

# DEPARTMENT OF COMMERCE

## The President's Proposal:

- Provides tools for growth of the economy through expanded trade and improved statistics and data collection;
- Improves weather and climate forecasting to benefit public safety, the economy, and quality of life;
- Supports technological innovation by modernizing patent and trademark operations and standards research; and
- Refurbishes Department of Commerce facilities to enhance employee productivity.

## The Department's Major Challenges:

- Providing state-of-the-art statistical and scientific information; and
- Accelerating the process for issuing patents.

### Department of Commerce

Donald L. Evans, Secretary

[www.doc.gov](http://www.doc.gov) 202-482-2112

**Number of Employees:** 39,000

**2003 Spending:** \$5.8 billion

**Major Assets:** 10 bureaus with offices across the United States and 86 countries, as well as laboratories, vessels, aircraft, and satellites used for environmental observations and scientific research.

The Commerce Department undertakes a wide range of activities that contribute to the continued growth of the nation's economy. Commerce gathers and develops economic and demographic data for business and government decision-making; helps American firms and consumers benefit from open and fair international trade; issues patents and trademarks that support innovation; helps set industrial standards and performs cutting-edge scientific research; forecasts the weather to improve public safety; and

promotes sustainable stewardship of the oceans, including ocean fisheries.

This diversity of activities is reflected in Commerce's three strategic goals:

- furnish the information and economic framework to enable the U.S. economy to grow, both nationally and globally;
- provide infrastructure for innovation to enhance American competitiveness; and
- observe and manage oceanic and atmospheric resources to help ensure sustainable economic opportunities.

## Improving Economic Information and Performance

The President's Budget proposes to strengthen core statistical programs in order to address one of the major challenges facing the Commerce Department. The budget also proposes to realign efforts in international trade and economic development.

This budget proposes \$662 million for the Bureau of the Census for a variety of activities, including the collection of timely economic and demographic data and improvements to the design of the 2010 Census. The Bureau's economic and demographic programs will improve measurement of the services sector and complete dissemination of the 2002 Economic Censuses and Census of Governments. For the 2010 Census design improvements, the Bureau will: 1) conduct extensive testing and development activities; 2) continue ongoing improvements in the accuracy of map feature locations; and 3) implement the American Community Survey to collect "long-form" data on an ongoing basis, rather than waiting for once-a-decade censuses. The budget also proposes \$147 million to be funded through the General Services Administration for the second of two new buildings for the Census Bureau in Suitland, Maryland. Funds for construction of the first new building were proposed in 2003. Census' facilities are among the worst in the federal government and have decayed beyond the point where renovation would be cost-effective.

The Bureau of Economic Analysis (BEA) supplies economic statistics, including the gross domestic product (GDP), which are crucial ingredients for business and government decision-making. Building on BEA's effective rating in the Program Assessment Rating Tool analysis, an additional \$12 million in 2004 will let BEA continue improving the timeliness and quality of its economic data. Activities at both Census and BEA will lead to better data on services, international trade, and other important growth sectors of the economy.

The International Trade Administration (ITA) assists the growth of export businesses, enforces U.S. trade laws and agreements, and improves access to overseas markets by identifying and pressing for the removal of trade barriers. This budget supports ITA's ongoing work and development of technology-based initiatives that would enhance trade opportunities for U.S. firms. These initiatives capitalize on already-established interagency partnerships in implementing the President's National Export Strategy. One such initiative is the International Trade Process Streamlining Initiative, a Presidential E-Government effort that focuses on providing U.S. companies better access to trade-related market research and export services information. Other ongoing initiatives support trade negotiation activities and improve ITA's information technology security.

The Bureau of Industry and Security (BIS), formerly the Bureau of Export Administration, regulates the export of sensitive goods and technologies while supporting the growth of legitimate U.S. exports. The 2004 funding level of \$78 million ensures that BIS can increase its export control activities, including adding enforcement agents and creating a new office to monitor and assess technologies requiring export controls. The 2004 increases will also allow BIS to strengthen its participation in counterterrorism efforts and enhance efforts to reform U.S. export controls.

The Economic Development Administration's (EDA) mission is to promote a favorable business environment in economically depressed communities, principally through infrastructure investments. Yet, as its guidelines have evolved over time, two-thirds of the nation's counties now qualify for EDA support. With an increased funding level of \$364 million, EDA will seek to direct more funding to the nation's most distressed communities and to achieve the greatest possible economic benefit, while the regional development agencies, such as the Appalachian Regional Commission, will target their resources on planning and coordinating investments in their regions. The regional development agencies are discussed in the "Other Agencies" chapter of this volume.

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. Despite the difficult market conditions, there has been little demand for the program. Moreover, one of the two guarantees issued, a \$110 million loan to Geneva Steel, is already in default, leaving taxpayers to pick up the loss. The 2003 Budget proposed rescinding \$96 million from this program. The 2004 Budget proposes rescinding the remaining \$26 million.

In response to the International Trade Commission's finding of serious injury to America's steel industry from abroad, the President applied temporary tariff safeguards averaging 30 percent on major steel products as relief for domestic producers. The President has also successfully championed Trade Promotion Authority, a vital tool for opening foreign markets to American products and services and spurring economic growth. Previous trade agreements have raised the standard of living for the typical American family of four by as much as \$2,000 annually.



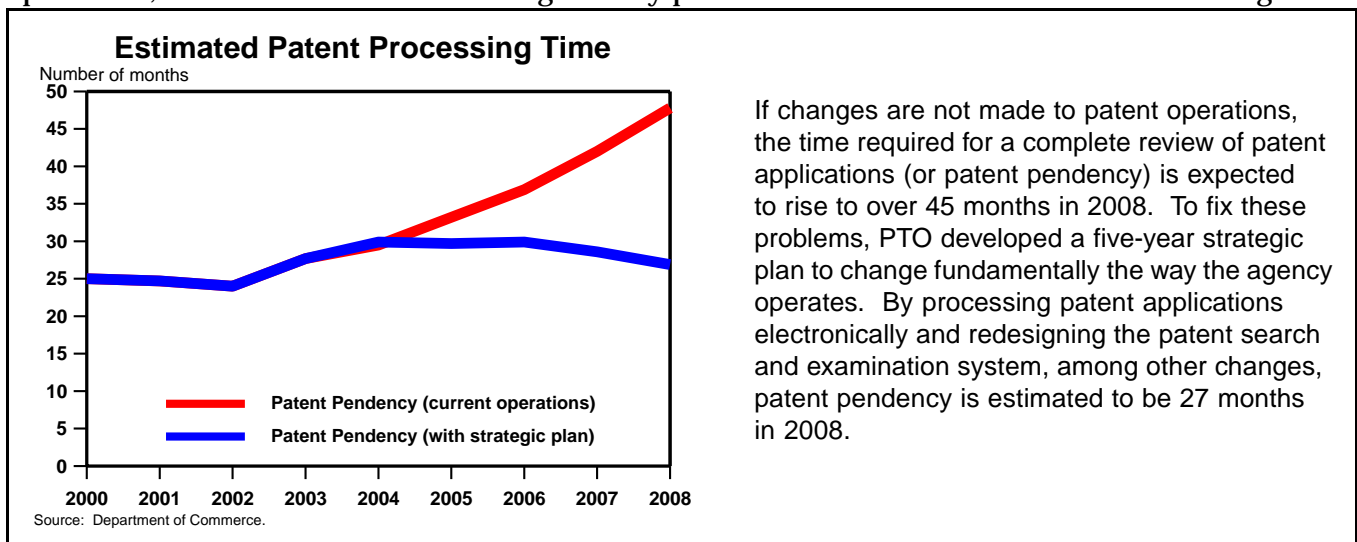
Geneva Steel received a federally guaranteed loan on January 3, 2001. Within months, the company experienced difficulties meeting the terms of the loan and it formally defaulted on the loan on January 25, 2002.

### Building Infrastructure for Technological Innovation

The 2004 Budget strengthens key Commerce programs so that U.S. businesses can maintain their technological edge in world markets.

The U.S. Patent and Trademark Office (PTO) issues patents and registers trademarks. It also works to promote the protection of U.S. intellectual property rights around the world through international treaties. In 1999, PTO was designated a "performance-based-organization," giving the agency management flexibilities while tying senior managers' tenure and pay to achieving performance targets.

As the U.S. economy depends increasingly on protection of intellectual property, PTO must efficiently and accurately process patent and trademark applications. Based on an assessment of PTO's operations, the trademark side of PTO generally performs well. PTO has reduced the average time



If changes are not made to patent operations, the time required for a complete review of patent applications (or patent pendency) is expected to rise to over 45 months in 2008. To fix these problems, PTO developed a five-year strategic plan to change fundamentally the way the agency operates. By processing patent applications electronically and redesigning the patent search and examination system, among other changes, patent pendency is estimated to be 27 months in 2008.

it takes to register a trademark, improved quality, and moved from a paper-based to an electronic processing system. As a result of increasing efficiency and declining applications, PTO's trademark operations implemented personnel reductions late in 2002. However, the patent side struggles to meet performance goals. While patent processing times currently average over two years, including time spent awaiting replies from applicants, patent examiners spend only about 18 hours, on average, on a patent application. PTO faces a backlog of 420,000 patent applications, and, as the accompanying chart shows, patent pendency is likely to rise to over 45 months in 2008 if changes are not made.

The proposed spending level of \$1.4 billion, a \$70 million increase over the President's 2003 Budget, will allow PTO to begin implementation of its strategic plan, which will help address the challenge of accelerating the process for issuing patents. In addition this proposal narrows, by almost half, the amount that PTO's fees are above spending—from \$193 million in the 2003 Budget to \$100 million in the 2004 Budget.

PTO expects to meet the following performance targets with its 2004 funding and initial implementation of strategic plan initiatives:

- Reduce its error rate from 5.4 percent in 2001 to 3.7 percent in 2004 for patents and from 3.1 percent in 2001 to 3.0 percent in 2004 for trademarks.
- Enable electronic processing for patents by October 1, 2004. Receive 80 percent of trademark applications electronically and implement a fully electronic file management system by 2004.
- Achieve complete review of patent applications in an average of 26.9 months by 2008, and complete review of trademark applications in an average of 12.0 months by 2006.

The budget provides increased funding for National Institute of Standards and Technology (NIST) laboratories in order to meet Commerce's challenge of promoting state-of-the-art industrial standards that support technological innovation. NIST laboratories specialize in electronics, manufacturing, engineering, chemical science, physics, materials science, building and fire research, and information technology. The upgrade to NIST's lab facilities continues with \$7 million to equip and operate the Advanced Measurement Laboratory, a new facility designed to meet state-of-the-art research requirements, and \$21 million for renovations of NIST's Boulder, Colorado facilities. The budget also provides an additional \$11 million for safety, maintenance, and major repairs at the Boulder and Gaithersburg, Maryland sites.

The 2004 Budget provides an increase of \$12 million for homeland security standards development related to biometric identification, threat detection, and high-rise safety. These activities will provide more accurate identification of individuals seeking to enter the United States, improve capability to detect nuclear and radiological weapons and help prevent smuggling of them across our borders, and update building and fire standards along with operational guidance for building owners and emergency responders.

#### **Developing Standards for Biometric Identification**

Following the events of September 11, 2001 Congress passed the USA Patriot Act and called upon NIST to develop and certify a standard using biometric identifiers, such as fingerprints, facial patterns, and eye patterns, which can be used to verify the identity of individuals applying for a United States visa or seeking to enter the United States. The budget includes \$3.5 million for NIST to meet this important homeland security mission.

Consistent with the Administration's emphasis on shifting resources to reflect changing needs, the 2004 Budget proposes to terminate the Advanced Technology Program (ATP). Funding is provided for administrative costs and close-out. The Administration believes that other federally funded research and development programs are more effective and of higher priority. Further, large shares of ATP

funding have gone to major corporations which do not need subsidies. Finally, ATP-funded projects often have been similar to those being carried out by firms not receiving such subsidies.

The 2004 Budget also maintains the 2003 policy of limiting federal funding for the Manufacturing Extension Partnership (MEP). MEP was designed to provide information and consulting services to help businesses adopt advanced manufacturing technologies and business practices. The law that created MEP required federal monies for each center to be phased-out after six years, with the goal and incentive of self-sufficiency for each center. Later, the law was changed to permit indefinite funding. The 2004 Budget, like that proposed in 2003, would restore the program's original six-year limit and thus avoid federally-subsidized competition to small, private consulting businesses.

The budget continues to strengthen the spectrum management capabilities of the National Telecommunications and Information Administration by providing an additional \$2 million for these activities. In addition, the Administration will again propose legislation to streamline the current process for reimbursing federal agencies that must relocate from spectrum auctioned to commercial users. Additional telecommunications legislation is discussed in the Federal Communications Commission section of this volume.

The budget provides no funds for Public Telecommunications Facilities, Planning and Construction grants. This program has recently targeted most of its funding toward the purchase of digital transmission equipment by public broadcasting stations. The budget proposes that a portion of the Corporation for Public Broadcasting's already enacted 2004 funding be made available for this purpose.

## Observing and Managing the Nation's Oceanic and Atmospheric Environment



Thanks to advance warning, no lives were lost when a tornado destroyed the Van Wert movie theatre.

### Behind the Movie Theater Hero

Last November, over 70 tornadoes ripped through the Midwest and South, including an extremely powerful twister in Van Wert, Ohio. A 26-minute warning from the National Weather Service (NWS) appropriately made a hero of local movie theater manager Scott Shaffer. Shaffer heeded local warning sirens and moved moviegoers to safer areas of the building. The tornado subsequently destroyed the theater, throwing cars into the front row of seats.

Thanks to NWS, proper local emergency response execution, and Scott Shaffer's quick wits, no one at the theater was injured. The budget includes funding to increase lead time further—from the current average of 11 minutes to 15 minutes—and to improve the accuracy of warnings from 69 percent to 75 percent by 2007.

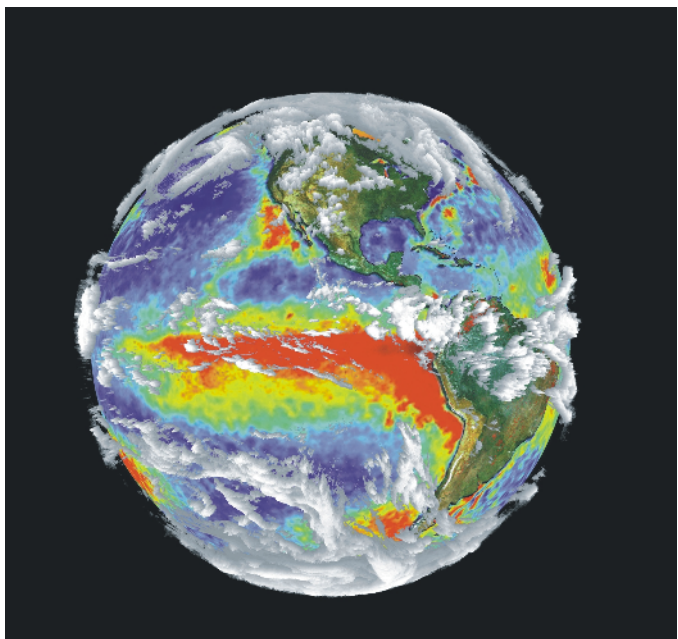
Accurately predicting storm and other weather events and tracking changes in the climate over time are important to public safety and economic growth. Compared with the 2003 President's Budget, this budget provides an additional \$133 million for the National Oceanic and Atmospheric Administration (NOAA) to improve severe-storm forecasts, the satellite infrastructure needed for weather and climate prediction and research, and fisheries and ocean programs. The budget also includes \$57 million within the Department of Commerce for the Sea Grant program, which was previously proposed for transfer to the National Science Foundation. NOAA has reformed the



program to move increasingly toward merit-based funding of research. In addition, funding is provided to address maintenance and safety issues associated with NOAA facilities, vessels, and aircraft.

Every year hundreds of lives and billions of dollars are lost due to severe storms, floods, and other natural disasters. NOAA's National Weather Service (NWS) aims to minimize these impacts through improved weather warnings and forecasts. As a result of modernization investments, tornado warning lead times have almost doubled—from six minutes in 1993 to 11 minutes today. Because of NWS's record of success, the budget provides a boost to further increase lead times and to improve the accuracy of the warnings. The budget also includes an increase for NOAA's satellite programs, which provide data essential for weather and climate prediction and environmental monitoring.

Building on the Administration's 2003 proposal for a Climate Change Research Initiative (CCRI), NOAA will receive \$17 million to advance climate-modeling capabilities and to develop a climate observing system. CCRI focuses on reducing significant uncertainties in climate science, improving global climate observing systems, and developing resources to support policymaking and resource management. In February 2002, the President announced the formation of the Climate Change Science Program (CCSP) to coordinate and to direct ongoing work in the U.S. Global Change Research Program and the CCRI. The CCSP includes participation from 13 federal agencies with a combined budget of approximately \$1.75 billion. The United States spends as much on climate change research as all other nations combined.



The Climate Change Research Initiative will help improve climate modeling capabilities to better understand phenomena such as El Niño. The composite image shows warmer than usual sea-surface temperatures (red and yellow sections) off the western coast of South America during an El Niño year.

This budget continues steps to improve the effectiveness of NOAA's National Marine Fisheries Service. Currently, about 20 percent of major fisheries stocks are over fished, and stock levels are unknown for another 42 percent. While more than 80 percent of the over-fished stocks are currently under rebuilding plans, rebuilding long-lived stocks can take decades. Over the last decade, several fisheries have "collapsed" and as a result there has been a rise in fishing moratoria, lawsuits, and federal payments to support affected fishermen and fishing-dependent communities.

The 2004 Budget sustains the focus on core activities, such as fisheries science and stock assessments, which will improve fisheries management and economic sustainability of fisheries. In addition, the budget again proposes reauthorization of the Magnuson-Stevens Fisheries Conservation and Management Act, including the authority to establish individual fishing quota systems.

Providing market-based incentives and redirecting funds to meet the highest priority fishery management needs will enhance sustainability and improve the livelihood of fishermen who depend on these resources.

With the management changes and funding proposed in the President's Budget, NOAA expects to be able to reduce the number of over-fished major fisheries by two in 2004 and by nine by 2007. A greater effect will be felt in the number of sustainable fisheries, as stock levels improve and unknown

stocks are evaluated. Known sustainable stocks should increase by four percent (five additional fishery stocks) in 2004.

Restoration of endangered salmon stocks is important for environmental quality, commercial and recreational fishermen, Native American communities, and the economic vitality of the Pacific Northwest. Yet the performance evaluation of the \$90 million Pacific Coastal Salmon Recovery Fund revealed that some funding goes to projects that do not directly benefit endangered salmon stocks. Therefore, the budget proposes improved targeting of habitat restoration projects in four coastal states—California, Oregon, Washington, and Alaska—that will benefit threatened and endangered salmon.











### Performance Evaluation of Select Programs

Ten Commerce programs were reviewed for performance effectiveness. The Administration proposes a variety of measures to address performance issues identified in the review, such as increasing funding where needed for core activities, reducing funds for low-priority programs, and instituting management reforms. The evaluations of, and recommendations for, some of the programs are highlighted in the accompanying table. For further details on the performance assessments of the programs listed here, and on other Commerce programs, refer to the Department of Commerce chapter in the *Performance and Management Assessments* volume.

Program	Rating	Explanation	Recommendation
National Weather Service/ National Oceanic and Atmospheric Administration	Effective	The National Weather Service is well managed and results oriented. Past investments in modernizing systems have yielded significant performance improvements.	The budget proposes increases to support continued improvement in key performance areas such as tornado-warning lead times and hurricane-tracking accuracy.
Bureau of Economic Analysis (BEA)	Effective	BEA consistently meets its goals for timeliness and reliability of GDP data and has developed new performance goals to improve the accuracy of GDP and related economic statistics.	The budget provides an increase to improve the quality and timeliness of BEA's economic statistics.
Pacific Coastal Salmon Recovery Fund/National Oceanic and Atmospheric Administration	Results Not Demonstrated	Some funds are allocated to purposes other than the recovery of endangered or threatened salmon stocks. Program-wide performance measures have not yet been developed; the program is not yet able to measure directly the effect of 600 funded projects on salmon stocks.	The budget provides the same level of funding requested in the 2003 Budget for this program. The Administration proposes that funds be allocated based on salmon recovery goals and that performance measures be developed.

Program	Rating	Explanation	Recommendation
U.S. Patent and Trademark Office (PTO)—Trademarks	Moderately Effective	PTO's trademarks line of business has met its goal of an 18-month average for complete review of trademark applications and reduced its error rate to 3.1 percent. Strong program management is apparent through the use of activity-based costing, competitive sourcing, and managerial accountability.	The budget provides funding to improve trademark processing time and quality, and to complete E-Government initiatives.
U.S. Patent and Trademark Office—Patents	Adequate	PTO's patent line of business continues to struggle to improve the efficiency of its operations. The times for initial review and for completed review of a patent application continue to be high and progress on electronic processing has been slow.	The budget proposes reforms to improve the efficiency of the patent examining system as well as to restructure PTO's patent fee collections to reflect better the agency's costs.

### Update on the President's Management Agenda

	Human Capital	Competitive Sourcing	Financial Performance	E-Government	Budget and Performance Integration
<b>Status</b>					
<b>Progress</b>					

*Arrow indicates change in status since baseline evaluation on September 30, 2001.*

The Department of Commerce is making good progress on the President's Management Agenda items. Department-wide human capital evaluations identified areas with existing and emerging needs for specialized skills and potential opportunities for delayering administrative functions. This workforce review should yield concrete results in 2003. Over 85 percent of Commerce offices are using an integrated financial management system and full implementation is expected in late 2003. This work and Commerce's efforts to strengthen information technology security will resolve the Department's material weaknesses. Commerce has completed competitive sourcing reviews on one percent of its positions and has committed to review 20 percent by the end of 2003. This year, Commerce will transmit to the Congress an integrated performance-based budget request and has put in place management links among its budget, information technology and capital acquisition control process, procurement, and human capital efforts.



**Department of Commerce**  
(In millions of dollars)

	2002 Actual	Estimate	
		2003	2004
<b>Spending</b>			
Discretionary Budget Authority:			
Departmental Management:			
Salaries and Expenses .....	43	48	57
Emergency Guaranteed Loan Program accounts .....	—	-97	-26
Office of the Inspector General .....	21	23	23
Subtotal, Departmental Management .....	64	-26	54
Economic Development Administration .....	366	348	364
Bureau of the Census .....	479	705	662
Economic and Statistics Administration .....	62	73	85
International Trade Administration .....	355	364	382
Bureau of Industry and Security .....	65	73	78
Minority Business Development Agency .....	28	29	29
National Oceanic and Atmospheric Administration (NOAA):			
Operations, Research and Facilities .....	2,336	2,289	2,467
Procurement, Acquisition and Construction .....	844	811	842
Other accounts .....	90	36	16
Subtotal, NOAA .....	3,270	3,136	3,325
Patent and Trademark Office (PTO):			
Program Level .....	1,130	1,334	1,404
Offsetting Collections .....	-1,152	-1,527	-1,504
Subtotal, PTO .....	<sup>1</sup> -22	-193	-100
Office of Technology Policy .....	8	8	8
National Institute of Standards and Technology (NIST):			
Scientific and Technical Research and Services .....	330	389	388
Industrial Technology Services .....	291	120	40
Construction of Research Facilities .....	64	54	70
Subtotal, NIST .....	685	563	498
National Telecommunications and Information Administration (NTIA):			
Salaries and Expenses .....	14	17	19
Grant programs .....	68	44	3
Subtotal, NTIA .....	82	61	22
Negative Subsidy Receipts .....	—	-3	-1
Total, Discretionary budget authority .....	5,442	5,138	5,406
 Total, Mandatory outlays .....	 81	 242	 122
<b>Credit activity</b>			
Direct Loan Disbursements:			
Fisheries finance direct loan financing account .....	13	117	87
Total, Direct loan disbursements .....	13	117	87
Guaranteed Loans:			
Emergency oil and gas guaranteed loan financing account .....	2	—	—
Emergency steel guaranteed loan financing account .....	42	—	—
Total, Guaranteed loans .....	44	—	—

<sup>1</sup> PTO's actual fee collections were \$194 million below the estimate developed for the 2002 Budget, which correspondingly increased actual net budget authority.