less than nine months into the 2008 fiscal year – 36 new investigations have been instituted and two additional complaints are now awaiting votes on institution. Thus, with three months left in the fiscal year, the number of new cases instituted this year has already reached a twenty-year high.

What has caused this rapid increase in section 337 filings? It may be due in part to the greater integration of the global economy, with many products being manufactured overseas and then imported into the United States. The increase in workload also may be attributable to a higher level of understanding on the part of U.S. intellectual property owners that the section 337 process can provide quite effective and expeditious relief from infringing imports, with investigations generally being completed less than 18 months after filing. In addition, perhaps the workload increase is a reflection of respect for the level of expertise of the Commission, its ALJs, and its intellectual property staff. The Commission's ALJs are unique within the federal government for their exclusive focus on IP issues. The Commission is also justly appreciated for the high caliber of its Office of Unfair Import Investigations, which represents the public interest in section 337 investigations.

The rapid increase in the section 337 workload has put a serious strain on the Commission. A decision was made in FY 2007 to add a fifth ALJ position. However, two ALJs retired, and by the end of FY 2007 the Commission still had only four ALJs on staff, despite successfully recruiting two new ALJs. A candidate has recently accepted the fifth ALJ position and is expected to begin serving in July. The current workload levels mean that this newly recruited ALJ will be handed at least half a dozen investigations immediately upon arrival at the Commission.

The Commission met in May to review the section 337 workload. In response to the unprecedented growth in the intellectual property caseload, the Commission made two major decisions to address the pressures on the section 337 process. The first was to approve the hiring of a sixth administrative law judge (ALJ). The Office of Personnel Management (OPM) has approved the Commission's request to add this position. If the hiring effort proceeds as hoped, we anticipate having a sixth ALJ on board late in FY 2008 or early in FY 2009. The cost of an ALJ and associated staff is roughly $500,000. Those funds were not included in the original FY 2009 appropriation request.

The second Commission decision relates directly to the first. Our building currently has only two courtrooms available for use by its four sitting ALJs. As the caseload has swelled, the ALJs have expressed concern that the two existing section 337 courtrooms are insufficient for scheduling hearings in a timely manner. Even with just four ALJs, the courtrooms are solidly booked through April 2009.

We have addressed the need for more courtroom space on a temporary basis by encouraging the ALJs to schedule some of their hearings in the ITC's main hearing room. Currently section 337 hearings are scheduled for the main hearing room for two weeks in September, October, and December 2008 and for the entire month of February 2009. However, availability of the main hearing room for section 337 purposes is limited by the need to conduct hearings in antidumping/countervailing duty or section 332 investigations.

Prior to 1995, the ITC had two additional courtrooms located on the second floor of our building. As a cost-saving measure at a time of low section 337 activity, the Commission decided not to continue leasing that space. (When valued at current rental rates, the ITC has reduced its expenditures over those years by more than $15 million.) Although the second floor now is occupied by other tenants, we have been advised by the General Services Administration (GSA) and Boston Properties, owner of the building, that terms of the lease would allow the ITC to reclaim the second floor as soon as the latter months of FY 2009. We believe the annual cost of leasing that space would be in the neighborhood of $1.3 million, of which roughly $500,000 would be incurred in FY 2009. In addition, we would incur an immediate cost in the range of $500,000 for the construction of a new courtroom. There may also be future costs for retrofitting a portion of the floor with new office space.

The bottom line is that the Commission, after concluding that the increase in the section 337 workload is not likely to be temporary, has determined to seek a $1.5 million increase in our appropriation request for FY 2009. That number consists of: $500,000 for a sixth ALJ and associated staff; $500,000 for the part-year cost of leasing the second floor; and $500,000 for construction of a new courtroom. When added to our existing request, the total requested appropriation would be $75.1 million.

I would like to bring one more point to your attention with respect to the Commission's continuing effort to adjust to the growing section 337 caseload. As should be apparent from my testimony, the rapid increase in the section 337 workload has been exacerbated by the continuing difficulty in hiring and retaining ALJs. Applicant pools have declined significantly in recent years, and the Commission continues to encounter difficulties in locating highly qualified candidates under the current recruitment and hiring constraints imposed by the Office of Personnel Management (OPM). The Commission is currently seeking from this Committee new statutory authority in order to increase hiring flexibilities and enable it to recruit judges with specialized backgrounds, especially as rising workloads and possible retirements may require multiple additional recruitments over the next few years.

Increases in the Import Injury Caseload

Filings of new import injury, or title VII, investigations slowed somewhat between FY 2004 and the beginning of FY 2007. In the second half of FY 2007, however, filings increased significantly. That trend has continued through the first half of FY 2008. The recent spate of new filings seems to be related, to some extent, to the U.S. Department of Commerce's recent decision to apply the countervailing duty (CVD) law to China. Six new CVD investigations were filed against products from China in the second half of FY 2007 and four thus far in FY 2008. Furthermore, the title VII caseload tends to be counter-cyclical, with filings increasing during economic downturns. Thus, we are projecting that title VII filings will remain at relatively high levels in FY 2008 and FY 2009.

The Commission has been successful in shifting some resources from the Office of Economics and the Office of Industries to assist the Office of Investigations to meet periodic increases in the import injury caseload, as economists and international trade analysts work in both areas. However, these shifts are only feasible when one operation is slowing. Our recent experience has been an increase in workload for both the Import Injury and Industry and Economic Analysis areas, at a time when our vacancy rates have been extremely high. We must fill at least some of the positions that were allowed to remain vacant throughout FY 2007 to maintain a high quality work product, of which we are understandably proud.

Industry and Economic Analysis Investigations

FY 2007 saw a significant increase in the number of section 332 investigations instituted relative to the recent past, and we project that activity in this area in FY 2009 will be similar to that seen in FY 2007 and FY 2008. Along with an increase in the number of studies requested, complexity is rising as well. Recently requested studies are more likely to require economy-wide assessments or other highly specialized analysis. Many result in the production of national security information (NSI) classified materials, which are more costly to process.

The Offices of Economics and Industries are most involved in the production of these studies. No increase in the number of authorized positions is planned to meet the increased caseload, which the Commission hopes to meet by efficient utilization of its overall staff. However, both offices are currently experiencing higher-than-average vacancy rates, and the limitations of our FY 2007 spending level postponed any attempt to fill those vacancies. Staffing levels in both of these offices will need to be improved so that the Commission can continue to supply Congress and the executive branch with timely and accurate assistance and analysis over a wide variety of topics.

Tariff Affairs and Trade Agreements

The Commission is charged with producing and maintaining the Harmonized Tariff Schedule (HTS) of the United States. The HTS must be modified any time a free trade agreement is signed into law, an omnibus trade bill is enacted by the Congress, or the President proclaims amendments arising from the World Customs Organization. Commission staff are widely recognized for their expertise in this area.

The Commission also supplies Congress with legislative reports on proposed tariff waivers. For the 109th Congress, 1,027 bill reports were prepared by Commission staff, up from a total of only 711 for the two prior (107th and 108th) Congresses. For the 110th Congress, 807 bills have been introduced in the House alone. The Senate is expected to begin introducing bills soon.

Recent history suggests that demand for Commission assistance in this area will grow. However, the Commission has no plans at this time to seek additional staff for this function.

Litigation

Litigation activity in the AD/CVD area continues to be significant. At the end of the second quarter of FY 2008, 67 appeals involving Commission AD/CVD determinations were pending at the Court of International Trade or the Court of Appeals for the Federal Circuit. Additionally, three disputes involving these determinations were pending before NAFTA panels and four were pending before the WTO. Litigation in the AD/CVD area is likely to remain quite active, as parties continue to challenge the Commission recent injury and sunset determinations, as well as its determinations regarding eligibility for funds under the Continued Dumping and Subsidy Offset Act (the "Byrd Amendment").

Litigation activity in the section 337 area continues to increase significantly. Between FY 1996 and FY 2002, the Commission dealt with six to eight appeals per year in the section 337 area. In FY 2006, the Commission dealt with 15 appeals in this area. At the end of the second quarter of FY 2008, there were 32 appeals of the Commission's 337 determinations pending at the Federal Circuit. There were also two actions involving the Commission's section 337 matters pending in U.S. district courts. Given the rising level of overall investigative activity in this area, the Commission is likely to see further increases in litigation as well. The need for increased litigation support in the section 337 area should be met by the same staff increases referred to earlier.

Significant Increases in GSA Rent Charges

The Commission has occupied space at 500 E St. SW since the building was opened in 1987. The Commission's second 10-year occupancy agreement (OA) expired in August 2007. During the early stages of our budget formulation process for FY 2008, in spring 2006, the Commission began to seek information from GSA regarding the likely increase in our rent. We first received an estimate from GSA in May 2006, indicating that FY 2008 rent would be approximately $7.0 million, a 15 percent increase over FY 2007. The Commission received a higher estimate later in 2006, but was then told to use the $7.0 million figure. We planned our FY 2008 budget accordingly, relying on the $7.0 million estimate.

The Commission received no further information from GSA until August 2007. A week before our existing OA expired, we were informed by GSA that our actual rent increase would be 38 percent rather than 15 percent. We had no choice but to accept the increase and sign a letter of agreement to that effect. The unanticipated portion of the increase represents a $1.3 million cost that the Commission is absorbing in FY 2008 by delaying IT-related projects for another year. The unexpected boost in rent also accounts for $1.3 million of the increase in our appropriation request for FY 2009. In October 2007 we formally sought some relief from the unforeseen increase from GSA. In May 2008, GSA informed the Commission that they had granted our request for a rent adjustment and waived their annual management fee for FY 2008 due to the miscommunication on the rent charges for the new lease. That will result in a $497,000 adjustment in our rent for FY 2008, but no adjustment in FY 2009. The increased rent in FY 2009 and beyond is a heavy burden for a small agency that has expenses concentrated in personnel costs and rent, neither of which can easily be reduced. This is especially true given that non-personnel/non-rent expenditures, which represent less than 20 percent of our FY 2008 and FY 2009 budgets, already were severely curtailed in FY 2007.

<u>Cost Increases Outside the Control of the Commission</u>

The Commission's budget is largely fixed for FY 2009. It comprises salaries (56.3 percent), benefits (14.9 percent), rent (11.7 percent), and required support services (11.1 percent), such as security guards and network services. Increased costs in FY 2009 and beyond for these categories are driven by external factors over which the Commission has no control.

Salaries increase based on the federal pay raise and step increases. Benefits increase with salaries, but also because of increased health insurance costs and the shift in the workforce from CSRS to FERS. FERS employees cost the ITC 24.5 percent of salary; CSRS costs the ITC 8.65 percent of salary. Rent increases are driven by GSA's cost of leasing our building, along with unpredictable increases in real estate taxes.

In FY 2009, we anticipate that personnel expenses will increase by $3.6 million, or 7.3 percent. This assumes that the Commission will continue to reduce its vacancy rate by filling open full-time slots, but we still are projecting a vacancy rate of 7 percent at the end of the fiscal year.

Personnel expenses also presume a federal cost of living increase of about 3.5 percent, a conservative estimate in light of FY 2008's 4.5 percent increase. We presume an additional increase in the cost of benefits because of rising health care costs and the shift of employees into FERS. We estimate that rent will increase by about 3 percent in FY 2009, following the 38-percent increase in FY 2008.

In the coming years the Commission may continue to struggle to maintain its human capital. Currently 20 percent of the agency's workforce is retirement eligible, and another 19 percent will be eligible within the next five years. We have no way of knowing when those retirements will occur. We hope that funding levels will give us sufficient flexibility to backfill important positions before the knowledge and capabilities of long-term employees are lost to retirement.

Conclusion

In conclusion, let me speak on behalf of Chairman Aranoff and all Commissioners in saying that we find our responsibilities to be both rewarding and quite challenging. One of the greatest challenges is dealing with fluctuations in workload over which we have no control. Of necessity, the appropriations process requires federal managers to project their financial requirements some two years in advance of when the final funds allocated for a given fiscal year will be expended. The Commission's workload has the potential to spike or decline much more quickly.

Once again, Mr. Chairman, I would like to thank you and the other members of the Finance Committee for your ongoing support of our work at the U.S International Trade Commission.

I would be pleased to answer any questions.

UNITED STATES INTERNATIONAL TRADE COMMISSION

ADDENDUM TO THE TESTIMONY OF VICE CHAIRMAN DANIEL R. PEARSON

June 24, 2008

Revised

Analysis of Change: Obligations, Fiscal Year 2007; Expenditure Plans, Fiscal Years 2008, and 2009

(Dollar Amounts in Thousands)[1]

Object Classification	FY 2007 Actual Obligations	FY 2008 Expenditure Plan	FY 2009 Budget Request	REVISED FY 2009Budget Request	FY 2008-2009 Change	Percentage Change
PERSONNEL COST CHANGES:						
Personnel Compensation						
Permanent	$35,399	$37,200	$39,600	$40,000	$2,800	7.5%
Temporary	350	500	500	500	-	0.0%
Term Appointments	435	750	600	600	(150)	-20.0%
Overtime	64	70	80	80	10	14.3%
Awards	1,038	250	700	700	450	180.0%
Net Personnel Compensation	$37,287	$38,770	$41,480	$41,880	$3,110	8.0%
Personnel Benefits	9,157	10,130	11,050	$11,150	1,020	10.1%
NET PERSONNEL COSTS	$46,444	$48,900	$52,530	$53,030	$4,130	8.4%
NON-PERSONNEL COST CHANGES:						
Rent	$6,120	$8,481	$8,640	$9,140	$659	7.8%
Net Rent Costs	$6,120	$8,481	$8,640	$9,140	$659	7.8%
Services						
Chief Information Officer	$5,405	$5,000	$5,500	$5,500	$500	10.0%
Facilities Management	1,436	1,400	1,500	1,500	100	7.1%
Administration	645	800	900	900	100	12.5%
Equal Employment Officer	13	25	25	25	-	0.0%
Inspector General	226	250	250	250	-	0.0%
Net Service Costs	$7,725	$7,475	$8,175	$8,175	$700	9.4%
Net Supplies Costs	$806	$790	$1,015	$1,015	$225	28.5%
Net Equipment Costs	$368	$815	$1,085	$1,085	$270	33.1%
Other						
Travel	$441	$500	$600	$600	$100	20.0%
Training	235	400	500	500	100	25.0%
Communications	247	243	260	260	17	7.0%
Transportation	0	15	20	20	5	33.3%
Postage	116	116	130	130	14	12.1%
Equipment/ Other Rental	66	200	220	220	20	10.0%
Land and Structures	150	200	200	700	500	250.0%
Printing and Reproduction	262	265	225	225	(40)	-15.1%
Net Other Costs	$1,518	$1,939	$2,155	$2,655	$716	36.9%
NET NON-PERSONNEL COSTS	$16,537	$19,500	$21,070	$22,070	$2,570	13.2%
TOTAL OBLIGATIONS	$62,981	$68,400	$73,600	$75,100	$6,700	9.8%

United States International Trade Commission
Human Capital Issues

Staffing Levels – Career Staff Only

Change over time – On Board career staff (permanent and term) as reported in Annual Reports (does not include Commissioners)

	End of FY 1990	Pre-RIF FY 1995	Post-RIF FY 1996	Sunset begins FY 1999	End of FY 2007
Total	**442**	**384**	**332**	**359**	**314**
Operations	270	240	215	233	198
EC	41	41	39	43	37
INV	47	45	38	45	32
ID	135	114	103	106	82
OUII	17	13	12	13	20
GC	46	41	37	46	39
ALJ	11	8	7	9	11
AD/CIO	99	82	61	59	55

The data in the table compare on-board staffing at fiscal year end. It demonstrates a substantial decline in the last 18 years of about 33%. Even an increase in hiring to reduce the vacancy rate by 5% would only result in 20 more staff on-board or 334. In addition, adding more positions (and filling them) in ALJ, OUII, GC and other offices dealing with IP cases would result in on-board staff of 344.

Reductions in the early 1990s were the result of Commission decision to lower overall staffing in the Office of Industries and in administrative and technical support (AD/CIO). The result was greater breadth of coverage by Industry analysts and less administrative and technical support agencywide. The use of personal computers, among other things, made the drop in administrative support sustainable.

The reductions in the mid-1990s were the result of the RIF in FY 1996. 35 people were terminated but a larger amount left with a severance package. Again the Office of Industries and administrative and technical support (AD/CIO) were hard hit.

Since the advent of sunset investigations beginning in FY 1999, the Commission has emphasized flexible staffing, particularly among International Trade Analysts in the Office of Industries and the Office of Investigations. Dramatic increases in caseload due to transition sunset investigations and increased requirements for economic and industry analysis as the result of FTAs have been met with temporary increases in staffing to meet peak caseload, but declines in staffing in the in all offices responsible for that work over the long term.

To meet the shifting workload, staff have been transferred between Industries and Investigations to meet peak demand. Those transfers have typically been formal details for extended periods of time. Similarly, economists in the Office of Economics have been reassigned to different divisions to meet changes in caseload. In addition to the formal details, spot staffing needs have been met by just assigning staff in all of these offices to specific investigations where they fill roles other than those normally assigned to staff in their office. These kinds of "one case" assignment do not rise to the level of a formal detail.

The increased Intellectual Property caseload has proven a more difficult challenge, as reassigning resources is limited due to the need for specialized patent and technical expertise. Some shifts have occurred within GC, but the Office of the ALJ and OUII need increased staffing levels. Most importantly, the Office of the ALJ with 6 ALJs would have an overall staffing level of at least 20. In addition, all offices affected by the increased caseload need support staff that are not currently on board.

While administrative and technical support has been reduced most dramatically since the early 1990s, the need to maintain websites, databases, information security, and the management of an exploding docket (and its electronic counterpart -- EDIS) require some increased staffing. None of theses requirements existed in the early 1990s.

Examples of shifts in resources (workhours) among operating offices to meet shifts in workload:

In FY 2006 during the peak of transition sunset part 2, Industries staff had over 14,000 hours charged to sunset investigations, including several staff detailed to serve as investigators. In a non-transition sunset year, the normal amount of time charged by Industries staff to sunset would be about 2,000 hours, none of it as the investigator.

In FY 2007, as the title VII caseload dropped, the Applied Economics Division, which historically has done only title VII work, spent over 4,000 hours assisting on Economic and Industry Analysis investigations. This represents 15% of their total time.

The workhours GC has charged to Section 337 investigations almost doubled between FY 2003 and FY 2007 (from 7,938 to 13,400), but the total number of workhours charged by GC has not changed.

FY '07 Budget
5/24/05 ltr. revising our FY'06 request

CHAIRMAN

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

May 24, 2005

The Honorable Richard C. Shelby
Chairman
Subcommittee on Commerce, Justice, and Science
Committee on Appropriations
S-146A, the Capitol
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

The U.S. International Trade Commission requests that you reduce our FY 2006 Appropriation Request from $65,278,000 to $62,528,000. This reduction is manageable due to a projected $2.0 million personnel surplus on the current FY 2005 Expenditure Plan and a lower estimate, by $750,000, of our personnel requirements for FY 2006.

We are generating a $2.0 million surplus in this year's budget due to the decline in new filings of antidumping and countervailing duty (AD/CVD) investigations; and a substantially higher than normal vacancy rate in authorized positions. We plan to carry this surplus forward to FY 2006 to lower the need for additional appropriated funds.

In our FY 2006 Budget Justification, we noted the decline in new AD/CVD filings and observed that it "will probably lead to a higher than normal surplus." Budget Justification at 6. The Commission anticipated a normal level of new AD/CVD investigations, in addition to a scheduled peak load of transition sunset reviews. We planned to add a limited number of term employees to meet the peak sunset workload. While the sunset workload has increased as predicted, the decline in new filings has persisted. This has allowed the Commission to shift permanent staff resources to meet the sunset increase and has limited the need for term employees.

We also noted in our FY 2006 Budget Justification that we have had a substantially higher than normal vacancy rate, but anticipated hiring additional employees during FY 2005 to meet critical personnel gaps and to prepare for the sunset increase. While we have been filling positions and our vacancy rate has declined substantially during FY 2005, the vacancy rate remains comparatively high due to increased retirements and some difficulties in filling key positions. Thus, we are generating a current surplus in the permanent staff account as well.

For FY 2006, we expect we will be close to our normal vacancy rate, but we do not believe we will need the requested level of term employees. Rather than the $1,000,000 in term employees that we originally requested, we believe that $250,000 will be sufficient. Thus, our FY 2006 requirements will be $750,000 less than we requested.

The net effect of these two factors is a reduction in our FY 2006 appropriation request of $2,750,000. As we stated in our FY 2006 Budget Justification: "the Commission will keep the appropriations committees fully apprised of any projected FY 2005 surplus and any revisions to the expected FY 2006 caseload estimates so that appropriate adjustments to the budget request can be made in a timely fashion."

Please contact Nancy Carman, Congressional Relations Officer, on 205-3151 or Stephen McLaughlin, Director of Administration, on 205-3131, if you have any questions regarding this matter.

Sincerely,

Steve Koplan

Stephen Koplan
Chairman

cc: House Ways and Means Committee
Senate Finance Committee