



United States International Trade Commission

Budget Justification

Executive Summary
Fiscal Year 2015



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BUDGET HIGHLIGHTS

For FY 2015, the Commission requests \$86.5 million to carry out its statutorily mandated functions. The FY 2015 request represents a \$3.2 million, or 3.8 percent, increase over the FY 2014 available resources of \$83.3 million. The request is driven by the need to fill critical staffing shortages and make essential investments in our human capital, information technology (IT), and security resources following several years of static or decreasing appropriations.

Proposed personnel costs account for approximately \$2.4 million, or 75 percent, of the increase over FY 2014. The primary focus of the FY 2015 human capital strategy is to build upon the critical staffing gains expected to be made during FY 2014. As the Commission's caseload remains at high levels and the Administration and Congress increasingly rely on our staff expertise to support U.S. trade policy and negotiations, we must close the high vacancy rates in the Office of Operations. In addition, IT staffing shortfalls must be addressed to provide adequate support to the agency's mission-critical offices and to comply with government-wide cybersecurity requirements. Also included in the personnel cost increase is the proposed one percent pay raise effective January 1, 2015, normal costs for anticipated promotions and within-grade increases, and increased health care costs.

Proposed non-personnel expenses account for approximately \$800 thousand, or 25 percent, of the increase over FY 2014. These expenses include investments in: (1) IT infrastructure, equipment, and cyber security to ensure a secure and efficient IT network; (2) economic research to enable us to support trade negotiations and trade policy studies; and (3) systems to improve human resources (HR) support to the agency.

Program Overview

SECTION 337 (INTELLECTUAL PROPERTY) AND ANTIDUMPING/COUNTERVAILING DUTY INVESTIGATIONS

The Commission's trade remedy investigations caseload remains high and continues to grow in complexity. The agency provides a venue for private sector firms to bring allegations of unfair trade practices involving imports before an independent and objective adjudicative government body.

Intellectual property caseload remains high

The Commission section 337 process provides a highly desired venue for resolving disputes involving imports accused of infringing U.S. intellectual property (IP) rights. The process provides relatively quick resolution to what can be expensive and protracted litigation in District Court. In addition, the section 337 process provides unique relief in the form of exclusion of goods at the border. IP-intensive industries account for a large number of high wage jobs in industries in the United States that generate a trade surplus. The section 337 workload increased significantly during the last five years and is expected to remain at elevated levels. These investigations mainly involve patent infringement allegations by private firms, but the number of investigations based on trade secrets, an area of heightened concern for U.S. companies, the Administration, and Congress, is increasing. The range of technologies covered is quite broad, including smartphones and other wireless devices, such as wireless base stations, semiconductors, and GPS devices, as well as products such as windshield wiper blades and tires. The average number of patents at issue per investigation and the number of respondents per investigation has increased, further contributing to the increased workload.

The Commission continues to address the section 337 workload increase to better ensure matters are completed in a timely manner, in line with congressional intent. After several years of focusing on ensuring that the Commission had the necessary resources in place to handle the section 337 workload, the Commission now has specific efforts underway to make the section 337 process more efficient and less costly for both the agency and litigants. These efforts include rules changes, procedural pilot programs, and substantial investments over the past few years in the agency's Electronic Document Information System. The system has enhanced both the Commission's management of the large volume of investigation-related materials and the transparency of its investigative process. Continued funding of these types of improvements will assist the Commission to address the challenges of resolving 337 matters in a timeframe that will benefit both the Commission and parties.

Antidumping and countervailing duty investigations increase and involve a broader range of countries

New petition filings under Title VII increased in FY 2013. The product mix returned to the more traditional steel and chemical cases, in contrast to the year before, when the agency saw increases in cases involving never before investigated energy-related and consumer-oriented products. While a number of the new filings in FY 2013 involved imports from China, the majority of cases were multi-country cases involving imports from many other countries, including India, Korea, Oman, Thailand, the United Arab Emirates, and Vietnam, which represented a shift from the prior year's filings. Over the next two years the Commission will continue to improve its data collection and verification processes; the agency has already made significant progress in enhancing the efficiency and effectiveness of its business processes. The Commission plans to reduce the burden of investigations on participating parties and its own staff through improved electronic processing of investigation-related data and the use of automated databases. These efforts require investment in both new technologies and in employees with the necessary skills to develop and manage the improved databases.

TARIFF, TRADE, AND COMPETITIVENESS-RELATED ANALYSIS AND INFORMATION

The Commission provides industry and economic analysis, tariff and trade information services, and trade policy support. The Commission provides the Administration, Congress, and the public with objective and independent information and analysis that support U.S. trade negotiations, assess trade agreements, and identify trends in competition. This work is performed through formal investigations and/or informal expert advice. The Commission also maintains and updates the U.S. Harmonized Tariff Schedule (HTS). U.S. Customs and Border Protection (CBP) relies upon the HTS to collect tariff revenues on imported goods; private sector firms use it to reference the current and future amount of tariffs they will pay on imported goods. U.S. exporters and importers rely on the Commission's work in the World Customs Organization (WCO) to ensure that global tariff nomenclature is up-to-date and takes into account U.S. industry interests and changing patterns of trade. Over the next two years, the main challenge for the Commission in the trade information and analysis area will be to rebuild its human resource capabilities, as they have been heavily affected by retirements and budget-related hiring constraints.

Complexity of the Commission's industry and economic analysis continues to increase

International trade touches nearly all sectors of the U.S. economy. As with its section 337 and Title VII investigations, the Commission must constantly develop and refine its capabilities to respond to requests for increasingly complex analysis that focuses on emerging areas of international trade, the economy, and policy development. This compels a continued need to improve and enhance the collection and application of a vast array of data that are required for analysis, and where the data are often not yet available. In some cases, these requests trigger investigations that result in formal reports. For example, the Commission is currently conducting investigations to examine the role of digital trade (commerce in products such as software, digital media, and services over digital networks) in the U.S. economy. The agency is sampling the numerous sectors of the U.S. economy for which digital trade is vital to develop a comprehensive understanding of the importance of this sector in terms of U.S. economic activity and trade, including identifying the barriers faced in digital trade. Other current studies examine the effect of trade barriers in India on U.S. exports and how preferential trade policies for sub-Saharan countries have affected U.S. and African businesses and trade flows.

In other instances, Commission staff provide targeted information to assist policymakers with specific issues. Commission staff are increasingly involved in supporting negotiators working on the Information Technology Agreement, Transpacific Partnership, the Transatlantic Trade and Investment Partnership, and the Trade in Services Agreement. Ongoing development of trade-related databases by the Commission is vital in enabling the agency to respond quickly and comprehensively.

The Commission's industry and economic analysis work spans a wide variety of issues such as agricultural policies; global and regional value chains; the effects of trade and investment barriers, rules of origin, and standards on U.S. businesses, consumers, and trade flows; how government policies differentially affect small and medium-size businesses; analysis of emerging or non-traditional industries; examining the integration of goods and services in production and

trade; and evaluating offers made by foreign countries during trade negotiations. To effectively support the interests of trade policymakers, the Commission must maintain a staff that possesses expert qualitative knowledge and quantitative skills; thus the agency is focused on rebuilding its human resources to ensure it has the capability to provide unique, relevant, and timely insights on new and fast-evolving sectors of the U.S. economy in the global market place.

Tariff and trade information services will benefit from new technology and improved business processes

The Commission must keep the HTS accurate and updated to meet the demands for trade and tariff information that come from CBP, U.S. exporters and importers, and trade policy decision makers in the Administration and Congress. Due to the size and openness of the U.S. economy and the volume of U.S. trade, the HTS is the most heavily-used tariff schedule in the world. The HTS has over 10,700 tariff lines, and must be updated and maintained throughout the year based on changes due to trade agreement implementation and adjustments due to other congressional and Administration actions. The HTS underlies U.S. trade data maintained by the U.S. Census Bureau (Census) and enables CBP to manage its trade and enforcement activities. The Commission is in the midst of completely reworking the IT system underlying the HTS and its business processes for updating, searching, and providing information to all users. This system was completely redesigned in FY 2013 and requires a significant investment in FY 2014 and 2015 to implement and further enhance access and searchability.

The Commission must address changing technology requirements for the tariff and trade information area as well as current and anticipated resource gaps; its appropriation request provides funding to address these issues. The skills required to support various components of tariff and trade information services (e.g., HTS maintenance, HTS classification, rules of origin assessments, and miscellaneous tariff bill (MTB) assessments) are unique and can take years to develop. Moreover, many agency staff who contribute to tariff and trade information services are eligible, or soon will be eligible, for retirement. To address these challenges the Commission expects human capital planning and recruitment will be a priority over the next few years.

Trade policy support may face resource constraints with ambitious U.S. negotiating agenda

The Commission's trade policy support activities draw heavily on staff in all agency programmatic areas to answer short turnaround requests from the Congress and the Administration. In the past year, the agency provided rapid responses on a broad array of issues and topics, ranging from technical reviews of proposed legislation to intellectual property rights and technical barriers to trade. The Commission expects increasing interest from customers on nontariff-related trade matters as well as the numerous emerging tradable sectors, such as digital trade, and behind-the-border issues related to regulation and services trade. In addition, Commission staff often perform developmental details to support the agency's main customers. Commission customers place high value on the agency's capability to produce objective and independent information and analysis on their most pressing issues. To the extent that the other areas of the Commission face increased workload, more complexity, and staffing challenges, the ability of the agency to respond to such requests will be limited.

Efforts to Strengthen Information Technology Security

In FY 2015, the Commission will continue to focus on strengthening IT security and broadening the use of technology to improve its business and financial procedures.

In FY 2014, the Commission expects to complete its work on transitioning to the Trusted Internet Connection program, thereby improving its security and incident response capabilities on external network connections. Additionally, significant milestones associated with deployment of technology necessary for enforcing strong authentication through government-issued personnel identity verification cards (HSPD-12) will be achieved. During FY 2014, the Commission will continue its transformation of the HTS database which will allow HTS tariff information to be more easily updated, accessed, and verified. In addition to more open data, the system will incorporate logical validation that will improve information security of the system and ensure the availability and integrity of tariff information.

In FY 2015, the Commission will continue to enhance its security posture by investing in new technologies, processes, and capabilities consistent with the requirements established for Information Security Continuous Monitoring and other security requirements.

Internal Controls Efforts

The Commission is committed to establishing and maintaining an effective system of internal controls. These internal controls are the plans, policies, procedures, and organizational environment that managers use to ensure their programs and operations are achieving the intended results through the effective use of public resources.

The driving force behind the agency's financial management reform was the creation of the Office of the Chief Financial Officer and recruitment of staff with the requisite skills in procurement, budget, financial accounting systems, and internal controls. Under this leadership, during FY 2013, the Commission continued its proactive, aggressive, and comprehensive financial management reform process. Those efforts resulted in an unqualified audit opinion for the third consecutive year after receipt of a qualified opinion for FY 2010. Further, the Independent Auditor's Report on Internal Control did not cite any material weaknesses or significant deficiencies; the one material weakness and one significant deficiency remaining from the FY 2012 audit were eliminated.

Building upon the identified progress, in FY 2014, as part of the agency's commitment to internal controls, the Chairman approved the creation of an Internal Control and Risk Management Division. The division will work with the Chairman, Commissioners, members of the Senior Executive Service team, and other key managers to (1) establish and maintain an internal control and risk management culture; (2) create an internal control plan based on

risk assessments in alignment with the Commission's strategic plan and performance goals; (3) provide internal control technical support throughout the agency; and (4) facilitate the preparation of the agency's annual Statement of Assurance.

In FY 2015, the Commission will continue to identify, review, and test key internal controls to maintain the success the agency has achieved. It will also build upon the gains it has already realized in certain offices to ensure that the practices of effective internal controls are implemented more uniformly across the agency, even though such initiatives can be considerably challenging for a small agency to fund.

Building Space

The Commission's current lease expires in 2017 and we are working with the General Services Administration (GSA) to develop prospectus-level lease requirements for a new 15-year lease. Those requirements should be finalized by the Commission and GSA in 2014. GSA's goal is to get the Commission to the target level of less than 200 square feet per person absent a compelling justification for a higher amount. That target level reduces the Commission's overall space footprint by about 40 percent, resulting not only in less staff office space, but also potentially fewer courtrooms. Uncertainty over the agency's future office space poses a challenge for current operations.

Since 1987, the Commission has occupied space at 500 E Street, SW, that was built to meet the agency's requirements, including courtrooms and a main hearing room in which to conduct the Commission's formal adjudication proceedings (section 337 and Title VII) and factfinding proceedings. As the section 337 workload grew significantly and a lack of courtroom space became a bottleneck in adjudicating investigations, the Commission sought, and Congress approved in FY 2010, an appropriation for the agency that included funds to acquire additional space at the current location for new courtroom space to support the increased section 337 caseload. Any potential reduction in courtroom space would reverse the efficiencies gained by adding the third courtroom and undermine the agency's timely mission accomplishment.

The Commission's goal for the prospectus-level lease process is to retain or acquire adequate space to accomplish its mission at a reasonable cost to the taxpayer. Mission accomplishment would be impaired if a lack of hearing room or courtroom space led to delays in Commission investigations or missed deadlines. Mission accomplishment would also be impaired if space constraints allowed the risk of inadvertent disclosure of sensitive business or national security information materials.

Enhanced Efficiency

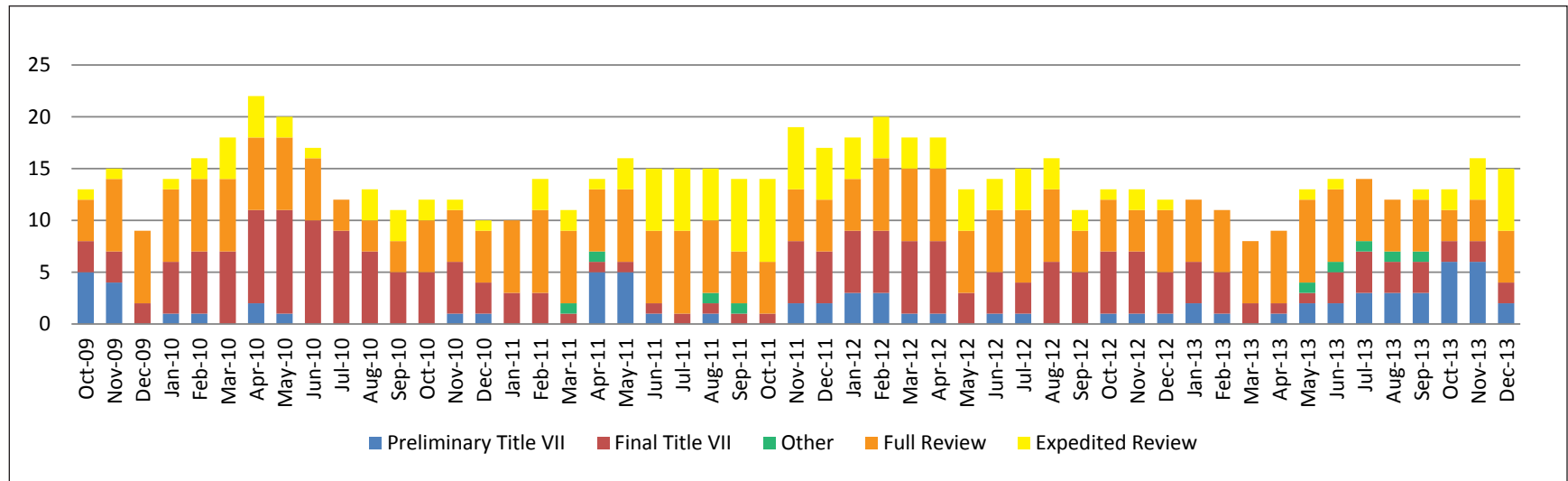
Senate Report 113-78, relating to the Consolidated Appropriations Act, 2014 (Public Law 113-76 (January 17, 2014)), requires agencies covered in the Act to develop and submit to the Senate Appropriations Committee a plan to achieve a 10 percent savings in FY 2014 in the areas of “non-essential travel, office supply, rent, and utility costs.” In sum, those costs totaled approximately \$135 thousand for the Commission in FY 2013; the Commission intends to reduce them by at least \$14 thousand in FY 2014, primarily through reductions in rent costs. The Commission will provide a detailed response to that report under separate cover.

Import Injury Investigations Caseload

Summary of Import Injury Investigations, FY 2009-2015

Import Injury Investigations	Instituted							Completed						
	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Preliminary Title VII	15	3	8	8	13	10	10	10	8	8	7	9	14	10
Final Title VII	8	12	2	12	5	15	10	13	11	6	8	7	9	14
Other	2	0	2	0	1	1	1	3	0	2	0	1	1	1
Full Review	8	9	12	7	10	7	10	5	10	9	9	10	8	8
Expedited Review	3	8	19	9	9	13	15	4	8	12	17	3	19	11
Total	36	32	43	36	38	46	46	35	37	37	41	30	51	44

Import Injury Investigations, by Month, for October 2009 through December 2013

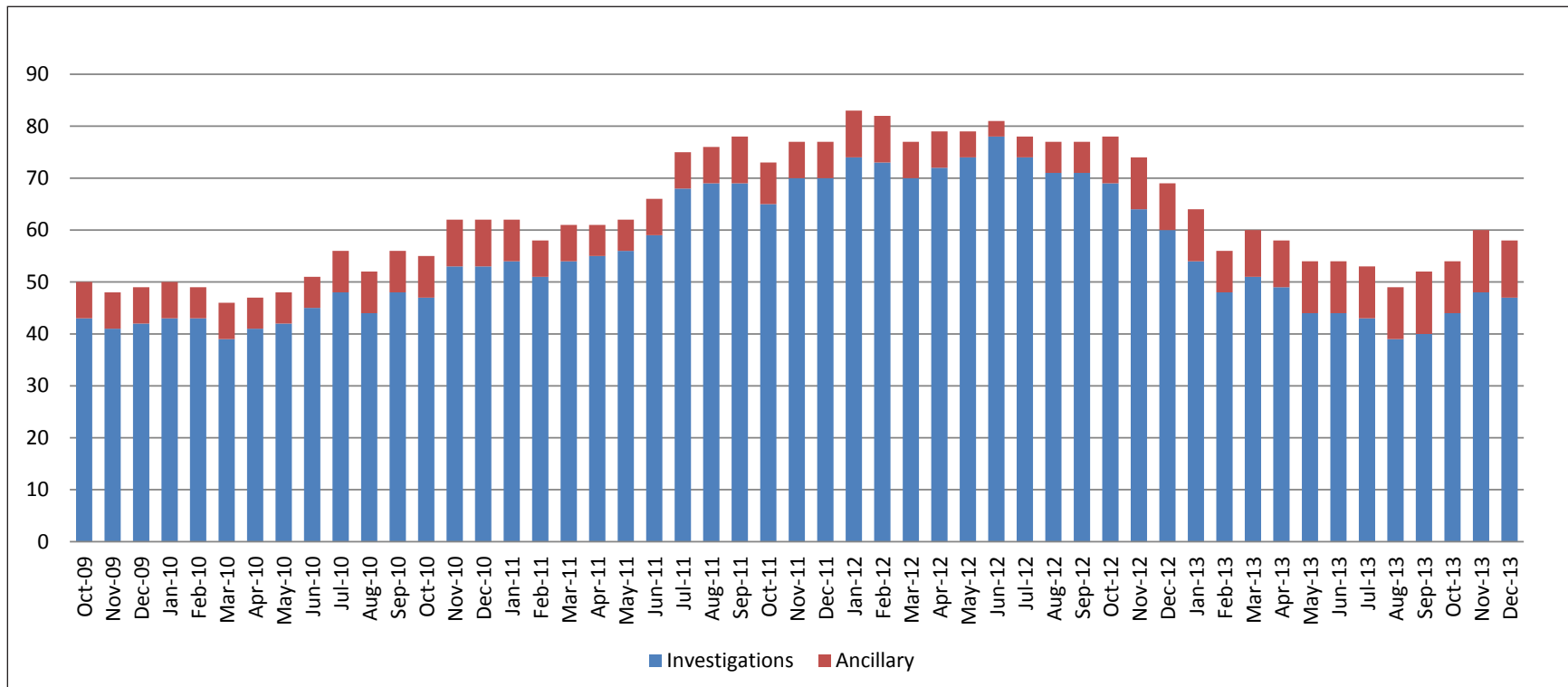


Unfair Import Investigations Caseload

Summary of Unfair Import Investigations and Ancillary Proceedings, FY 2009-2015

Status	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Instituted	37	58	78	56	52	52	52
Completed	43	52	58	57	72	55	52

Active Unfair Import Investigations, by month, for October 2009 through December 2013

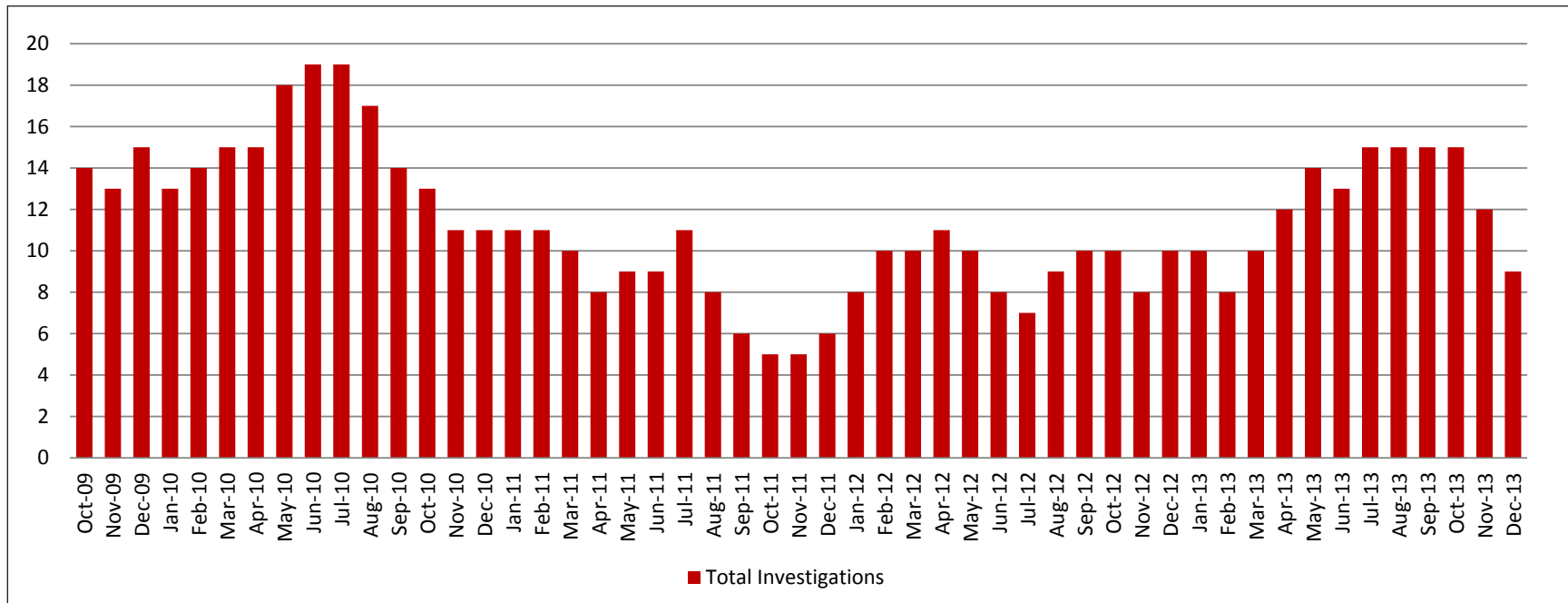


Industry and Economic Analysis Investigations Caseload

Summary of Industry and Economic Analysis Investigations, FY 2009-2015

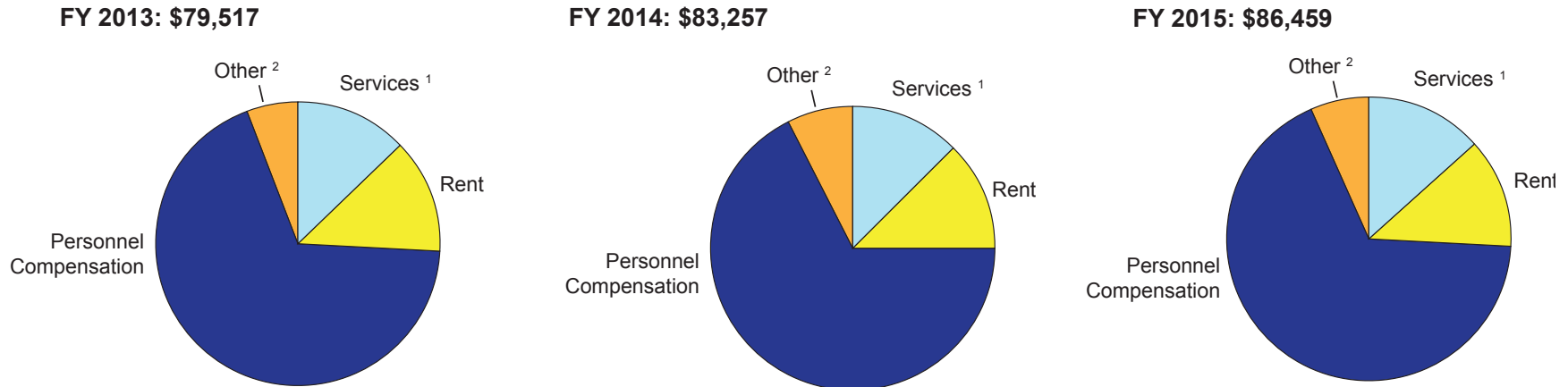
Status	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Instituted	9	16	8	9	10	11	10
Completed	10	13	11	6	12	11	10





Active Industry and Economic Analysis Investigations, by month, for October 2009 through December 2013



Dollar Cost: Comparison by Object Classification, Fiscal Years 2013-2015

(Dollar Amounts in Thousands)



CATEGORY OF OBLIGATION	FY 2013 Actual		FY 2014 Estimate		FY 2015 Request	
	Dollars	Percent of Total	Dollars	Percent of Total	Dollars	Percent of Total
1. Personnel Compensation 	\$54,467	68.5%	\$56,070	67.4%	\$58,472	67.7%
2. Rent 	10,336	13.0%	10,599	12.7%	10,805	12.5%
3. Services ¹ 	10,256	12.9%	10,419	12.5%	11,613	13.4%
4. Other ² 	4,458	5.6%	6,169	7.4%	5,569	6.4%
TOTAL	\$79,517	100.0%	\$83,257	100.0%	\$86,459	100.0%

Note: Dollars may not add due to rounding in this and subsequent charts.

¹ Services include, but are not limited to, obligations for contractor staff (IT service desk; security guards; financial management, internal controls, and financial audits), software licenses, and equipment maintenance.

² Other includes budget object classes such as equipment, supplies, communications and equipment rental, travel, training, printing and reproduction, land and structures, postage and contractual mail, and transportation.

Analysis of Change by Object Classification, Fiscal Years 2013-2015

(Dollar Amounts in Thousands)

	FY 2013 Actual Obligations	FY 2014 Estimate	FY 2015 Request	FY 2014-2015 Change	Percentage Change
Personnel Compensation	\$54,467	\$56,070	\$58,472	\$2,402	4.3%
Non-personnel Obligations					
Rent	\$10,336	\$10,599	\$10,805	\$206	1.9%
Services	10,256	10,419	11,613	1,194	11.5%
Supplies	1,625	1,792	1,839	47	2.6%
Equipment	1,022	2,111	1,488	-624	-29.5%
Travel	393	415	533	118	28.3%
Training	371	596	468	-128	-21.4%
Communications and Equipment Rental	401	743	889	146	19.6%
Transportation	18	17	17	0	0.3%
Postage	41	69	69	0	0.0%
Land and Structures	353	100	0	-100	-100.0%
Printing and Reproduction	233	325	267	-58	-17.8%
Subtotal Non-personnel Obligations	\$25,050	\$27,187	\$27,987	\$801	2.9%
Total Obligations	\$79,517	\$83,257	\$86,459	\$3,202	3.8%

Summary of Increases/Decreases from the FY 2014 Estimate

Personnel Cost Change

(Dollar Amounts in Thousands)

Personnel Costs. +\$2,402

Personnel costs are expected to increase by \$2.4 million, or 4.3 percent, as a result of hiring seven full-time staff (net increase after replacing departures), the proposed one percent pay raise effective January 1, 2015, the normal cost of promotions and within-grade increases, and benefits and health insurance cost increases.

Non-Personnel Cost Changes

Rent. +\$206

Rent costs are expected to increase marginally by 1.9 percent to accommodate escalations in real estate taxes and operating costs included in the leases.

Services +\$1,194

Services costs are expected to increase by \$1.2 million, or 11.5 percent, to support several critical investments including a database for improved management of import injury investigations, continuation of the upgrade to software the agency uses to integrate international trade statistics with complex tariff and customs treatment (DataWeb), economic consulting services, the recent government-wide Information Security Continuous Monitoring cyber security requirement, improvements to the agency's financial reporting system, and a document management system.

Supplies **+\$47**

Supplies costs are expected to increase by \$47 thousand, or 2.6 percent, primarily for data purchases to support research requirements.

Equipment **-\$624**

Equipment costs are expected to decrease by \$624 thousand, or 29.5 percent, because of one-time equipment replacement purchases that will be completed in FY 2014.

Travel **+\$118**

Travel costs are expected to increase by \$118 thousand, or 28.3 percent, to accommodate workload increases and increased staff, the Administration's ambitious trade agenda, and continued congressional interest in trade issues.

Training **-\$128**

Training costs are expected to decrease by \$128 thousand, or 21.4 percent, primarily as a result of increased investment in long-overdue training in FY 2014. Emphasis will be placed on licensing, certification, and professional education requirements for new and existing staff. The agency also plans to invest in management, SES, and leadership training and will continue those efforts in FY 2015.

Communications **+\$146**

Communications costs are expected to increase \$146 thousand, or 19.6 percent, primarily for investments in the agency's disaster recovery site.

Postage **\$0**

Postage costs are expected to remain constant.

Land and Structures **-\$100**

Land and structures costs are expected to decrease by \$100 thousand, or 100 percent, as a result of one-time building modifications expected to be made in FY 2014.

Printing and Reproduction **-\$58**

Printing and reproduction costs are expected to decrease \$58 thousand, or 17.8 percent, as a result of one-time expenditures in FY 2014.

Net Non–Personnel Cost Changes **+\$801**

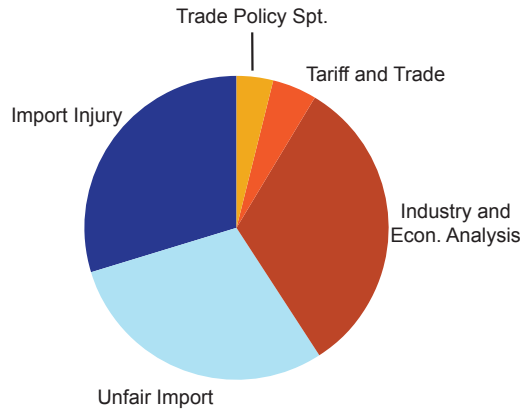
Total Adjustment to Base (\$83,257) **+\$3,202**

Total Budget Request **\$86,459**

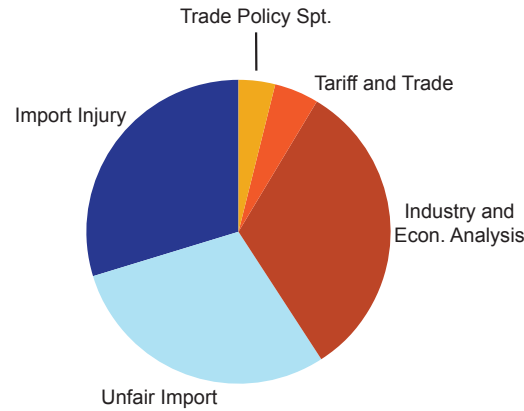
Dollar Cost: Comparison by Strategic Goal, Fiscal Years 2013-2015

(Dollar Amounts in Thousands)

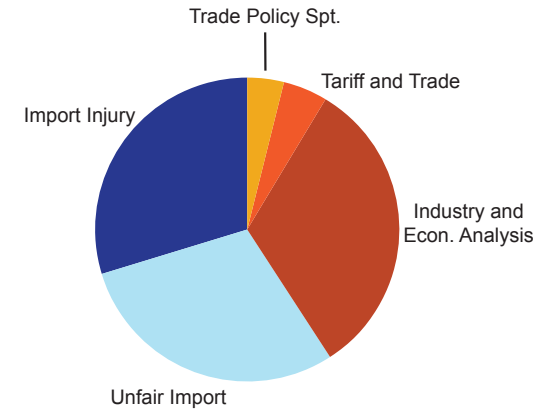
FY 2013: \$79,517



FY 2014: \$83,257

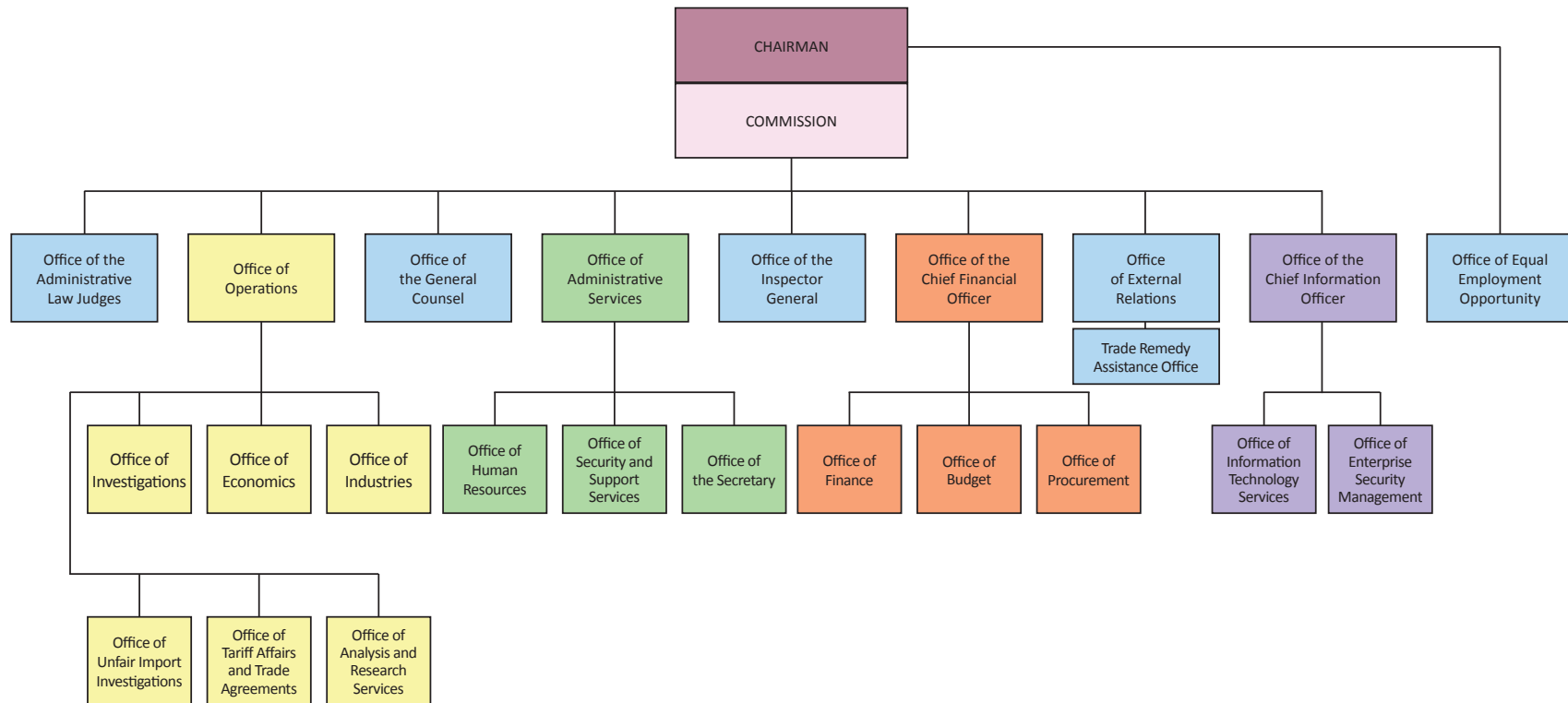


FY 2015: \$86,459



CATEGORY OF OBLIGATION	FY 2013 Actual		FY 2014 Estimate		FY 2015 Request	
	Dollars	Percent of Total	Dollars	Percent of Total	Dollars	Percent of Total
Trade Remedy Investigations (Strategic Goal 1)						
Import Injury	\$23,421	29.5%	\$24,536	29.5%	\$25,482	29.5%
Unfair Import	23,542	29.6%	24,656	29.6%	25,608	29.6%
Tariff, Trade, and Competitiveness-Related Analysis and Information (Strategic Goal 2)						
Industry and Economic Analysis	25,679	32.3%	26,860	32.3%	27,887	32.3%
Tariff and Trade Information Services	3,780	4.8%	3,966	4.8%	4,118	4.8%
Trade Policy Support	3,095	3.9%	3,239	3.9%	3,364	3.9%
TOTAL	\$79,517	100.0%	\$83,257	100.0%	\$86,459	100.0%

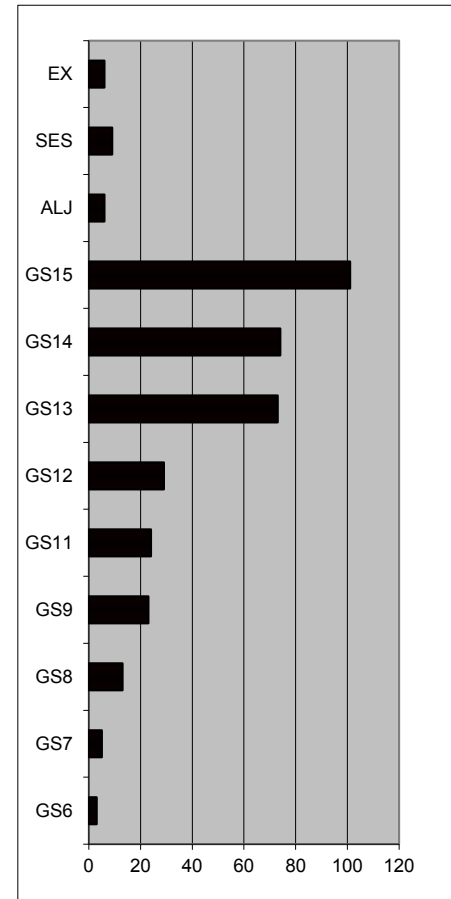
U.S. International Trade Commission Office-Level Organization Chart



Current Permanent and Term Staffing Plan with Onboard and Gaps

Office	FY 2014		
	Permanent and Term Positions in Staffing Plan	Permanent and Term On Board (as of Feb. 21, 2014)	Gap
Commissioners' Offices	32	32	0
External Relations	5	5	0
Inspector General	4	3	1
General Counsel	44	41	3
Administrative Law Judges	24	23	1
Equal Employment Opportunity	2	2	0
Chief Information Officer	31	30	1
Subtotal Independent Offices	142	136	6
Operations	7	5	2
Analysis and Research Services	16	12	4
Import Injury Investigations	31	27	4
Unfair Import Investigations	21	20	1
Economics	42	31	11
Tariff Affairs and Trade Agreements	14	12	2
Industries	84	66	18
Subtotal Operations	215	173	42
Chief Financial Officer	4	4	0
Budget	2	2	0
Finance	9	8	1
Procurement	6	5	1
Subtotal Chief Financial Officer	21	19	2
Administrative Services	5	5	0
Human Resources	8	8	0
Security and Support Services	12	9	3
Secretary and Dockets	16	16	0
Subtotal Administrative Services	41	38	3
Commission Total	419	366	53

Onboard Staff by Grade (as of Feb. 21, 2014)





500 E Street, SW
Washington, DC 20436