



PROMOTING INNOVATION

Research and Development Funding in the President's 2006 Budget

American economic strength and national security depend on our Nation's rich tradition of innovation. President Bush's FY 2006 Budget calls for sustained research and development (R&D) investments to promote technological innovation in high-priority areas including nanotechnology (see separate paper), information technology (see separate paper) and manufacturing; a strong fundamental technical and measurement foundation to support U.S. industry, government and scientific establishments; the creation of incentives for increased private sector R&D funding; and stronger intellectual property protections. These investments will stimulate innovation and enhance U.S. competitiveness.

Supporting Innovation through R&D: The 2006 Budget provides for an unprecedented \$132.3 billion investment in R&D, building on the record levels of 2005 and representing an annualized increase of 7.7 percent since FY 2001, the last budget year of the previous Administration. In FY 2006, 14.3 percent of the non-defense discretionary budget is dedicated to non-defense R&D—it is 14.2 percent in FY 2005 and was 13.7 percent in FY 2001. While non-defense budget authority is going down overall in 2006 by .26 percent, non-defense R&D budget authority is instead going up by .74 percent, reflecting the priority of science, technology and innovation in this Administration.

Manufacturing: U.S. manufacturers are a critical element of today's economy, and their ability to remain competitive will continue to be tied strongly to technological innovation.

- **Small Business Innovation Research (SBIR) / Small Business Technology Transfer (STTR)** Last year the President signed an Executive Order entitled *Encouraging Innovation in Manufacturing*, which calls for agencies to make R&D topics that support manufacturing innovation a high priority within their SBIR and STTR programs, while continuing to select topics and projects consistent with their mission.
- **Manufacturing R&D** The President's Budget requests increased funding for a number of programs aimed at strengthening manufacturing innovation, including the National Science Foundation's Design and Manufacturing Innovation Division—up 29 percent since 2001 to \$67 million. The National Institute of Standards and Technology (NIST) is proposing a new strategic initiative in 2006, *Advances in Manufacturing*, at \$19.6 million. To better coordinate the work of all agencies engaged in manufacturing R&D, which includes the Department of Defense and the Department of Energy, among others, an interagency working group was formed last year. The Budget continues the Manufacturing Extension Partnership, proposing to implement reforms for improved program efficiency and effectiveness.

Measurement and Standards: The development of measurement methods, tools, and the standards that protect both consumers and industry is key to the commercialization of new technologies. The President's Budget requests \$485 million—an increase of eight percent over FY 2005 (22 percent after earmarks are excluded)—for the core scientific and technical research services and facilities at NIST that support the work of the agency's world-class researchers.

Stimulating Private Investment in R&D: The President recognizes the importance of enhancing the opportunities for entrepreneurs to turn innovative ideas into new products, new companies, and new jobs. Thus the President's Budget calls for making the Research and Experimentation tax credit permanent in order to stimulate private sector investment in R&D, building on earlier and broader-based tax relief.

Protecting Intellectual Property: The FY 2006 Budget provides an increase of nearly \$150 million for the U.S. Patent and Trademark Office (PTO) in support of the agency's strategic plan to provide intellectual property protection of higher quality in a more timely manner—critical in today's marketplace. The President's Budget provides PTO access to all of the revenue it generates from the collection of fees in 2006, estimated at over \$1.7 billion, a 64 percent increase since FY 2001. \$22 million will be used to strengthen intellectual property protection and enforcement and support activities in the Administration's Strategy Targeting Organized Piracy (STOP!) initiative.