LOTSIXTEEN

Committee: House Committee on Foreign Affairs
Event: [FY27 BIS Budget: the AI Arms Race and the ICTS Office](#)
Date: July 14, 2026

Executive Summary:

On Tuesday, July 14, the House Committee on Foreign Affairs held a hearing to discuss the Fiscal Year 2027 (FY27) budget request for the Department of Commerce's (DOC) Bureau of Industry and Security (BIS) and the Office of Information and Communications Technology and Services (OICTS). There was bipartisan agreement on the importance of preventing American artificial intelligence (AI) technology from falling into the hands of foreign adversaries and the need for a strong BIS to strengthen national security. However, Members diverged on the current BIS office's level of success, citing inconsistencies in licensing and a decline in the number of entities added to the entity list.

Member Toplines[1]:

Chairman Brian Mast (R-FL-21): Mast spoke in support of the FY27 BIS budget request, praising BIS's successes, but highlighted that more work needs to be done regarding the entity list, smuggled Nvidia Blackwell chips, and stopping chipmaking tools from reaching China. He emphasized the importance of beating China in the AI arms race and stated that BIS is an essential tool at the forefront of the AI war.

Ranking Member Gregory Meeks (D-NY-05): Meeks expressed concern regarding BIS's recent work, citing mismanagement of export controls, weakened license safeguards, and a decrease in entities added to the entity list. He highlighted that the budget request reinforces the agency's focus on enforcement, which has contributed to a lack of new rules. Meeks was unsupportive of the increased budget request, arguing that BIS has failed to use the authorities and resources already available and has lacked transparency, accountability, and consistency.

Witness Toplines:

Jeffrey Kessler, Under Secretary of Commerce for Industry & Security, DOC: Kessler requested a 147 percent increase in FY27 funding for BIS, citing an expansion of cases and the program's success. He explained that the proposed budget supports increased hiring to match the increase in workload. He emphasized the importance of national security and pledged to revitalize critical industries and infrastructure. Kessler also highlighted that OICTS did not request increased FY27 funding as the office's workload is steady.

Major Takeaways:

[1] The opening remarks of Chair Mast and Ranking Member Meeks were unavailable at the time of this memo's distribution.

AI / Chip Making

- Rep. **Pramila Jayapal** (D-WA-07) shared concerns over the fairness of export licensing due to the current case-by-case reviews. She inquired about future commitments to issuing rules in the Federal Register with clear guidelines that apply to all AI companies and models. Rep. **Randy Fine** (R-FL-06) asked if there were plans to replace the Framework for Artificial Intelligence Diffusion.
  - Kessler replied that there were no current plans to replace the Rule and emphasized that he expects further chips and AI regulation.
- Rep. **Darrell Issa** (R-CA-48) shared concerns about the U.S. AI chip maker industry becoming global leaders when they are cut off from half the market due to China's ownership of utilization and assembly.
- Rep. **Joaquin Castro** (D-TX-20) and Kessler agreed that the Chinese military and affiliated entities should not be able to access U.S. AI chips for the purpose of training Chinese AI models.

Trade / Export Controls

- Chair Mast asked if BIS had worked to align allied and U.S. export controls of AI chipmaking equipment. Rep. **Young Kim** (R-CA-40) specifically requested an update on BIS's progress regarding alignment with Japan and the Netherlands.
  - Kessler replied that there has been cooperation with foreign governments on export controls, but talks with Japan and the Netherlands remain incomplete.
- Rep. **Andy Barr** (R-KY-06) inquired about alignment between the BIS entity list and other federal lists so that the export control system can work in tandem with outbound investment.
  - Kessler agreed it was important and attested to ongoing interagency collaboration.
- Rep. **Joe Wilson** (R-SC-02) expressed support for further easing of export controls so U.S. companies can increase exports to Syria. Kessler stated that he wants to encourage more exports to the country and increase trade and investment through export controls.
- Reps. **Greg Stanton** (D-AZ-04) and **Gabe Amo** (D-RI-01) expressed frustration about the long export licensing wait and processing times.
  - Kessler stated that the BIS no longer rubber-stamps licenses that involve serious national security equities and instead argued that processing times have stayed relatively the same since the Biden administration.
- Reps. **Madeleine Dean** (D-PA-04) and **Julie Johnson** (D-TX-32) expressed concern at the lack of new additions to the foreign entity of concern list.
- Rep. **Jim Costa (D-CA-21)** voiced his frustration that the Trump administration had dropped off in using U.S. export controls against Russia and had allowed shipments of H200 chips to China.
  - Kessler emphasized that BIS is continuing to enforce export controls and acknowledged that stronger enforcement is needed. He noted that only a small number of shipments were exported to China.
- Reps. Costa and **Wesley Bell** (D-MO-01) expressed support for more export control officers. Kessler agreed. When the members emphasised the need for officers to be

placed in China and Russia, Kessler replied that placement was undecided as officers are needed in several countries.