

National District Export Council
Steering Committee

ADMINISTRATIVE POLICY
November 1, 2006

The National DEC Steering Committee remains committed to reversing the impact of three programs critically impacting the Commercial Service:

1. OMB directive A-25 and user fees
2. State Department Capital Security Cost Sharing Program (CSCSP)
3. International Cooperative Administrative Support Services (I-CASS)

OMB Directive A-25 and User Fees

1. The Commercial Service may be required to raise fees for the services it provides to American businesses in foreign markets by as much as 300 percent. These services, including “gold key” matchmaking and other support, play a critical role in linking exporters with foreign buyers. The Commercial Service has always charged for these services to partially defray costs, but OMB directives require Commerce to charge full cost for these services.

Trade directors from 25 states reported that up to 30 percent of businesses in their states would no longer be able to afford U.S. Department of Commerce services. The decision also has a direct impact on state budgets as states frequently subsidize the cost of U.S. Department of Commerce for gold key services constituting up to 10 percent of some state trade budgets.

The OMB A-25 directive (full cost recovery) weakens small exporters at a time in which the U.S. trade deficit is soaring to an unprecedented high. It also places unsustainable demands on state budgets.

The National DEC Steering Committee urges Congress to use its oversight powers to address this serious issue and, if necessary, seek a permanent exemption to allow the U.S. Department of Commerce to provide the services at the previously established rates.

CSCSP – Capital Security Cost Sharing Program

2. The CSCS program is a cost sharing mechanism to distribute the construction costs for new embassies and consulates to all Departments and agencies with an overseas presence based on a per capita charge. While it is reasonable for the cost of embassy enhancements to be shared by all government agencies occupying the embassy, this should not occur at the expense of the efforts to assist U.S. businesses to be competitive in overseas markets.

Present budget requests include funds sufficient to cover the cost of obligations under CSCSP. However, the amount is not currently designated as a line-item appropriation. In order to insure that these funds go to the Commercial Service and are used solely for their intended purpose, and not misdirected, as has happened in the past, **a line-item designation is imperative.**

Here is an opportunity for the DECs and their individual members to monitor this legislation and to work with their congressional members to insure that this line-item designation is included.

The annual CSCSP cost allocation is scheduled to escalate through FY09, and then remain level through FY18. As a result, funding for CSCSP obligations will remain an on-going issue at least through FY18.

The State Department is authorized to recalculate the total costs of the construction program at three-year intervals, and increase the per capita charge accordingly.

The General Accountability Office (GAO) has been critical of the management of the embassy construction program, with delays and cost increases due to, among other things, poor program planning and inadequate contractor performance.

Here is a second opportunity for DECs and their individual members to work with their congressional members: insure that adequate provisions are installed so that any cost increases due to mismanagement or inadequate supervision by the State Department are not passed through to the Commercial Service under this recalculation provision.

I-CASS – International Cooperative Administrative Support Services

I-CASS is a mechanism by which the U.S. Government delivers administrative support services at more than 250 overseas missions. These costs are divided among more than 50 agencies and sub-agencies whose staff is assigned to these missions.

Basic administrative support services required to operate a U.S. Mission are building operations, security, transportation, health, procurement, financial, human resources, information, and travel, among others.

The Commercial Service's I-CASS costs have risen despite withdrawing from many services, and consolidating and closing posts. According to the GAO, *“Embassy management actions are needed to increase efficiency and improve delivery of administrative support services.”*

I-CASS has not resulted in more efficient delivery of administrative support services because it has neither eliminated duplication nor led to efforts to contain costs by systematically streamlining operations.”

The Commercial Service saw an increase in I-CASS costs of 21 percent between FY 2002 and FY 2006, despite a withdrawal from services, and the consolidation and closing of posts, which the Commercial Service took as a cost-containment measure.

Here is an additional opportunity for DEC's and their individual members to work with their congressional members to provide significant oversight on the entire I-CASS process.