



Committee: Senate Appropriations Subcommittee on Commerce, Justice, Science & Related Agencies
Event: [A Review of the President's Fiscal Year 2027 Budget Request for the Department of Commerce](#)
Date: April 22, 2026

Executive Summary: On Wednesday, April 22, 2026, the Senate Appropriations Commerce, Justice, Science & Related Agencies Subcommittee held a hearing to review the [President's Fiscal Year 2027 Budget Request](#) for the Department of Commerce (Commerce) with Commerce Secretary **Howard Lutnick**. The request represents a 12.2 percent reduction in funding for the department, sparking significant bipartisan concern from the Committee on impacts to economic development, research, and broadband deployment efforts. Democrats also pressed Lutnick on ethics concerns, tariff policy, and export controls on advanced technologies.

Member Toplines:

[Chair Jerry Moran \(R-KS\)](#): Moran expressed serious concern over the proposed budget's elimination of the Manufacturing Extension Partnership (MEP) and of the Economic Development Administration (EDA). He argued these programs are vital for small businesses and rural economies. Moran praised proposed increases to the International Trade Administration and Bureau of Industry & Security (BIS).

*Ranking Member Chris Van Hollen (D-MD)*¹: Van Hollen strongly criticized Lutnick for ignoring multiple congressional letters and inquiries, including requests for records regarding his relationship with Jeffrey Epstein and questions about a \$1.6 billion federal investment in USA Rare Earth, a deal apparently brokered by Lutnick's family's firm, Cantor Fitzgerald. Van Hollen criticized the FY27 budget proposal as a repeat of the FY26 budget proposal, much of which Congress rejected. He specifically highlighted severe cuts to the National Institute of Standards and Technology (NIST), the National Oceanic & Atmospheric Administration, and the elimination of the EDA and MEP.

Witness Toplines:

[Howard Lutnick, Secretary, Department of Commerce](#): Lutnick championed the administration's economic record, citing private capital investments in domestic semiconductor manufacturing and energy projects. He defended President **Donald Trump's** aggressive tariff policies as necessary to reshore critical industries, such as steel, aluminum, copper, autos, and pharmaceuticals.

Major Takeaways:

Manufacturing and Economic Development (MEP & EDA)

- Sens. Moran, **Shelley Moore Capito** (R-WV), **Susan Collins** (R-ME), **Chris Coons** (D-DE), and **Kirsten Gillibrand** (D-NY) all challenged the proposed elimination of MEP and EDA.

¹ The opening statement of Ranking Member Van Hollen was unavailable at the time of this memo's distribution.

- Lutnick justified the MEP elimination by citing Commerce Inspector General (IG) reports identifying mismanagement and argued that the program, which was set up in the late 1980s, needs to be modernized for advanced manufacturing.
- He expressed interest in working with Congress on solutions to continue supporting small businesses and rural development.
- Moran said he plans to invite the IG to speak with the Committee directly on MEP so they can work on bipartisan fixes to the program.

Artificial Intelligence (AI) and Advanced Technology

- Sen. **Brian Schatz** (D-HI) criticized Commerce's failure to meet its March 11 deadline under [Executive Order \(EO\) 14365](#) to publish an analysis of state AI regulations that may conflict with the EO. Lutnick did not provide clarity on a timeline for that analysis.
- Sens. **Jeanne Shaheen** (D-NH) and Coons expressed alarm over the administration's approval of powerful AI chips, such as the H200, for export to China.
 - Lutnick stated the U.S. is not selling its absolute best chips (Blackwell) to China. He added that the Chinese government has not yet allowed its cloud companies to purchase H200 chips.
- Van Hollen pressed Lutnick on whether BIS will reinstate the "affiliates rule" to prevent Chinese companies from evading U.S. export controls. Lutnick acknowledged it as a smart policy but deferred to Treasury Secretary **Scott Bessent** and U.S. Trade Representative **Jamieson Greer**, who are leading negotiations with China, on its reinstatement.
- Sen. **Jack Reed** (D-RI) criticized budget cuts to NIST's work on quantum computing. Lutnick said Commerce's goal is to encourage private investment in quantum technologies, which will be supported by the CHIPS Office.
 - Gillibrand argued that private companies don't have the same national security priorities as the government and that quantum computing efforts should continue to be driven by the government.

Critical Minerals

- Reed asked Lutnick how Commerce is working with the Department of Defense and the Export-Import Bank on critical mineral supply chains. Lutnick said the White House regularly holds interagency meetings to coordinate critical mineral efforts and praised his department's CHIPS Office for their work on such efforts.

Trade, Tariffs, and Foreign Relations

- Shaheen criticized Lutnick for his recent comments saying Canada's economic strategies "suck." Lutnick argued Canada treats the U.S. unfairly regarding dairy and spirits.
- Gillibrand challenged Lutnick on the administration's tariffs, arguing they are a significant burden on small businesses and domestic manufacturers. Lutnick strongly defended tariffs as necessary to force companies to build in America. He deferred questions on tariff refunds to Customs & Border Patrol and the Department of Homeland Security.
- Moran asked for an update on how BIS spent its increased FY26 budget. Lutnick said the bureau is on track to recover more in fines than it has spent and said the increased funding was directed to export control enforcement efforts.
- Moran also asked Commerce to review countervailing duties placed on phosphate fertilizer, given rising fertilizer costs. Lutnick said those duties were imposed by the Court of International Trade, not directly by his department.

Oversight and Ethics

- Van Hollen questioned Lutnick on his relationship with Epstein and with USA Rare Earth. Van Hollen said that the USA Rare Earth CEO said publicly the deal originated from a conversation between herself and Lutnick, with “no formal application, no public solicitation and no competitive process.”
 - Lutnick said the company was introduced to him by an investment banking colleague and that he referred it to the CHIPS Office to evaluate and pursue a deal. He agreed to “take another look” at a [letter](#) from Van Hollen questioning Cantor Fitzgerald’s involvement in the deal.
 - On his relationship with Epstein, Lutnick deferred questions to his upcoming voluntary appearance before the House on the subject.
- Van Hollen also said he would submit questions for the record about the interactions among Newmark Group, Blue Owl Capital, and the U.S. government on data center investments.