

DEPARTMENT OF COMMERCE

Since 2001, the Administration:

- Promoted a free-trade agenda, under which free trade agreements have been signed or completed with 14 countries, and U.S. exports have grown by \$200 billion—benefiting businesses of all sizes and American consumers;
- Improved the quality and timeliness of key information about the economy; and
- Improved weather forecasts by expanding observations and investing in forecast model improvements. For example, the average lead time for tornado warnings has improved by 30 percent since 2001.

The President's Budget:

- As part of the President's 10-year American Competitiveness Initiative, advances technological innovation by supporting standards development and research in areas including nanotechnology, hydrogen fuels, and quantum computing;
- Increases and better targets economic development assistance through the Economic Development Administration as part of the Strengthening America's Communities Initiative;
- Further expands trade opportunities; and
- Improves weather and climate forecasting to benefit public safety and economic growth.

FOCUSING ON THE NATION'S PRIORITIES

Improve U.S. Competitiveness through Technological Innovation, International Trade, and Economic Development

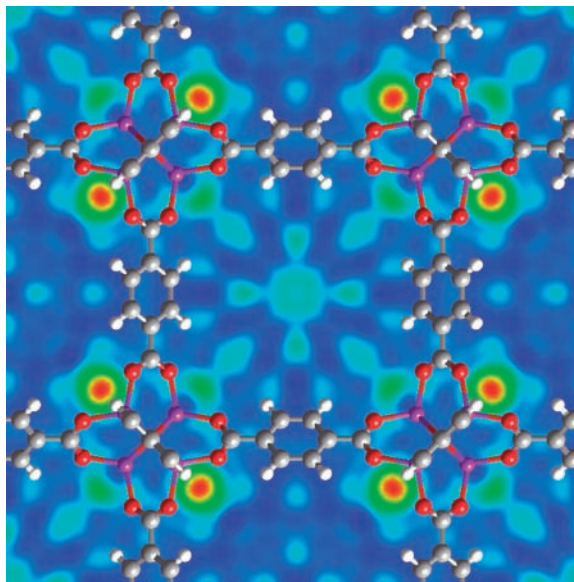
The President's 2007 Budget includes increases for Department of Commerce programs that foster U.S. leadership in science and technology. The Budget also sustains key programs at the Department that advance economic growth—international trade opportunities for businesses, fundamental information about the economy and population used by businesses and all levels of government, and economic development for our communities.

Increasing Physical Science Investment

As part of the President's 10-year American Competitiveness Initiative that significantly increases Federal funding for physical science research, NIST will target \$535 million in 2007 for key investments that promote U.S. innovation and global competitiveness. These investments will improve our ability to cost-effectively manufacture products at a nano scale; expand NIST's neutron facility to better characterize materials in high growth research fields; address technological barriers to hydrogen storage, distribution, and fuel cell fabrication; and improve our understanding of quantum information science that has the potential to dramatically improve computer processing speeds and enable more secure communications.

The National Institute of Standards and Technology (NIST) promotes U.S. innovation and competitiveness by advancing measurement science, standards, and technology in ways that enhance economic growth and improves our quality of life. Three NIST scientists have received Nobel prizes in the last decade for fundamental breakthroughs in physical science research.

The Patent and Trademark Office (PTO) furthers intellectual property through the issuance of patents and registration of trademarks. This protection encourages technological advancement by providing incentives to invent, invest in, and disclose new technology worldwide, as well as assisting businesses in protecting their investments, promoting quality goods and services, and safeguarding consumers against confusion and deception in the marketplace. The President's Budget provides PTO full access to its fees and supports a 10-percent funding increase for the patent and trademark programs, to continue to improve the processing times and quality of patents and trademarks.



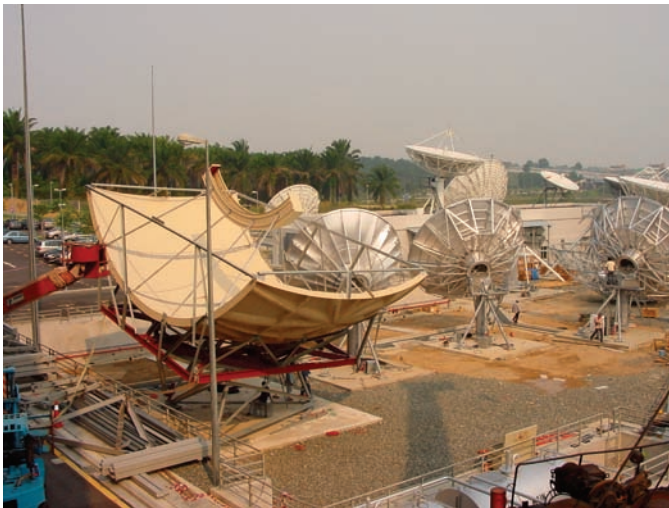
As part of the American Competitiveness Initiative, NIST will conduct fundamental research to enable the use of hydrogen as a fuel. This image indicates how hydrogen atoms attach to a special form of titanium oxide that shows promise as a material for hydrogen storage.

Curbing Intellectual Property Piracy

Intellectual property (IP) theft poses a serious threat to U.S. businesses. The President's Budget sustains support for initiatives to curb IP crime and strengthen enforcement as part of the Strategy Targeting Organized Piracy (STOP!). PTO and ITA are working with other agencies to reduce global trafficking in counterfeit and pirated products, including working to prevent such products from entering our borders, and helping American businesses secure and enforce their rights in the global marketplace. PTO has launched a nationwide program to help small businesses better identify and address their IP protection needs. Through its Global Intellectual Property Academy, PTO also provides technical assistance to our trading partners in developing and maintaining IP systems and enforcement. ITA created an Office of Intellectual Property Rights (IPR) Enforcement, which aggressively enforces trade agreements with specific attention to IPR.

Improving international trade opportunities is important for U.S. economic growth and competitiveness. The International Trade Administration (ITA) helps open and expand foreign markets for U.S. goods and services. The Budget provides funding to facilitate fair competition in international trade, and to increase the number of U.S. firms that are exporting for the first time or are entering new markets. ITA is working closely with the United States Trade Representative and other agencies to ensure that our trading partners honor their World Trade Organization commitments and U.S. companies benefit from opportunities for greater market access. ITA also works to develop free trade agreements with other nations, to eliminate barriers to U.S. products and greatly improve U.S. competitiveness. The 2007 Budget also supports Department of Commerce participation in the Asia-Pacific Partnership, to promote the use of cleaner energy technologies in this rapidly growing region.

Expanding Trade Opportunities



Satellite antennas manufactured by Antenna Technologies Corporation, Inc. of Arizona.

Antenna Technologies Corporation, Inc. (ATCi), is a small satellite communications technology company in Arizona that manufactures a multi-beam antenna, which allows customers to receive signals from up to 35 satellites simultaneously. ATCi technologies are used in broadcasting industry and other commercial and Government applications. ATCi wanted to expand its international business, and turned to ITA's U.S. Export Assistance Center in Phoenix for help in crafting international market entry strategies. ATCi participated in export assistance programs offered by ITA—including teleconferencing, the Gold Key Matching Service, international seminars, and catalog shows—that helped facilitate meetings with international delegates, agents and distributors, and led to

partnerships that boosted exports from less than 5 percent to more than 33 percent of ACTi's sales. With this assistance, ATCi products are now being exported to Europe, Asia, Africa, and South America.

FOCUSING ON THE NATION'S PRIORITIES—Continued

Protecting American security, while advancing economic growth and trade, is the goal of the Bureau of Industry and Security (BIS). BIS controls the export of sensitive commodities and technologies to prevent the proliferation of weapons of mass destruction and halt the spread of weapons to terrorists and countries of concern. The Budget funds export control and enforcement activities for these purposes.

Accurate and timely information about U.S. economic and demographic conditions is necessary for business and government decisions. Information compiled by the Bureau of Economic Analysis (BEA) and the Census Bureau is closely watched by business leaders, policymakers, and the American public. BEA calculates the Gross Domestic Product and related essential economic measures. The 2007 Budget includes funding for BEA to continue to produce timely and accurate economic data. The Census Bureau conducts economic and demographic surveys and censuses. The Budget provides increases for the Census Bureau to continue its reengineering efforts for the 2010 Census. This includes planning and testing to contain costs and to improve the efficiency of data collection activities. The Budget also provides the necessary resources for the 2007 Economic Census, which will allow the Bureau to produce comprehensive statistics on the U.S. economy.

To make economic development efforts more effective, consolidate duplicative programs, and improve efficiency, the Budget proposes the Strengthening America's Communities Initiative. As part of this broad reform effort, the Economic Development Administration (EDA) will shift its focus to promoting regional economic development solutions in distressed communities that further innovation and global competitiveness. The Initiative is discussed in more detail later in this chapter.

Advance the Ability to Observe, Protect and Manage the Earth's Resources

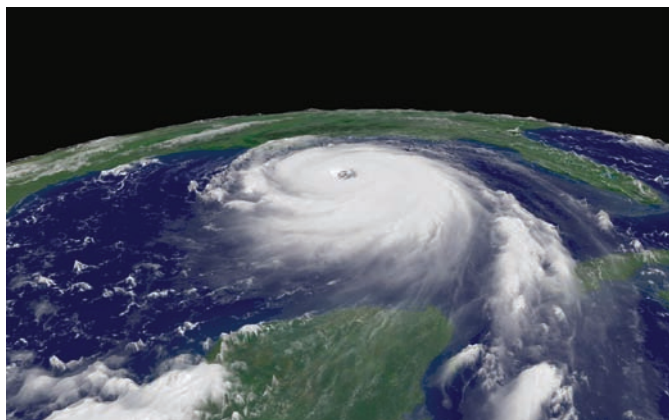
The 2007 Budget supports key programs in the National Oceanic and Atmospheric Administration (NOAA) that observe and predict changes in the earth's environment and manage our ocean and coastal resources.

NOAA provides high quality, timely weather forecast information to protect lives and property. During the 2005 hurricane season, the busiest on record, NOAA provided important forecasting information about the path and intensity of hurricanes. The President's Budget provides increases for weather forecasting activities to ensure continuing improvements in this important area. The Budget also provides planned increases of over \$110 million for continued development and acquisition of weather satellites.

In response to the devastating tsunami that hit Southeast Asia in December 2004, NOAA developed an improved Tsunami Warning and Mitigation System to strengthen tsunami detection and warning for at-risk U.S. communities. NOAA is also working with other Federal agencies to provide technical assistance to improve tsunami warning capability for other nations and ensure interoperability between the United States' system and other tsunami warning systems. The 2007 Budget supports increases for deployment of additional advanced technology deep-ocean buoy stations and tsunami inundation mapping, modeling, and forecast efforts.

The Budget enhances activities within the climate program that are aligned with the strategic programs of the President's Climate Change Research Initiative. These include expanded monitoring of carbon sources and sinks and more integrated information about water supply for improved drought management and planning. The Budget also supports continued implementation of the global ocean observing system to improve climate monitoring and forecasts.

Hurricane Prediction and Response



Satellite image of Hurricane Katrina prior to landfall.

Many of NOAA's capabilities were directly involved in the recent unprecedented series of storms in the Gulf of Mexico. NOAA provided high quality hurricane forecasts and warnings to local emergency managers. Long-term research efforts, expanded observations, modeling improvements, and computational resources have led to NOAA's current weather predictive capabilities. The Administration requested and received supplemental funding in 2006 to further enhance the quality of hurricane forecasts. NOAA also assesses damage from storms and evaluates waterways to assist dredging operations, allowing ports and waterways

affected by storms to re-open faster. Furthermore, NOAA assesses the impact of storms on area fisheries, supports hazardous materials containment and abatement efforts, and provides data necessary for post-storm recovery operations.

New investments and program improvements within NOAA are also aimed at strengthening our knowledge and management of ocean resources in support of the President's U.S. Ocean Action Plan. For example, proposed reforms to the Coastal Zone Management Program will provide additional grant funding on a competitive basis that supports State, regional, and national priorities. The Budget also provides funds to improve management of the Nation's fisheries. Market-based approaches—such as Dedicated Access Privilege systems (DAPs) that provide exclusive privileges to harvest a quantity of fish—move fisheries management away from cumbersome and inefficient regulatory practices and have been shown to lead to lengthened fishing seasons, improved product quality, and safer fishing conditions. The Administration has set a goal of doubling the number of DAPs in use by the year 2010.

The Budget also proposes increases for fisheries research and management programs in the Gulf of Mexico. The fishing industry and the natural resources it depends on were significantly damaged by Hurricanes Katrina and Rita. The proposed increases will help provide a solid base to start restoring and rebuilding these assets and promote sustainable fisheries in the region.

FOCUSING ON THE NATION'S PRIORITIES—Continued

Cooperative Conservation: Open Rivers Initiative



The Henniker dam in New Hampshire before removal.



The Henniker dam during removal.

To help repair vital riverine ecosystems, benefit communities, and enhance populations of key species, the Budget supports an Open Rivers Initiative to remove small, obsolete dams like the one shown here in New Hampshire. This initiative would provide \$6 million for a competitive grant program in NOAA focused on community-driven small dam and river barrier removals in coastal States. These efforts are expected to provide an economic boost for communities, enhance public safety, and improve populations of key species such as striped bass and salmon. The Budget also provides \$5 million for the U.S. Fish and Wildlife Service and \$10 million for the Natural Resources Conservation Service to complement these goals.

RESTRAINING SPENDING AND MANAGING FOR RESULTS

Economic Development Reform

The 2007 Budget seeks to reform and improve the Federal Government's economic development activities by consolidating duplicative programs and targeting funding to those communities most in need. To carry out these principles, the 2007 Budget proposes to implement the Strengthening America's Communities Initiative (SACI) in the Departments of Commerce and Housing and Urban Development (HUD). The initiative includes consolidation of several economic development programs, which will allow communities to avoid having to navigate a confusing maze of Federal programs to receive funding, and gives EDA a new focus on awarding grants to those projects that have the potential for regional impacts. EDA will also have the ability to focus additional resources on distressed communities, while also carrying out assistance to communities affected by the recent Base Realignment and Closure Commission decisions. As discussed in the HUD chapter, SACI also includes proposed reforms to the Community Development Block Grant program. The Department of the Treasury will continue to operate the New Markets Tax Credit program, and will work with Commerce and HUD to develop and apply a common set of performance measures and goals for all Federal community and economic development programs.

Spending Discipline

The commitment to spending discipline requires shifting resources away from low-performing and lower priority programs. The 2007 Budget proposes to terminate the Advanced Technology Program (ATP), a program that provided grants to businesses to help develop new technologies for commercial use. Given the growth of venture capital and other financing sources for high-tech projects, there is little evidence of the need for this Federal program. This proposal is also consistent with recent congressional action on ATP—providing \$136 million in 2005 with no funding for new grants, and \$79 million in 2006, to cover existing grants and enable close-out. The Budget also reduces funding for the Manufacturing Extension Partnership (MEP) program by \$59 million from the enacted level because the program has evolved to a stage where less Federal support is required, and MEP offers services that are also provided by private entities.

The Administration supports competitively awarded, merit-based funding of science programs. The 2007 Budget does not provide funding for continuation of over \$120 million in unrequested, unrelated construction project earmarks in NIST and over \$400 million in unrequested funding in NOAA that were appropriated in 2006.











The 2007 Budget proposes to terminate the Public Telecommunications Facilities, Planning and Construction program, as this program is duplicative of other programs that provide grants for telecommunications infrastructure.

The Emergency Steel Loan Guarantee Act of 1999 provided funding for Federal guarantees of up to 95 percent on loans by private lenders to financially troubled steel firms. As there has been little demand for the program, the 2007 Budget proposes rescinding \$49 million from this program. This is consistent with the termination of the Emergency Oil and Gas Guaranteed Loan Program in 2002.



RESTRAINING SPENDING AND MANAGING FOR RESULTS—Continued

Update on the President’s Management Agenda

The table below provides an update on the Department of Commerce’s implementation of the President’s Management Agenda as of December 31, 2005.

	Human Capital	Competitive Sourcing	Financial Performance	E-Government	Budget and Performance Integration
Status					
Progress					

The Commerce Department is working to implement a new multi-tiered personnel appraisal system that makes meaningful distinctions in employee performance and is linked to achieving Commerce’s mission and goals. In addition, the Department has implemented leadership development and certificate programs for employees at all levels, which will improve leadership and technical competencies to ensure a high performing organization. The Department has continued to improve its main financial system, the Commerce Business System, and has developed an implementation plan to respond to the new financial requirements. In E-Government, Commerce continues to work to create a seamless environment to assist exporters to research current and potential markets, gather trade leads, and secure the majority of their Federal resource needs online through *www.export.gov*. Commerce also continues its efforts to improve Department-wide information technology security by improving the quality of its certification and accreditation packages for national and mission critical systems. Over the past three years, over half of Commerce’s programs have received Effective or Moderately Effective ratings in Program Assessment Rating Tool evaluations and Commerce has been working to improve performance and efficiency.

Initiative	Status	Progress
Faith-Based and Community Initiative		
<p>A Faith-based and Community Initiative center was created in the Department in 2005. Commerce’s major activities in support of the initiative include beginning a pilot program to promote philanthropic activities in corporate America.</p>		

Department of Commerce
(In millions of dollars)

	2005 Actual	Estimate	
		2006	2007
Spending			
Discretionary Budget Authority:			
Departmental Management:			
Salaries and Expenses	48	47	57
Emergency Guaranteed Loan Program accounts.....	—	—	-49
Headquarters Renovation.....	—	—	18
National Intellectual Property Law Enforcement Coordinating Council.....	2	—	1
Office of the Inspector General.....	22	22	23
Subtotal, Departmental Management.....	72	69	50
Economic Development Administration.....	286	280	327
Bureau of the Census.....	745	801	878
Economics and Statistics Administration.....	79	79	80
International Trade Administration.....	403	398	409
Bureau of Industry and Security.....	67	75	79
Minority Business Development Agency.....	30	30	30
National Oceanic and Atmospheric Administration (NOAA):			
Operations, Research and Facilities.....	2,850	2,784	2,668
Procurement, Acquisition and Construction.....	1,037	1,069	1,024
Other accounts.....	19	-3	-11
Subtotal, NOAA.....	3,906	3,850	3,681
Patent and Trademark Office (PTO):			
Program Level.....	1,508	1,683	1,843
Offsetting Collections.....	-1,508	-1,683	-1,843
Subtotal, PTO.....	—	—	—
Technology Administration.....	7	6	1
National Institute of Standards and Technology (NIST):			
Scientific and Technical Research and Services.....	382	397	472
Industrial Technology Services.....	244	176	46
Construction of Research Facilities.....	73	174	68
Subtotal, NIST.....	699	747	586
National Telecommunications and Information Administration.....	39	40	18
Total, Discretionary budget authority.....	6,333	6,375	6,139
<i>Memorandum: Budget authority from enacted supplementals.....</i>	38	54	—
Total, Discretionary outlays.....	6,132	6,402	6,426
Mandatory Outlays:			
Digital Television Fund activities.....	—	—	45
All other.....	43	68	141
Total, Mandatory outlays.....	43	68	186
Total, Outlays.....	6,175	6,470	6,612

Department of Commerce—Continued
(In millions of dollars)

	2005 Actual	Estimate	
		2006	2007
Credit activity			
Direct Loan Disbursements:			
Fisheries Finance Direct Loan Financing account.....	132	71	109
Total, Direct loan disbursements	132	71	109