

## **FY 2006 Annual Performance Plan** **Bureau of Economic Analysis**

### **Strategic Goals and Plans:**

#### **BEA Mission Statement**

The Bureau of Economic Analysis promotes a better understanding of the U.S. economy by providing the most timely, relevant, and accurate economic accounts data in an objective and cost-effective manner.

The Bureau of Economic Analysis is a principal Federal statistical agency and is a part of the U.S. Department of Commerce (DOC). The DOC has established a set of goals and objectives for its agencies and programs. These goals and objectives are outlined in *U.S. Department of Commerce Strategic Plan for FY 2004—FY 2009: American Jobs, American Values*. BEA activities are directed by the DOC goal and objective given below.

#### **U.S. Department of Commerce Strategic Plan related to the Bureau of Economic Analysis**

##### **Strategic Goal 1:**

“Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers.”

##### **Objective 1.3:**

“Enhance the supply of key economic and demographic data to support effective decision-making of policymakers, businesses, and the American public.”

The BEA 5-year Strategic Plan harmonizes with DOC goals and objectives and serves as BEA’s detailed guide for achieving its goals and meeting its performance measures. With the rapid and widespread changes in the size and complexity of the U.S. economy, BEA must be able to adapt and change in order to continue to accurately capture the U.S. economy. While the Strategic Plan outlines specific requirements for improving the work done at BEA, it is a fluid document. It allows BEA to adjust to changing demands and needs, while also providing a plan for accomplishing its overall goals and objectives.

The BEA Strategic Plan establishes the Agency’s mission and four primary objectives, which are consistent with the goals set out for BEA by the Department of Commerce. The four objectives derived directly from the BEA mission are identified below.

Objective 1: CUSTOMERS. Make BEA's economic accounts and services more responsive to the needs of its customers and partners.

Objective 2: EMPLOYEES. Attract, develop, and retain a highly qualified, diverse workforce prepared to innovate and improve BEA's statistics.

Objective 3: RESOURCES. Upgrade resource management to support BEA's mission.

Objective 4: STATISTICS. Upgrade BEA's economic statistics by improving statistical methodologies and source data and by using new technologies.

Its mission and these four objectives drive BEA. One hundred seventy-nine detailed milestones were developed from the mission statement and objectives with input from BEA staff, BEA Advisory Committee members, Congress, other statistical agencies, and users. These milestones provide an operational plan for BEA managers and staff to implement the changes needed to ensure that BEA estimates are as timely, relevant, and accurate as they can be. The plan includes milestones over a 5-year timeframe to provide senior staff and managers a sufficient time horizon for planning appropriate resource and staff allocation. BEA managers and staff are held accountable in their performance plans for progress made toward achieving milestones. The BEA Strategic Plan is reviewed and updated by senior staff every fall. Staff and the public are invited annually to review and comment on the plan, and the final version is posted on the BEA Web site.

BEA is one of the world's leading statistical agencies. Although it is a relatively small agency, BEA produces some of the most closely watched economic statistics that inform the decisions made by government leaders, business managers, and individual households. BEA's economic statistics, which provide a comprehensive, up-to-date picture of the U.S. economy, are key ingredients to critical decisions affecting monetary policy, tax and budget projections, and business investment plans.

The cornerstone of BEA's statistics is the national income and product accounts (NIPAs), which feature estimates of gross domestic product (GDP) and related measures. The GDP was recognized by the Department of Commerce as its greatest achievement of the 20<sup>th</sup> century and has been ranked as one of the three most influential measures that affect U.S. financial markets. Since the NIPAs were first developed in the aftermath of the Great Depression, BEA has developed and extended its estimates to cover a wide range of economic activities. Today, BEA prepares national, regional, industry, and international accounts that present essential information on key issues such as economic growth, regional economic development, interindustry relationships, and the Nation's position in the world economy.

**Management Challenges:**

BEA faces three challenges to its mission:

1. Measuring a constantly changing economy – The U.S. economy is in constant flux. BEA is challenged to understand the structural changes in the economy, to improve measurement methodologies, and to locate and incorporate data sources to capture the changes. Its challenge is to continue to keep pace with these changes in order to provide the Nation with the most timely, relevant, and accurate economic statistics possible.
2. Integrating Federal economic accounts – The demand for greater consistency among the various economic accounts in a decentralized statistical system is growing among users of Federal economic statistics. The Federal agencies responsible for the production of U.S. economic accounts must continue to work together to integrate the accounts by harmonizing definitions, methodologies, and analytical techniques in order to provide consistent estimates to users.
3. Building and developing a skilled workforce – BEA is its people. The quality of BEA statistics is dependent on the knowledge and skills of its staff. With the increasing complexity of the changing economy, the demands on BEA staff to be at the leading edge of economic change and to provide for innovative measurement solutions are also increasing. BEA must continue to prepare its employees for these challenges.

**Resource Requirements Summary**  
(Dollars in millions. Funding amounts reflect total obligations.)  
Information Technology (IT)  
Full-Time Equivalent (FTE)

Performance Goal 1: Promote a better understanding of the U.S. economy by providing the most timely, relevant, and accurate economic data in an objective and cost-effective manner.

	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Enacted</b>	<b>FY 2006 Base</b>	<b>Increase/ Decrease</b>	<b>FY 2006 Request</b>
<b>Grand Total</b>								
Salaries and Expenses	54.5	64.2	72.4	77.1	82.8	81.8	5.9	87.7
Total Funding <sup>1</sup>	57.9	66.7	74.3	78.8	84.6	83.6	5.9	89.5
Direct	56.5	62.5	70.6	75.1	80.0	79.3	5.9	85.3
Reimbursable <sup>2</sup>	1.4	4.2	3.7	3.6	4.6	4.3	0	4.3
IT Funding <sup>3</sup>	6.3	10.2	10.4	11.1	11.6	11.7	0	11.7
FTE <sup>2</sup>	474	488	494	525	552	552	34	586

<sup>1</sup> Reimbursables include ESA, BEA, and STAT-USA reimbursables.

<sup>2</sup> Total FTE includes ESA, BEA, and STAT-USA reimbursable FTE.

<sup>3</sup> IT funding included in total funding

**Skill Summary:**

Economists, accountants, statisticians, and IT specialists

## Summary of Targets and Performance Measures for BEA

Measure	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Target	FY 2004 Actual	FY 2005 Target	FY 2006 Target
<b>Timeliness:</b> Reliability of Delivery of Economic Data (Number of Scheduled Releases Issued on Time) <sup>1</sup>	100%	50 of 50	48 of 48	54 of 54	54 of 54	54 of 54	TBD
<b>Relevance:</b> Customer Satisfaction with Quality of Products and Services (Mean Rating on a 5-Point Scale)	N/A (survey postponed)	4.3	4.4	Greater than 4.0	4.3	Greater than 4.0	Greater than 4.0
<b>Accuracy:</b> Percent of GDP Estimates Correct	New	83%	88%	Greater than 84%	88%	Greater than 85%	Greater than 85%
<b>Budget-Related:</b> Improving GDP and the Economic Accounts	New	Developed new measures to address gaps and updated BEA's accounts; designed prototype of new quarterly survey of international services; developed new pilot estimates that provide better integration with other accounts.	BEA completed all major Strategic Plan milestones related to improving the economic accounts (completed 164 milestones out of 171 overall).	Successful completion of Strategic Plan milestones relating to improving the quality of the economic accounts.	Met	Successful completion of related Strategic Plan milestones.	Successful completion of related Strategic Plan milestones.
<b>Budget-Related:</b> Accelerating Economic Estimates	New	New	BEA completed all major Strategic Plan milestones related to accelerating economic estimates (completed 98 milestones out of 103 overall).	Successful completion of Strategic Plan milestones related to efforts to accelerate economic measures.	Met	Successful completion of related Strategic Plan milestones.	Successful completion of related Strategic Plan milestones.
<b>Budget-Related:</b> Meeting U.S. International Obligations	New	New	BEA completed all major Strategic Plan milestones related to meeting U.S. international obligations (completed 99 milestones out of 103 overall).	Successful completion of Strategic Plan milestones related to meeting international commitments as funded in FY 2003.	Met	Successful completion of related Strategic Plan milestones.	Successful completion of related Strategic Plan milestones.
<b>Budget-Related:</b> Upgrading Information Technology Systems	New	Developed new systems, including implementation of prototype phase of new NIPA core processing system; developed improved interactive features on the BEA Web site; extended electronic reporting for international surveys.	BEA completed all major Strategic Plan milestones related to upgrading IT systems (completed 95 milestones out of 98 overall).	Successful completion of related Strategic Plan milestones to improve the quality of BEA's information technology systems.	Met	Discontinue budget-specific measure.	Discontinue budget-specific measure.

<sup>1</sup> Prior to FY 2002, the measure reported the percent of releases that were delivered on time and on schedule.

**Performance Measures for FY 2006**

BEA has established six performance measures to monitor its progress toward meeting its objectives and operating goals. The first three performance measures track overall Agency performance with respect to the Agency’s mission to provide timely, relevant, and accurate economic data. These three measures include the reliability of on-time delivery of economic data, customer satisfaction with the quality and relevance of products and services, and the accuracy of the GDP estimate. The final three measures are directly related to BEA budget initiatives and track BEA’s progress toward meeting its commitments to the President, Congress, and the American public when initiative funds are provided. One budget-related measure, Upgrading Information Technology Systems, has been successfully completed and is being discontinued in FY 2005.

**Measure 1a—Timeliness: Reliability of Delivery of Economic Data (Number of Scheduled Releases Issued on Time)**

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Target <sup>1</sup>	100%	50 of 50	48 of 48	54 of 54	54 of 54	TBD
Actual	100%	50 of 50	48 of 48	54 of 54		

<sup>1</sup>Target for out years cannot be determined until BEA releases its final schedule, with OMB approval, in the fall of the preceding year.

The importance of BEA data as an ingredient to sound economic decision making requires BEA to deliver data into the hands of decisionmakers and other data users not only quickly but also reliably—that is, on schedule. Since instituting this performance measure, BEA has consistently met its target of releasing economic data on schedule and on time. BEA has made significant improvements in its information processing systems that have enabled it to continue to post its principal economic indicators on the BEA Web site at release time, as well as upload volumes of supporting documentation and tables that were previously unavailable until days after the release—a move applauded by our principal data users. In FY 2004, BEA delivered all 54 of its press releases on schedule and on time.

**Measure 1b—Relevance: Customer Satisfaction with Quality of Products and Services (Mean Rating on a 5-Point Scale)**

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Target	Greater than 4.0	Greater than 4.0	Greater than 4.0	Greater than 4.0	Greater than 4.0	Greater than 4.0
Actual	N/A (survey postponed)	4.3	4.4	4.3		

Customer satisfaction is a critical measure of BEA’s success in accomplishing its mission. This measure is at the core of providing relevant data to users. Achieving the targets of this measure require BEA to provide the types of data needed by users. To measure levels of satisfaction, BEA conducts an annual mail and Internet survey of users. The survey asks respondents a series of questions about their use of and satisfaction with BEA products and services. In the FY 2004 survey of customer satisfaction, BEA scored a 4.3 out of a maximum 5.0, indicating users are very satisfied with the overall quality of BEA’s products and services. In general, respondents expressed satisfaction with the timeliness, relevance, and accuracy of BEA statistics, a top priority at BEA. The “Customer Satisfaction Survey Report, FY2004” is available on the BEA Web site.

**Measure 1c—Accuracy: Percent of GDP Estimates Correct**

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Target	New	Greater than 82%	Greater than 84%	Greater than 84%	Greater than 85%	Greater than 85%
Actual		83%	88%	88%		

This measure of BEA performance, introduced in FY 2002, seeks to track the ability of BEA to accurately estimate its most important statistic, the gross domestic product (GDP). The measure is a composite index of six indicators of accuracy that are readily available to the public. These six indicators measure the accuracy of the GDP estimate with respect to (1) whether the economy is expanding or contracting, (2) whether the economy is growing faster or slower, (3) whether the economy is strong or weak, (4) the trend GDP growth rate, (5) the average quarterly GDP growth rate, and (6) the level of current-dollar GDP. These measures are applied using 3-year rolling averages to develop a single measure of the correctness of the GDP estimate. Three-year rolling averages were chosen because a) at least 12 quarters of estimates are needed for statistical reliability, b) BEA’s annual revisions cover 3 years, c) the impact of statistical improvements occur over time, and d) reasonable balance must be struck between statistical reliability and a measure of current performance. In FY 2003 and FY 2004, BEA exceeded its accuracy targets.

**Measure 1d—Budget-Related: Improving GDP and the Economic Accounts**

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Target	New	Develop new measures to address gaps in and update BEA’s accounts; design new quarterly survey of international services; develop new pilot estimates that provide better integration with other accounts.	Successful completion of related Strategic Plan milestones, including benchmark and update of industry accounts, incorporate NAICS into regional accounts, and update international accounts.	Successful completion of related Strategic Plan milestones related to improving the quality of the economic accounts.	Successful completion of related Strategic Plan milestones.	Successful completion of related Strategic Plan milestones.
Actual		Developed new measures to address gaps and updated BEA’s accounts; designed prototype of new quarterly survey of international services; developed new pilot estimates that provide better integration with other accounts.	BEA completed all major Strategic Plan milestones related to improving the economic accounts (completed 164 milestones out of 171 overall).	Met	Met	

BEA must continually update its economic accounts to keep pace with the increasingly complex and rapidly changing U.S. economy. Gross domestic product, balance of payments, state personal income, and other data series must be as timely, relevant, and accurate as possible to inform the decisions made by public and

private leaders. The 5-year Strategic Plan lays out ambitious steps that BEA will take to achieve quality improvements in all of its accounts. Based on the Strategic Plan milestones, specific budget initiatives have been proposed for each year since FY 2002 for improving the accounts. In FY 2004, BEA completed all of its major milestones related to improving GDP and the economic account.

**Measure 1e—Budget-Related: Accelerating Economic Estimates**

	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Target</b>	New	New	Successful completion of related Strategic Plan milestones, including accelerate the release of international trade estimates (with Census Bureau), GDP by industry, annual input-output tables, gross state product, and metropolitan area personal income.	Successful completion of related Strategic Plan milestones related to efforts to accelerate economic measures.	Successful completion of related Strategic Plan milestones.	Successful completion of related Strategic Plan milestones.
<b>Actual</b>			BEA completed all major Strategic Plan milestones related to accelerating economic estimates (completed 98 milestones out of 103 overall).	Met	Met	

In FY 2003, BEA was challenged by the Secretary of Commerce to accelerate the release of its major economic estimates in order to meet the demands of public and private sector users. To meet this challenge, BEA proposed a multiyear initiative to accelerate the release of eight of its most valued indicators. This performance measure tracks BEA’s progress toward achieving these accelerations. In June 2004, BEA completed a 2-year acceleration of the annual input-output accounts as scheduled. BEA seeks funding in FY 2006 to complete this part of its multiyear statistical improvement program.



**Measure 1f—Budget-Related: Meeting U.S. International Obligations**

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Target	New	New	Successful completion of related Strategic Plan milestones, including assist Treasury in designing a survey of derivatives; incorporate estimates of short-term claims and long-term assets in accounts; and provide data for Special Data Dissemination Standard (SDDS) compliance.	Successful completion of related Strategic Plan milestones related to meeting international commitments as funded in FY 2003.	Successful completion of related Strategic Plan milestones.	Successful completion of related Strategic Plan milestones.
Actual			BEA completed all major Strategic Plan milestones related to meeting U.S. international obligations (completed 99 milestones out of 103 overall).	Met	Met	

BEA is responsible for making its data series conform to standards agreed to by the United States Government with international organizations and other countries. Meeting these commitments is important to maintaining the United States’ leadership in economic measurement. Equally important, the statistical information required for these international commitments is useful to U.S. policymakers. This performance measure, introduced in FY 2003, monitors BEA’s progress in meeting milestones related to international commitments and provides accountability for an FY 2003 and FY 2004 multiyear initiative to meet them. In FY 2004, BEA met all of the major milestones related to international obligations.

**Measure 1g—Budget-Related: Upgrading Information Technology Systems**

	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
Target	New	Develop new systems, including design and prototype phase of new national income and product accounts (NIPA) core processing system; develop improved interactive features on BEA’s Web site; extend electronic reporting for international surveys.	Successful completion of related Strategic Plan milestones, including implement a new system for industry accounts benchmark processing and balance of payments processing; extend BEA’s electronic reporting option for six international investment surveys.	Successful completion of related Strategic Plan milestones to improve the quality of BEA’s information technology systems.	Discontinue budget-specific measure	Discontinue budget-specific measure
Actual		Developed new systems, including implementation of prototype phase of new NIPA core processing system; developed improved interactive features on BEA’s Web site; extended electronic reporting for international surveys.	BEA completed all major Strategic Plan milestones related to upgrading IT systems (completed 95 milestones out of 98 overall).	Met	Discontinued budget-specific measure.	Discontinued budget-specific measure.

An essential ongoing investment in BEA is in the upgrading and integration of BEA information technology systems. BEA’s statistical processing systems are essential elements in the production of the economic accounts. Rapid and far-reaching changes in the economy and the ongoing need to modernize concepts and estimation methods make it critical that IT systems be continually evaluated and upgraded to utilize available technologies. This improves the speed, reliability, and accuracy of the statistical production process. BEA’s latest customer satisfaction survey showed that user-friendly electronic access is important to customers. Current improvements to the BEA Web site have already dramatically increased the accessibility and usability of BEA data, and increased customer satisfaction due to these changes has been reflected in the customer satisfaction ratings. Information technology improvements are continually incorporated into BEA’s statistical processing and dissemination systems. This performance measure was introduced in FY 2002 to provide accountability for an urgent FY 2002 budget initiative to upgrade components of the system. For subsequent years, this measure monitored BEA’s efforts to continually maintain and upgrade its statistical processing systems. In FY 2004, BEA completed all of its major milestones. The Department of Commerce, with the concurrence of the Office of Management and Budget, has determined that this budget-related performance measure has served its purpose and should be discontinued in FY 2005.

**Program Evaluation:**

Unit Cost Measures: At the request of the Department of Commerce and the Office and Management and Budget (OMB), BEA has developed an experimental cost index that measures the cost of producing and improving the GDP relative to 1997. Improving the accuracy and reliability of BEA estimates is of major importance to users. With a rapidly changing economy, BEA continually seeks better ways to measure the entire economy, often with partial or scant data to inform its measurements. This experimental cost index seeks to capture the efficiency of BEA through a measure of the cost per budget dollar of producing and improving GDP. BEA is currently reviewing the validity of this measure and will work with the Department of Commerce and OMB to improve it.

**Program Assessment Rating Tool (PART):** In 2004, BEA was again evaluated by the Program Assessment Rating Tool (PART), administered by OMB. For the second year in a row, BEA was rated as an “Effective” program by PART. BEA received high marks in each of the four areas evaluated: Program Purpose and Design, Strategic Planning, Program Management, and Program Results/Accountability. BEA was not reassessed during the past fiscal year.

**Customer Satisfaction Survey:** BEA conducts an annual survey of its users to monitor their satisfaction with BEA products and services. This survey is critical to BEA’s success since users are the final arbiters of the timeliness, relevance, and accuracy of BEA data. Recent improvements in BEA’s economic accounts and accessibility have been recognized in the survey with increased satisfaction by users. The FY 2004 survey found high levels of satisfaction by users, scoring 4.3 on a 5-point scale. BEA strives to continue to increase this level of satisfaction with ongoing upgrades to the accounts and investments in the information technology systems that make more data more easily available in user-friendly formats.

In addition to the customer satisfaction survey, BEA monitors its contacts with users. The chart below lists a number of ways BEA interacts with its users.

BEA USER MEASURES: FY 2002–FY 2006					
Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY 2006 Estimate
Press Releases (both scheduled and unscheduled)	61	56	62	62	62
<i>Survey of Current Business:</i>					
▪ Articles	46	57	55	60	60
▪ Statistical pages	1,358	1,774	1,628	1,700	1,700
▪ Number of paid subscriptions	3,708	3,515	2,794	2,794	2,794
Publications, other than the <i>Survey</i>	3	6	3	11	6
BEA’s Web site - www.bea.gov					
▪ Page views (monthly average)	1,468,000	1,514,529	2,140,903	2,460,000	2,830,000
▪ Unique visitors (monthly average)	102,000	116,677	131,661	145,000	159,000
▪ Downloads (annual)	2,135,547	3,381,319	3,682,630	3,977,000	4,295,000

**BEA Advisory Committee:** Twice a year, the 13-member BEA Advisory Committee meets publicly to review and evaluate BEA statistics and programs. The committee advises the Director of BEA on matters related to the development and improvement of BEA’s national, regional, industry, and international economic accounts, especially in areas of new and rapidly growing economic activities. The committee also provides recommendations from the perspectives of the economics profession, business, and government.

**Strategic Program Evaluation:** The BEA 5-year Strategic Plan is the most important evaluation of BEA programs and performance. The Strategic Plan is a detailed operating plan that guides BEA’s planning with about 175 ambitious milestones per year over a 5-year time frame. As mentioned in the introduction to this section, the Plan is developed based on Department of Commerce goals and objectives as well as the mission and objectives set by BEA. Managers are responsible for ensuring that the milestones are met since the milestones feed directly into the performance measures and budget requests of the Agency.

The publicly-available Strategic Plan is annually reviewed, and a report of successes is made available to the BEA Advisory Committee, Department of Commerce, Office of Management and Budget, Congress, and the public via the BEA Web site. The report clearly indicates which milestones were met and which were not met with an explanation as to why specific milestones were not accomplished. In FY 2004, BEA met all of its major milestones. BEA seeks to continue to meet its major milestones.

Human Capital Management: In 2003, BEA again contracted with the Office of Personnel Management (OPM) to conduct an employee assessment survey to better understand the strengths and weaknesses of the organization. The assessment was conducted in August and September of 2003, and the results were made available soon after the close of the survey. It found that BEA employees continue to place BEA among the highest-rated organizations in Government. BEA was ranked above the Federal median in all 17 dimensions included on the survey. In fact, BEA set the benchmark high on 12 of the 17 dimensions in 2003, including the areas of diversity, strategic planning, quality of worklife, and performance measures. In addition, important improvements were reported in all 17 dimensions from the 2002 survey. Some of the largest increases in favorable responses came in the three areas BEA's 2002 Change Committees were established to address: quality of worklife, training/career development, and communications. Finally, BEA fared well and often exceeded the results on a number of aspects when compared with the private sector. Similar to last year, BEA put in place employee-based committees to examine the supervision and communications dimensions and to suggest recommendations for improvement.

Information Technology: In the information technology area, several evaluations were completed in support of the modernization of critical BEA software systems and their underlying infrastructure components. In August 2004, a performance analysis of the new GDP processing system was completed. The analysis concluded that there were no fundamental deficiencies in the new system design or architecture. In July 2004, an independent verification and validation of the maturity model levels for BEA's Enterprise IT Architecture and IT Capital Planning/Investment Control was conducted by the DOC Chief Information Officer. BEA was rated at a 4 level for both areas on a scale of 1-5. In addition, a certification and accreditation (C&A) review of BEA's security plans was performed by the Department's Office of IT Security, and the Department's Office of the Inspector General. The C&A packages were affirmed by the reviewers. A major system evaluation study was completed in the International Directorate for the purposes of outlining an IT system modernization strategy for upgrading the many subsystems that process the international accounts estimates. An analysis of BEA's LAN infrastructure was completed. The results of this analysis were projects to upgrade the server and storage hardware, as well as the server operating system (OS).

### **Crosscutting Activities:**

#### Intra-Department of Commerce:

The Bureau of the Census: BEA works closely with the Census Bureau, which is one of the principal suppliers of source data used to compile BEA's economic accounts. BEA and Census representatives meet regularly to maintain an awareness of their joint and individual statistical problems and their needs to extend cooperation to tackle those concerns. The availability of current source data from Census is a key factor in the scheduling of BEA release dates.

The International Trade Administration (ITA): ITA supports the development of the travel and tourism satellite accounts (TTsAs), which provide a detailed picture of the travel and tourism industries and their role in the U.S. economy. These accounts present estimates of the expenditures by tourists, or visitors, for 18 types of commodities as well as estimates of the output of 17 travel and tourism industries. They also present estimates of the income generated by travel and tourism and estimates of employment in the travel and tourism industries.

#### Other Government Agencies:

The Bureau of Labor Statistics (BLS) and Internal Revenue Service (IRS): These two agencies are principal suppliers of source data used to compile BEA's economic accounts. BEA works closely with both agencies to stay apprised of joint and individual statistical problems and to cooperate in dealing with those concerns. The availability of current source data from BLS is a key factor in scheduling the release of BEA estimates.

Interagency Council on Statistical Policy (ICSP): Under the auspices of the Office of Management and Budget, BEA is a major participant in the ICSP, which works to improve collaborative activities of Federal statistical agencies. Activities of the ICSP have led to the standardization of data and concepts, transfers of

technology, methodology exchange, collaborative research, process improvement, improved customer service, reduced respondent burden, and infrastructure sharing.

Federal Economic Statistics Advisory Committee (FESAC): The Committee presents advice and makes recommendations to BEA, the Census Bureau, and the Department of Labor's Bureau of Labor Statistics from the perspective of the professional economics and statistics community. The Committee examines the agencies' programs and provides advice on statistical methods, research needs, and other technical matters related to the collection, tabulation, and analysis of Federal economic statistics.

Other agencies: To obtain source data for its economic accounts, BEA maintains close working relationships with statistics-producing agencies in most of the executive branch departments of the Government, including the Departments of Agriculture, Defense, Education, Energy, Health and Human Services, Labor, Transportation, and Treasury.

### **External Factors and Mitigating Strategies:**

With only a few exceptions, BEA is dependent on other government agencies and private organizations for the source data it uses to produce its economic accounts statistics. Thus, BEA's ability to provide timely, relevant, and accurate economic data, and to move forward with improvements in its economic accounts, is dependent on the quality and availability of that source data. BEA works closely with its statistical agency partners and other source data providers to obtain the best and most complete data possible. BEA also continually refines its estimation methods to improve its measures, especially in areas with source data deficiencies.

### BEA Data Validation and Verification

BEA conducts an annual review of the Bureau's performance data to ensure that it is complete and accurate. Significant deviations from the projected target, if any, are reviewed by the Director, and actions are planned to address deficiencies.

The validation process is conducted in a manner similar to audit principles, which include data collection and verification of data. Data collected from independent sources and the BEA 5-year Strategic Plan are compared to actual outcomes in order to determine the success or failure of the Agency to meet its specified goals. All data are maintained and made publicly available for additional outside review.

Performance Measure	Data Source	Frequency	Data Storage	Internal Control Procedures	Data Limitations	Actions to Be Taken
1a. <b>Timeliness:</b> Reliability of Delivery of Economic Data (Number of Scheduled Releases Issued on Time)	A schedule of release dates for the calendar year is published each fall in the <i>Survey of Current Business</i> and is posted on the BEA Web site. BEA maintains a record of subsequent actual release dates.	Quarterly	BEA maintains the schedule of future release dates and the record of actual release dates. Both sets of information are available on the BEA Web site.	Scheduled and actual release dates are a matter of public record and can be verified via the Internet at <www.bea.gov>.	All releases may not be included in the published annual schedule because their release dates cannot be established that far in advance.	FY 2006 target will be added when it is made available to OMB and published in the <i>Survey of Current Business</i> in the fall of 2005.
1b. <b>Relevance:</b> Customer Satisfaction with Quality of Products and Services (Mean Rating on a 5-Point Scale)	Annual BEA customer satisfaction survey conducted by BEA.	Annually	BEA conducts the survey, compiles the results, and retains records of raw data and computations that lead to the final results. A report is written and made available to the public at <www.bea.gov>.	BEA provides a copy of the survey to the OMB, Budget Office of the Department of Commerce, and the Economics and Statistics Administration. The report is made available on the BEA Web site.	The customer satisfaction survey is voluntary and is conducted via the Web and mail. As a voluntary survey, responses are representative of those who choose to respond.	Survey will be conducted in FY 2005.
1c. <b>Accuracy:</b> Percent of GDP Estimates Correct	Background research studies are published in the BEA <i>Survey of Current Business</i> . An annual report is submitted to OMB and is available to the public on the BEA Web site.	Annually	The <i>Survey of Current Business</i> is published monthly and available online. The statistical report will be made available on the BEA Web site.	The <i>Survey of Current Business</i> is a matter of public record and can be verified via the Internet or hardcopy. The statistical report will also be available to the public on the BEA Web site. In benchmark years, the calculation of the GDP revision is delayed until December.	The measure is the best single point estimation of the accuracy of GDP. Economic conditions, rather than statistical practices, could dramatically change the measure.	Research to calculate the new measure will be conducted following the completion of the annual revisions in August 2005.
1d. <b>Budget-Related:</b> Improving GDP and the Economic Accounts	The BEA Strategic Plan provides annual milestones for this budget-related measure. At the end of each fiscal year, BEA evaluates and reports its progress in achieving the scheduled milestones.	Annually	BEA compiles and maintains data annually via the BEA Scorecard, available on the BEA Web site.	BEA conducts internal review and analysis.	BEA's annual review and update of its Strategic Plan could result in changes to the milestones.	Milestones will be adjusted as necessary to match the BEA Strategic Plan.

1e. <b>Budget-Related:</b> Accelerating Economic Estimates	The BEA Strategic Plan provides annual milestones for this budget-related measure. At the end of each fiscal year, BEA evaluates and reports its progress in achieving the scheduled milestones.	Annually	BEA compiles and maintains data annually via the BEA Scorecard, available on the BEA Web site.	Internal review and analysis by BEA.	BEA's annual review and update of its Strategic Plan could result in changes to the milestones.	Milestones will be adjusted as necessary to match the BEA Strategic Plan.
1f. <b>Budget-Related:</b> Meeting U.S. International Obligations	The BEA Strategic Plan provides annual milestones for this budget-related measure. At the end of each fiscal year, BEA evaluates and reports its progress in achieving the scheduled milestones.	Annually	BEA compiles and maintains data annually via the BEA Scorecard, available on the BEA Web site.	Internal review and analysis by BEA.	BEA's annual review and update of its Strategic Plan could result in changes to the milestones.	Milestones will be adjusted as necessary to match the BEA Strategic Plan.
1g. <b>Budget-Related:</b> Upgrading Information Technology Systems	The BEA Strategic Plan provides annual milestones for this budget-related measure. At the end of each fiscal year, BEA evaluates and reports its progress in achieving the scheduled milestones.	Annually	BEA compiles and maintains data annually via the BEA Scorecard, available on the BEA Web site.	Internal review and analysis by BEA.	BEA's annual review and update of its Strategic Plan could result in changes to the milestones.	No action necessary as performance measure will be discontinued as of FY 2005.

#### List of Supporting Documents

- Strategic Planning:
  - BEA's Mission, Vision, Values, and Role  
- [www.bea.gov/bea/about/mission.htm](http://www.bea.gov/bea/about/mission.htm)
  - BEA Strategic Plan for FY 2005–FY 2009  
- [www.bea.gov/bea/about/strat\\_plan\\_FY05\\_09.pdf](http://www.bea.gov/bea/about/strat_plan_FY05_09.pdf)
  - BEA Strategic Plan Report Card for FY 2004  
- [www.bea.gov/bea/about/FY04strat\\_plan\\_report\\_card.pdf](http://www.bea.gov/bea/about/FY04strat_plan_report_card.pdf)
- Organizational Assessment:
  - Employees Rate BEA Among Top Federal Agencies, January 5, 2004  
- [www.bea.gov/bea/newsrelarchive/2004/OASnewsrelease.pdf](http://www.bea.gov/bea/newsrelarchive/2004/OASnewsrelease.pdf)
  - BEA Organizational Assessment Survey, Results, 2003  
- [www.bea.gov/bea/about/organizational-assess-results03.pdf](http://www.bea.gov/bea/about/organizational-assess-results03.pdf)
- Other Performance Related Links:
  - BEA Customer Satisfaction Survey Report, March 2004  
- Report: [www.bea.gov/bea/about/cssr\\_2004\\_complete.pdf](http://www.bea.gov/bea/about/cssr_2004_complete.pdf)  
- Highlights: [www.bea.gov/bea/about/cssr\\_2004\\_highlights.pdf](http://www.bea.gov/bea/about/cssr_2004_highlights.pdf)
  - Release Dates for 2005  
- [www.bea.gov/bea/newsrel/2005rd.htm](http://www.bea.gov/bea/newsrel/2005rd.htm)
  - Composite Index of Accuracy:  
- [www.bea.gov/bea/ARTICLES/2002/01january/0102reliablenipas.pdf](http://www.bea.gov/bea/ARTICLES/2002/01january/0102reliablenipas.pdf)

**Department of Commerce**  
**BUREAU OF INDUSTRY AND SECURITY**  
**FY 2006 Annual Performance Plan**

The mission of the Bureau of Industry and Security (BIS) is to advance U.S. national security, foreign policy, and economic interests. BIS's activities include regulating the export of sensitive goods and technologies in an effective and efficient manner; enforcing export control, antiboycott, and public safety laws; cooperating with and assisting other countries on export control and strategic trade issues; assisting U.S. industry to comply with international arms control agreements; and monitoring the viability of the U.S. defense industrial base.

The Bureau of Industry and Security's FY 2006 budget request has been formulated to strengthen the Bureau's export administration, export enforcement, and international programs and thereby improve its ability to support U.S. national security and foreign policy interests without imposing undue regulatory burdens on legitimate international trade. The ongoing transformation of the political, economic, and security landscape has created new challenges where business and security intersect. American technological prowess adds to the challenges of ensuring the Bureau's ability to promote trade and protect security as mutually reinforcing objectives. The area of "deemed" exports of knowledge to foreign nationals in the United States has also become much more important. The FY 2006 budget request will help BIS rise to the challenge by improving its ability to process license applications for proposed exports of dual-use items in an accurate, consistent, and timely manner. The programs contained in this budget will also permit BIS to maintain a robust enforcement program and to conduct a comprehensive outreach program to improve industry compliance with U.S. export control laws and international export control standards. In the process, these programs will allow BIS to make the improvements to its deemed export licensing, compliance, and outreach capabilities recommended by the Inspector General. In addition, the programs in this budget will help ensure that BIS can continue to meet its responsibilities in support of international treaty compliance and the U.S. defense industrial base.

The following BIS activities serve to advance economic growth and trade while protecting American security:

**Administering U.S. dual-use export controls:** BIS imposes controls on exports of dual-use goods and technology to counter proliferation of weapons of mass destruction, combat terrorism, and pursue other national security and foreign policy goals. BIS administers this export control system through the promulgation and implementation of a regulatory, licensing, and reporting regime.

**Enforcing U.S. export control, antiboycott, and public safety laws:** BIS enforcement agents investigate and help prosecute potential violations of U.S. export control, antiboycott, and public safety laws that carry civil and criminal sanctions. BIS also engages in preventive enforcement to deter potential violations.

**Ensuring compliance with arms control treaties imposing requirements on U.S. industry:** BIS serves as the lead agency for ensuring U.S. industry compliance with the Chemical Weapons Convention (CWC) and the Additional Protocol to the International Atomic Energy Safeguards Agreement, managing inspections by the Organization for the Prohibition of Chemical Weapons at U.S. industrial sites, and serving as the clearinghouse for CWC declarations filed by U.S. companies. BIS also works with U.S. industry in the context of the Biological and Toxin Weapons Convention.



**Assisting key countries that export or serve as transit points for sensitive commodities and technologies to develop effective export control systems:** The effectiveness of U.S. export controls is enhanced by strong controls in other nations that export or transship sensitive goods and technologies. In cooperation with other U.S. Government agencies, BIS directly provides technical assistance to a number of countries to establish effective export control programs of their own.

**Monitoring the viability of the defense industrial and technology base:** BIS works to ensure that the United States remains competitive in industry sectors and sub-sectors critical to the national security. To this end, BIS discharges responsibilities under the Defense Production Act and other laws, including administration of the federal government's Defense Priorities Allocations System, assessing threats to U.S. national security deriving from imports, and promoting U.S. defense companies competing for international sales opportunities.

#### **FY 2006 Budget Priorities/Management Challenges:**

##### **Advanced Technologies Initiative (8 Positions, 6 FTE, and \$2,581,000)**

The continued rapid development of technology presents great economic opportunities for the United States, but also raises significant potential risks to national and homeland security. A prime example of these opportunities and risks is the rise of the night vision/thermal imaging industry. Night vision and thermal imaging devices are used in a wide and growing range of civilian uses, including firefighting, search and rescue, medical diagnostics, predictive maintenance, automotive, and research applications. At the same time, they have important military and anti-terrorism applications and must be controlled for critical U.S. national security reasons. Licensed U.S. exports have quickly reached \$600 million and continue their rapid growth. Estimates are that they will grow to nearly \$1 billion by 2008.

As a result of the national security significance of these devices, the United States has extensive controls on the export of military and civilian night vision and thermal imaging systems. In fact, night vision cases now account for approximately 25 percent of the export license applications that BIS processes annually. The challenge in implementing export controls on these products, as well as other commodities and technologies, is to administer the controls efficiently to allow U.S. companies to compete globally, while also administering the controls effectively to ensure exports are not diverted to unauthorized users or uses. The night vision and thermal imaging industry is just one example of the challenges to the U.S. export control system posed by the rapid technological advances that also make America strong. Other sectors that are growing in size and complexity include advanced electronics, encryption, aviation, nanotechnology, and semiconductor manufacturing.

In March 2003, the Department of Commerce Office of Inspector General (OIG) issued a report, "Improvements Are Needed To Better Enforce Dual-Use Export Control Laws" (IPE-15155) that identified opportunities to improve BIS's ability to enforce these laws, including as they apply to new technologies. The proposed Advanced Technologies Initiative will significantly strengthen BIS's ability to successfully implement the OIG's recommendations and otherwise keep pace with the demands posed by America's vibrant high technology industries. This program has two components – licensing and outreach, and technology evaluation. The net effect of this proposal in FY 2006 is \$2,581,000 and 8 Positions.

**Justification:**

**Licensing and Outreach**

**Office: Export Administration (Total Cost: \$322,000 and 2 Positions)**

Summary

This program will help ensure that BIS's Export Administration (EA) meets its performance goals regarding license processing times and outreach to industry as they apply to fast growing technology sectors such as night vision/thermal imaging and advanced electronics.

Rationale

Between FY 2002 and FY 2004, the number of national security export license applications processed by EA's Office of National Security and Technology Transfer Controls (NSTTC) almost doubled to over 6,800. A major share of this increase is due to the burgeoning market for civilian night vision and thermal imaging devices – a trend that will continue for the foreseeable future, especially given the Administration's efforts to control night vision equipment developed from Amorphous Silicon based technology. During FY 2004, BIS processed over 3,000 night vision license applications, and expects to process up to 4,000 of these cases in FY 2005, with comparable increases in the future. It is also likely that other technologies will show rapid growth, adding to the export licensing volume. Given this growing workload, two additional licensing officers are essential if BIS is to meet its responsibilities under Executive Order 12981, to make initial license decisions within 39 days.

In addition, under National Security Presidential Directive 19 (NSPD-19), EA will begin referring commodity classification (classification of items subject to Commerce export licensing jurisdiction) requests to the Departments of State and Defense for review. Consulting with the Departments of State and Defense on commodity classifications will require NSTTC licensing officers to spend substantially more time on commodity classifications than they currently do, in addition to their license application processing duties.

The additional FTEs under this program will enable EA to meet its statutory requirement to process commodity classification requests in 14 days, a time frame that is a significant benefit to U.S. exporters.

Under this program, EA will hire two additional FTEs for NSTTC to process the increased volume of licenses, commodity classifications and jurisdiction requests, as well as licensing determination requests for the Bureau's Office of Export Enforcement and the Department of Homeland Security's Bureau of Immigration and Customs Enforcement; and, to do so in an accurate and timely manner that protects U.S. national and homeland security, while also helping U.S. exporters. This program also expands the travel budget for NSTTC by \$50,000, which will enable NSTTC to expand its outreach to the night vision industry, including licensing and enforcement training for U.S. exporters of night vision equipment.

**Technology Evaluation**

**Office: Export Administration (Total Cost \$2,259,000 and 6 Positions)**

Meeting the technological challenge to the dual-use export control system requires more than officers to process license applications under existing regulations. It requires the ability to identify emerging technologies with national security implications. By establishing the Office of Technology Evaluation (OTE), BIS

will be able to implement and maintain a more effective system of dual-use export controls that better protects U.S. national, homeland, and economic security by: (1) identifying sensitive new technologies for potential inclusion on the Commerce Control List; (2) assessing whether items currently controlled are available abroad or on a mass market basis; (3) conducting thorough, systematic reviews of the Commerce Control List to ensure that items are appropriately controlled for the protection of U.S. national security; and (4) reviewing the effectiveness of multilateral export control regimes and of control systems of regime members.

**Rationale:** To effectively manage the dual-use export control system, BIS needs the resources to stay abreast of the rapid technological change that is shaping goods and technologies. Currently, BIS lacks the dedicated expertise to systematically evaluate control lists, license applications, and other functions against the latest developments, but must divert other resources to deal with these developments on an ad hoc basis. For example, the GAO and OIG have found that BIS should strengthen its ability to conduct certain foreign availability assessments, analyze the cumulative effects of technology transfers to particular countries, or systemically review the Commerce Control List, in light of technological advances. In addition, President Bush has cited the need for “building high walls around technologies of the ‘highest sensitivity’” and “revitaliz[ing] multilateral cooperation to control the proliferation of the most ‘critical technologies,’” while “allowing companies to export products when those products are already readily available in foreign or mass markets.” To perform these responsibilities in the years ahead, BIS requires resources devoted to making such assessments and identifying such technologies.

The OTE will focus on three functional areas.

Function 1: Control of Items.

Commerce Control List (CCL) Review - The OTE will lead BIS’s review of the CCL as part of the U.S. government’s annual preparation of proposed revisions to the multilateral export control regimes. This review will cover all categories of items controlled pursuant to U.S. commitments to the four multilateral export control regimes – the Wassenaar Arrangement, the Nuclear Suppliers’ Group, the Australia Group, and the Missile Technology Control Regime. Each year, the U.S. government determines whether it should propose that items (goods, software, and technology) should be added to or removed from the control lists of the regimes. This effort requires technical expertise in dual-use items and their potential weapons applications. Keeping the multilateral control lists, which BIS implements domestically, current in light of technological developments and focused on those civilian items that can be used for weapons of mass destruction or conventional arms purposes will help ensure that the controls are effective but targeted.

Foreign Availability Determinations - The OTE will conduct foreign availability determinations to assess two factors. First, the determinations analyze the extent to which foreign suppliers produce the same or similar items as those controlled by the United States. Experts with engineering and scientific backgrounds are needed to accurately determine whether foreign products, such as encryption software, night vision and thermal imaging equipment, and gyros and accelerometers are truly technically equivalent to products made in the United States. Second, the determinations analyze the export control treatment of equivalent foreign products. Personnel with expertise in foreign export control systems will be needed for this part of the determination. Foreign availability determinations will help determine whether items should be controlled on a multilateral or unilateral basis.

Mass Market Determinations - The OTE will also conduct mass market determinations to identify whether a controlled item is available on such a widespread basis, through the normal chain of commerce, that controls are rendered ineffective. As with foreign availability determinations, the first step is to precisely identify the technical capabilities of the product or products being reviewed. The next step is a market analysis to determine the volume of sales, the modes of sales, and the uses of such items. The final step is consultation with BIS’s enforcement unit to review enforcement data and the enforceability of controls. Mass market determinations will help determine whether items should continue to be controlled. As with foreign availability determinations, specialized expertise, in this case technical and economic, will be needed to conduct thorough mass market determinations.

## Function 2: Multilateral Export Control Regime Analysis.

Review of Multilateral Export Control Regimes – The OTE will conduct a systematic review of the effectiveness of the four multilateral export control regimes to allow the U.S. to identify gaps in the international export control system and develop policy initiatives to close them. The OTE will conduct a comprehensive review of one regime per year focusing on control lists, guidelines, and procurement efforts by countries of concern and terrorist groups. The OTE will issue reports addressing the effectiveness of each regime, including policy proposals to strengthen it, which will inform U.S. policy initiatives within each regime.

Review of Regime Members' Export Control Systems - The OTE will also review other regime members' export control systems to identify weaknesses and other potential gaps. Such a review will allow U.S. policy makers to identify initiatives that could be undertaken on a bilateral or multilateral basis to harmonize the implementation of export controls among regime members. This will also help ensure that U.S. exporters of controlled items have a level playing field when competing with foreign companies. These reviews will require personnel with significant technical and export control expertise.

## Function 3: Technology and Industry Analysis.

Technology Evaluation - U.S. national security depends upon ensuring that potentially sensitive dual-use goods and technologies are subject to appropriate export controls. In many industry sectors, technology and market trends change rapidly. In some cases, new technologies emerge that require quick and thorough study to determine if they should be subject to export controls. The OTE will monitor global technology and market trends to identify new items to be proposed for inclusion on the export control list and for changes in technology that render current controls obsolete. The OTE also will identify very sensitive items that should be subject to heightened scrutiny in the licensing process or items that would be candidates for enhanced control through bilateral or multilateral agreement with other producer countries. In addition, the OTE will monitor global market trends to identify ways of doing business that warrant revised export control policies and procedures.

Critical Industry Analysis - It is vital that a mechanism exist within the U.S. Government to evaluate the impact of rapid technology advancements on the U.S. defense industrial base and other critical industry sectors. BIS currently performs a portion of one of these functions by assessing the health of certain sectors important to the defense industrial base. The OTE will provide BIS with the resources and expertise to monitor and evaluate technology developments on a comprehensive and systematic basis. OTE reviews will assess how these sectors are affected by technological developments, technology transfers, and foreign competition.

Export Control Policy Assessment – The OTE will conduct assessments of the impact of U.S. export control policies on industry sectors critical to the national security interests of the United States and the U.S. economy in general. These assessments will review the ability of the industrial sectors to compete for international sales, the significance of exports to the sectors' economic health, including the ability to conduct research and development, and whether export controls have affected the sectors' ability to produce cutting edge products and compete in the global market.

Under this program, EA proposes to hire six FTEs for the OTE. Some or all of these new hires will be technical, special rate employees. BIS will also employ highly qualified contractors. Together, this staff and detailees from other specialized agencies, such as the National Academy of Sciences, National Science Foundation, the Departments of Defense and State, the intelligence community, and the federal labs will conduct studies and analyses of emerging technologies. FTEs assigned to the OTE will be experts in export control policy, economics, technology, international trade and relations, and business and industry trends. The \$2,259,000 will fund the six positions and support their technical training and travel, which will be essential to stay current on the latest trends in technology development and operation of the multilateral export control regimes and the export control systems of other countries.

### **Enhanced Deemed Export Control Initiative (4 Positions, 3 FTE, and \$1,050,000)**

The ability of U.S. companies to develop leading-edge technologies often depends on the work of foreign nationals in U.S. companies, research institutes, and universities. The U.S. system of open access to talented and knowledgeable foreign nationals provides substantial economic benefits to the United States. As the Commerce Department's Inspector General (OIG) and others have pointed out, however, this system also creates potential risks to our national security if foreign nationals receive access to sensitive U.S. technology and then use it against our interests.

Knowledge controls thus play an essential role in allowing the United States to receive the economic benefit of foreign nationals working with U.S. high technology companies and other entities, while minimizing the risk that such access will adversely affect national security. Specifically, through its deemed export licensing requirement, BIS restricts the release of controlled dual-use technology in the United States to a foreign national of a country to which that technology is controlled, unless the foreign national is a permanent resident of the United States or has protected individual status. This release is "deemed" to be an export to the home country of the foreign national. A release can occur through disclosure of technical data in oral or written form, through plant inspections/visits, training on the use of equipment, or other similar activities. The release requires a BIS license if the technology involved would require a license for export to the home country of the foreign national. In this way, BIS can review the proposed release of the technology as it would review the proposed export of a controlled item.

Deemed exports are an emerging area of great importance to U.S. national, homeland, and economic security, so BIS is ramping up its efforts to meet the challenge of effectively managing deemed export controls. The Enhanced Deemed Export Control Initiative is essential to BIS's ability to do so. First, it will enable BIS to process an increased volume of license applications in a timely manner, in order to ensure that U.S. entities are able to gain access to the expertise of foreign nationals who do not pose security concerns. Second, the initiative enables BIS to ensure that U.S. entities are aware of and comply with U.S. deemed export license requirements through expanded outreach and enforcement activities. Both aspects are necessary if the control of deemed exports is to advance U.S. national, homeland, and economic security.

In March 2004, the OIG issued a report "Deemed Export Controls May Not Stop the Transfer of Sensitive Technology to Foreign Nationals in the U.S." (IPE-16176) that identified opportunities to improve BIS's ability to stop the transfer of sensitive technology to foreign nationals in the U.S. This initiative is an essential element of BIS's plan to successfully implement the OIG's recommendations.

This initiative has two components – licensing and compliance, and verification. The net effect of this proposal in FY 2006 is \$1,050,000 and 4 Positions.

**Justification:**

**Licensing and Compliance**

**Office:**           **Export Administration**

**Proposal:**       **Deemed Exports (Total Cost: \$800,000 and 3 Positions)**

**Summary**

This proposal helps ensure that Export Administration (EA) meets its performance goals regarding processing times for deemed export license applications and outreach to industry. It also addresses recommendations by the Government Accountability Office (GAO) and the Department of Commerce OIG related to deemed export license compliance and outreach.

**Rationale**

Deemed export outreach activities more than doubled from FY 2003 to FY 2004, with large increases projected into the foreseeable future. As the OIG report and BIS outreach activities sensitize the academic and business communities to the issue of deemed exports, these communities seek expanded outreach. To effectively respond to this need, BIS's Assistant Secretary for Export Administration is leading an intensive, high-level, dialogue with the university community. Such continued expansion of the deemed export outreach program is essential if BIS is to meet its responsibility to educate the regulated U.S. community regarding its legal obligations, as detailed in the OIG report.

Outreach is people-intensive. The expanded staffing and travel funding provided under this proposal will enable BIS's Office of National Security and Technology Transfer Controls (NSTTC) to increase its outreach to industries and other areas found to be deficient in the OIG's review, and to facilitate outreach initiatives intended to address existing and proposed technology transfer and technology export processes. The additional personnel will also allow the continuation of an aggressive outreach program to raise and maintain deemed export license level of awareness in all high technology sectors. For example, one of the additional requested licensing officers will be dedicated to the planning, coordination and execution of deemed export outreach activities to industry, academic and research centers and government agencies. In order to maintain a sufficient outreach presence and appropriate level of deemed export awareness, NSTTC plans to hold at least 150 such outreach events annually, up from 116 in FY 2004.

History shows that this expanded outreach will generate large increases in deemed export license applications. In FY 2004, for example, the number of deemed export licenses processed rose by almost 20 percent to 995 licenses. This increase is expected to continue and BIS projects it will process approximately 1,500 applications by FY 2006. The three additional licensing officers provided under this initiative will give needed workload relief for the increased licensing volume, as well as existing and anticipated outreach activities, and policy and regulatory initiatives related to the deemed export licensing process.

The additional personnel under this proposal will also augment BIS's existing technical expertise related to deemed export. Currently, BIS has one electrical engineer. Under this proposal, BIS will add one technical expert in the life sciences to address the increased licensing volume from the chemical and biological industry sector. In addition, this technical expert will address scientific research conducted by foreign nationals in the academic community, a concern identified in the recent OIG report.

Finally, this proposal will also provide increased travel funds and staffing for BIS's Special Intra-Company License (SIL) program and associated audit requirements. The SIL is a licensing initiative that will allow a company to transfer approved controlled technology throughout its organization, including foreign and domestic subsidiaries, with a single license mechanism. The SIL will assist exporters by consolidating both deemed export and technology export licenses into a single license and will help increase security through more consistent and streamlined license conditions. Under the current SIL proposal, a company would be required to undergo an export compliance audit conducted by representatives from NSTTC. One of the additional FTEs will participate in these audits. It is expected that a number of leading U.S. high technology exporters will avail themselves of this licensing process once it is instituted in FY 2005.

As a result of all of these required activities, it is essential to expand NSTTC's staff by three licensing officers and increase its travel budget by \$78,000. This will allow BIS to significantly expand the scope of deemed export outreach while processing the increased level of license applications that result.

### **Verification**

**Office:**            **Export Enforcement**

**Proposal:**        **Deemed Exports (Total Cost: \$250,000 and 1 Position)**

### **Summary**

Consistent with the Department of Commerce's goal of increasing national security while facilitating trade, BIS's Export Enforcement (EE) screens work and business visas for foreign nationals, most of whom are the subject of deemed export license applications. Improving checks and screenings is thus a key element of a robust deemed export control system. EE also conducts domestic end-use visits of a representative sample of companies that have requested such visas for foreign nationals with access to sensitive technologies.

### **Rationale**

Under this proposal, EE will devote one new FTE to analyzing intelligence and preparing investigative leads pertaining to deemed export technology transfers by screening foreign visitor and work visas, and analyzing known information associated with the visit. Currently, BIS annually screens some 55,000 foreign visa requests at headquarters, and BIS expects this number to increase by 10 percent in FY 2006. The additional FTE will be responsible for targeting visas of particular interest to BIS, based on red flags (i.e., previous enforcement history on the foreign party or U.S. sponsor) for potential deemed export and technology transfer violations. To support development of an actionable lead, the agent will conduct additional research in U.S. government and open sources to verify red flags associated with the foreign visit. This position will support BIS's effort to identify threats and protect U.S. technology in a manner consistent with U.S. national security, homeland security, and economic security goals.

### **Conclusion:**

BIS's Enhanced Deemed Export Control Initiative will enable BIS to implement the recommendations contained in the OIG report and otherwise continue to meet the challenge of efficiently and effectively controlling the transfer of sensitive technology, and in that way bolster a critical element of U.S. national, homeland, and economic security.

### **Human Capital Initiative (0 Positions, 0 FTE, and \$1,572,000)**

President Bush has stated that “We can promote a culture of achievement throughout the Federal Government.” Similarly, in February 2001, the Government Accountability Office added human capital management to the government-wide “high-risk list.” Even earlier, in 1998, McKinsey and Company published the *War for Talent*, which describes a competition for top people that will determine how successful an organization will be. It is thus no coincidence that *Strategic Management of Human Capital* is the first initiative in the President’s Management Agenda (PMA). BIS’s efforts to fully fund human capital development, in line with the PMA, reflect this broad consensus on the importance of fostering an organization’s people.

Even more than most organizations, BIS relies on a skilled, knowledgeable, diverse, and high performing workforce to achieve its mission of advancing U.S. national security, foreign policy, and economic interests. As a regulatory and law enforcement agency, BIS is human capital-intensive. Approximately 60 percent of its appropriation is devoted to salaries and benefits. An additional 23 percent covers equipment, rent, and other support structures. BIS does not fund grants or other large programs, so the best way to invest in BIS success is to invest in BIS people.

However, over time, the base budget on which BIS relies to fund human capital development has eroded. Thus, to maintain its high-level of performance, BIS is proposing to rebuild its base to include sufficient funding for a robust human capital program.

BIS’s Human Capital Initiative consists of three parts: continuous learning/employee development/performance incentives, recruitment/retention, and technology.

#### Part 1: Continuous Learning/Employee Development/Performance Incentives

BIS is requesting \$902,000 for continuous learning/employee development/performance incentives. The American Society for Training and Development (ASTD) states that most effective organizations invest at least one percent of their operating budget on training and one percent on awards. Another way of measuring training investments is that most effective organizations invest 62 hours in training current employees and 117 in training new employees. Using this methodology, BIS requests an additional \$670,000 for employee development and \$232,000 for performance incentives.

#### Part 2: Recruitment/Retention

BIS is requesting \$350,000 for recruitment and retention incentives in order to recruit and retain the highly qualified staff necessary to ensure BIS continues to meet its responsibilities. The incentives that BIS will use include recruitment bonuses, superior qualifications appointments, relocation and interview travel, career ladder promotions, and student loan repayment benefits. In this way, BIS should be able to reap the reward of their investments in talented people.

#### Part 3: Technology

BIS is requesting \$320,000 to provide its people with the technology they need to be successful. The President’s Management Agenda commits the Executive Branch to adopt information technology and knowledge systems to better carryout the organization’s mission. Under this proposal, BIS will ensure that its employees have the hardware, software, and communications devices they need for maximum productivity by having the ability to access information quickly and remotely.

BIS is committed to creating the supportive culture that will build and sustain the high performing workforce it needs to meet its vital national, homeland, and economic security mission. The BIS Human Capital Initiative provides the foundation for doing so.



### **Targeted Export Enforcement (5 Positions, 4 FTE, and \$1,710,000)**

The Bureau of Industry and Security (BIS) is responsible for enforcing the export control laws and regulations governing dual-use commodities. As part of BIS, Export Enforcement's (EE) special agents work to make sure that sensitive goods and technologies do not fall into the wrong hands, and investigate cases when they may have done so. BIS's ability to meet these responsibilities is constrained not by the number of potential cases, but by the resources BIS has to devote to them. To better meet the demand for investigative resources, and to make its agents even more effective, BIS proposes an increase of 5 positions and \$1.7 million to support: (1) additional staff and travel for its seized computer evidence recovery program; (2) additional investigative travel for field agents to conduct investigations and outreach; and (3) an enhanced end-use verification program.

#### **Justification:**

### **Seized Computer Evidence Recovery System**

**Office: Export Enforcement (Total Cost: \$909,000 and 4 Positions)**

#### **Summary:**

Under this proposal, BIS will fund two special agents, two analysts/technicians, training, equipment, and travel to support its Seized Computer Evidence Recovery System (SCERS).

#### **Rationale:**

Evidence seized from computers and other electronic storage media are an increasingly important part of the daily work of enforcement. Such evidence plays a critical role in the enforcement of laws such as export controls where the violations at issue are the result of business transactions conducted or documented electronically. BIS is developing the capability to obtain, process, and use such electronic evidence through a program staffed and funded with existing resources. Specifically, it has created a SCERS program, staffed by field agents who have developed expertise in computer evidence recovery. Almost all of these SCERS agents work out of the various EE field offices, with oversight and logistical support provided by a GS-14 supervisory special agent in the Headquarters Operations Division.

Notwithstanding the limited infrastructure and support, BIS's SCERS program has had notable success. Evidence recovered by SCERS agents has played an important role in many of the cases investigated by BIS last year. In addition, BIS's SCERS agents have been called on to assist other agencies – most notably, the FBI in the September 11 investigation. At one point, BIS had three SCERS agents – two on temporary duty assignments – assisting the FBI full-time in New York on this investigation.

Despite these accomplishments, the need for additional resources to support the SCERS program is overwhelming. In FY 2004, computer evidence was recovered in response to every one of the 47 search warrants executed by BIS, requiring SCERS specialists at each search site to seize computer drives and, once seized, to exploit them for relevant evidence. As one example of the amount of material that can be recovered in such a search, warrants executed in New York yielded 50 hard drives, including the drive for one mainframe computer. Warrants executed on the same case at related offices in Los Angeles yielded an additional 30 hard drives. SCERS agents are also frequently called on to assist in the analysis of computers recovered as a result of joint work with other law enforcement agencies. To avoid a significant backlog of computer evidence awaiting analysis, which delays the processing of cases and impedes potentially time-sensitive investigations, it is imperative to increase BIS's dedicated SCERS capability by at least 3 FTEs.

This proposal will provide additional people and \$909,000 to staff and support a BIS SCERS lab. The additional agents and two analysts requested in this initiative will also go far in alleviating the burden on the SCERS agents in BIS field offices. In addition to the benefit of better and speedier recovery of data, the initiative will also save resources in the field offices by freeing up agents currently devoted to SCERS recovery to devote greater time to the work that requires more case-specific knowledge.

### **Investigative Travel**

**Office: Export Enforcement (Total Cost: \$360,000)**

#### **Summary:**

Some 30 percent of BIS investigations require overnight travel. Increasing travel funds for BIS agents will increase their productivity and effectiveness by increasing the number of cases they can make.

#### **Rationale:**

During FY 2004, BIS continued to score significant accomplishments in enforcement actions and penalties. BIS investigations that resulted in criminal convictions of individuals and businesses increased from 21 in FY 2003 to 28 in FY 2004. BIS investigations also resulted in 11 individuals and companies being sentenced to criminal penalties in excess of \$2.9 million and, in some cases, incarceration. Additionally, EE investigative activity increased from 34 administrative enforcement cases with \$4.1 million in penalties against individuals and companies in FY 2003 to 63 administrative enforcement cases with penalties of \$6.2 million in FY 2004.

The substantial increase in the number of enforcement actions illustrates the need for a significant increase in funds required for investigative travel. BIS has eight field offices and one resident office, located in six states, with each office covering a large multi-state region, with associated travel costs. For example, the Chicago field office conducts investigations in a 10-state region. Investigations requiring travel can be expensive, with a single large investigation costing anywhere from \$5,000 to \$40,000.

For example, in FY 2004, an investigation/prosecution led by BIS's Boston field office revealed a worldwide network of illegal export activity. The investigation required significant travel to Denver and Washington, D.C., as well as to South Africa. The cost of the investigation to date is some \$43,000. The additional travel resources requested under this program are essential to BIS's ability to conduct such complex and important investigations.

### **Enhanced Sentinel/End-use Verification Program (Sentinel)**

**Office: Export Enforcement (Total Cost: \$441,000 and 1 Position)**

#### **Summary:**

BIS's Sentinel Program ("Sentinel") sends teams of two criminal investigators overseas to conduct on-site pre-license and post-shipment checks. The teams determine the disposition of licensed or otherwise controlled U.S.-origin commodities, particularly those of proliferation concern. The teams also assess the suitability of foreign end-users to receive U.S.-origin licensed goods and technology, and conduct educational outreach to foreign trade groups. This program

will help ensure that Export Enforcement (EE) maintains a robust enforcement program in dual-use export controls, and completes the implementation of recommendations contained in OIG report IPE-15155 and a December 2003 report by GAO.

Rationale:

BIS's counter-proliferation mission includes the prevention and detection of proliferation-related export control violations. One of BIS's primary methods for preventing and detecting these diversions is by aggressively conducting end-use verifications. Sentinel trips provide an opportunity for BIS to place two trained criminal investigators in a country to visit the end-users of sensitive controlled commodities and determine whether these items are being used in accordance with license conditions. Agents also visit prospective end-users listed on pending license applications to determine if there is a risk that commodities could be diverted if a license were approved. In this way, Sentinel trips help create the confidence needed to foster trade while strengthening U.S. security.

Sentinel trips are resource intensive. Each trip requires a team of at least two criminal investigators for approximately six weeks to perform target analysis, pre-departure technical training, actual travel, and the subsequent post-trip briefings and final report. The \$441,000 requested in this program is essential for BIS to meet its FY 2006 goals for Sentinel trips.

Unit Cost Measures

Currently, BIS does not have performance measures that can be shown in unit cost terms. However, BIS is working with its accounting service provider to develop a system to track expenditures associated with each performance measure. Once this tracking system is in place, BIS will develop unit cost performance measures, establish baselines, and project targets that are meaningful.

PART Assessment

The BIS Export Administration program was recently assessed in the Program Assessment Rating Tool (PART). The PART rating for the Export Administration program was "Adequate." It should be noted that the PART identified the need for "additional technological and analytical ability to maintain effective dual-use export controls."

The PART Summary of the Export Administration Program is as follows:

The Export Administration (EA) program, within the Bureau of Industry and Security, implements U.S export control policies for dual-use commodities. It issues regulations on export policies and processes export licenses.

- The Export Administration program is generally well managed, but needs to work with other government agencies on long-term strategic outcomes. In general, the EA program is necessary to control the export of dual-use goods from the U.S. It is active in several multilateral export control regimes and has consistently updated its control list to reflect changing priorities and to ensure items are adequately controlled. It generally compares favorably to the export-control programs of other governments.
- The program currently operates under an Executive Order. It would benefit from an updated, reauthorized Export Administration Act (EAA) to clarify some outdated control requirements, increase penalties for violations, and specify interagency licensing processes. Due to increases in workload and changes in technology, the program also requires additional technological and analytical ability to maintain effective dual-use export controls.

The program's long-term performance goals are under development. It does have adequate annual performance goals that emphasize both the timelines of the license process and updates to its regulations. The program also should consider an accuracy measure of the license process.

**In response to the findings:**

The EA program is developing long-term measures by: 1) working with the appropriate agencies to measure the interagency dual-use export control program's ability to protect national security; and 2) obtaining information on the market impact on U.S. companies of applying for an export license.

The FY 2006 Presidential Budget requests increases for an Office of Technology Evaluation to enhance the program's analytical ability to systematically evaluate its control list, identify sensitive technologies for inclusion on the control list, and conduct evaluations of the multilateral regimes.

**FY 2006 Program Changes**  
**(Dollars in Millions)**

The following program changes will: (1) strengthen BIS's ability to control exports in the expanding high technology industries, (2) enable BIS to process an increased volume of deemed export licenses and ensure that U.S. entities are aware of and comply with deemed export license requirements through expanded outreach and enforcement activities, (3) improve BIS employee recruitment, retention, and improve employee productivity, and (4) provide additional enforcement staff to strengthen the seized computer evidence recovery program, investigations and outreach, and the end-use verification program.

	Base		Increase/Decrease	
	FTE	Amount	FTE	Amount
<b>Advanced Technologies Initiative</b>				
Export Administration	198	\$34,211	6	\$2,581
<b>Enhanced Deemed Export Control Initiative</b>				
Export Administration	198	\$34,211	3	\$1,050
<b>Human Capital Initiative</b>				
Management and Policy Coordination (See Note)	25	\$5,078	0	\$1,572
<b>Targeted Export Enforcement</b>				
Export Enforcement	191	\$30,798	4	\$1,710

Target and Performance Summary

		FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Target	FY 2006 Target
Performance Goal 1: Protect the U.S. National Security and Economic Interests by Enhancing the Efficiency of the Export Control System							
Median Processing Time for Referrals of Export Licenses to Other Agencies (Days)		New	New	4	3	9	9
Median Processing Time for Export Licenses Not Referred to Other Agencies (Days)		New	New	9	9	15	15
Median Processing Time for Issuing Draft Regulations (Months)		New	New	7	2	3	3
Level of Exporter Understanding of BIS Export Control Requirements	Value of Information (average score on scale of 1-5)	New	4.2	4.2	4.2	4.2	4.2
	Percent Knowledge Gained (Index)	New	New	New	45%	45%	45%
Percent of Industry Assessments Resulting in BIS Determination on Revising Export Controls		New	New	New	New	New	100%
Performance Goal 2: Ensure U.S. Industry Compliance with the Chemical Weapons Convention (CWC) Agreement							
Number of Site Assistance Visits Conducted to Assist Companies Prepare for International Inspections		New	16	12	12	12	24
Performance Goal 3: Prevent Illegal Exports and Identify Violators of Export Prohibitions and Restrictions for Prosecution							
Number of Investigative Actions That Result in the Prevention of a Violation and Cases Which Result in a Criminal and/or Administrative Prosecution		81	82	250	310	275	315
Number of Post-Shipment Verifications Completed		New	300	397	401	400	425
Performance Goal 4: Enhance the Export and Transit Controls of Nations Seeking to Improve Their Export Control System							
Number of Targeted Deficiencies Remedied in the Export Control Systems of Program Nations		New	25	39	41	40	40

Resource Requirements Summary

Performance Goal 1: Protect the U.S. National Security and Economic Interests by Enhancing the Efficiency of the Export Control System								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 President's	FY 2006 Base	Increase/ Decrease	FY 2006 Request
Management and Policy Coordination	1.1	2.2	0.0	0.0	0.0	0.0	0.0	0.0
Export Administration	22.8	24.7	27.9	22.4	20.5	27.3	4.4	31.7
Reimbursable <sup>1</sup>	0.1	0.7	1.5	1.1	1.0	1.0	0.0	1.0
Total Funding <sup>2</sup>	24.0	27.6	29.4	25.8	24.2	30.5	4.4	34.9
IT Funding	1.0	1.8	1.6	2.3	2.7	2.2	0.0	2.2
FTE <sup>3</sup>	164	156	190	163	186	186	9	195

<sup>1</sup> Reimbursable funding included in total funding.

<sup>2</sup> IT funding included in total funding.

<sup>3</sup> Includes reimbursable FTEs.

Notes: Totals may differ slightly due to rounding.

Total obligations may differ from those reported in other exhibits due to inclusion of restorations of prior year funds in the amounts cited above.

Performance Goal 2: Ensure U.S. Industry Compliance with the Chemical Weapons Convention (CWC) Agreement								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 President's	FY 2006 Base	Increase/ Decrease	FY 2006 Request
Management and Policy Coordination	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Export Administration	6.5	4.5	5.9	7.0	7.2	7.2	0.0	7.2
Reimbursable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funding	6.5	4.5	5.9	7.0	7.2	7.2	0.0	7.2
IT Funding	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FTE	22	22	29	22	23	23	0	23

<sup>1</sup> Reimbursable funding included in total funding.

<sup>2</sup> IT funding included in total funding.

<sup>3</sup> Includes reimbursable FTEs.

Notes: Totals may differ slightly due to rounding.

Total obligations may differ from those reported in other exhibits due to inclusion of restorations of prior year funds in the amounts cited above.

Performance Goal 3: Prevent Illegal Exports and Identify Violators of Export Prohibitions and Restrictions for Prosecution

	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 President's	FY 2006 Base	Increase/ Decrease	FY 2006 Request
Management and Policy Coordination	1.1	2.4	0.0	0.0	0.0	0.0	0.0	0.0
Export Enforcement	25.9	27.3	40.7	30.2	32.8	29.3	2.5	31.8
Reimbursable <sup>1</sup>	0.1	0.3	0.3	0.3	0.3	0.3	0.0	0.3
Total Funding	27.1	30.0	41.0	34.3	36.9	32.0	2.5	34.5
IT Funding <sup>2</sup>	1.0	2.0	2.1	3.8	3.8	2.4	0.0	2.4
FTE	178	171	226	173	198	198	4	202

<sup>1</sup> Reimbursable funding included in total funding.

<sup>2</sup> IT funding included in total funding.

<sup>3</sup> Includes reimbursable FTEs.

Notes: Totals may differ slightly due to rounding.

Total obligations may differ from those reported in other exhibits due to inclusion of restorations of prior year funds in the amounts cited above.

Performance Goal 4: Enhance the Export and Transit Control Systems of Nations that Lack Effective Control Arrangements

	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 President's	FY 2006 Base	Increase/ Decrease	FY 2006 Request
Management and Policy Coordination	1.5	1.4	2.2	1.9	1.7	1.5	0.0	1.5
Reimbursable <sup>1</sup>	3.8	4.1	7.0	4.7	10.8	5.0	0.0	5.0
Total Funding	5.3	5.5	9.2	6.8	12.7	6.6	0.0	6.6
IT Funding <sup>2</sup>	0.4	0.3	.5	.2	0.2	.1	0.0	0.1
FTE	9	9	9	7	11	11	0	11

<sup>1</sup> Reimbursable funding included in total funding.

<sup>2</sup> IT funding included in total funding.

<sup>3</sup> Includes reimbursable FTEs.

Notes: Totals may differ slightly due to rounding.

Total obligations may differ from those reported in other exhibits due to inclusion of restorations of prior year funds in the amounts cited above.

Grand Total	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 President's	FY 2006 Base	Increase/ Decrease	FY 2006 Request
Operations and Administration								
Management and Policy Coordination	3.7	6.0	2.2	1.9	1.7	1.5	0.0	1.5
Export Administration	29.3	29.2	33.8	29.4	27.7	34.5	4.4	38.9
Export Enforcement	25.9	27.3	40.7	29.3	32.8	29.3	2.5	31.8
Total Funding	63.1	67.6	76.7	73.9	81.0	76.3	6.9	83.2
Direct	59.1	62.5	67.9	67.8	68.9	70.0	6.9	77.0
Reimbursable <sup>1</sup>	4.0	5.1	8.8	6.1	12.1	6.3	0	6.3
IT Funding <sup>2</sup>	2.6	4.2	4.2	6.3	6.7	4.7	0	4.7
FTE <sup>3</sup>	373	358	454	365	418	418	13	431

<sup>1</sup> Reimbursable funding included in total funding.

<sup>2</sup> IT funding included in total funding.

<sup>3</sup> Includes reimbursable FTEs.

Notes: Totals may differ slightly due to rounding.

Total obligations may differ from those reported in other exhibits due to inclusion of restorations of prior year funds in the amounts cited above.

Human Capital Initiative Funding is included in "overhead" and distributed appropriately across all four BIS Goals.

### **Skill Summary:**

Extensive working knowledge of the Export Administration Act, Export Administration Regulations, and related Executive Orders pertaining to the control of dual-use commodities

Knowledge of world political/economic systems and current trends in U.S. trade and national security and foreign policy issues

Superior analytic abilities for complex licensing/policy decisions and regulatory interpretations

### **Performance Goal 1: Protect the U.S. National Security and Economic Interests by Enhancing the Efficiency of the Export Control System**

Corresponding Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers



Corresponding General Goal / Objective 1.2: Advance Responsible Economic Growth and Trade While Protecting American Security

Rationale:

BIS serves U.S. companies engaged in international trade by analyzing export license applications for controlled commodities in accordance with Export Administration Regulations (EAR). BIS also serves U.S. companies in conjunction with the Departments of State, Defense, and Energy, by making prompt decisions on license and related applications and by providing guidance to exporters on how to conform to applicable laws and regulations. BIS is particularly vigilant in evaluating transactions involving advanced technologies and dual-use products that potentially can be diverted to use in missile programs or in chemical, biological, nuclear, or conventional weapons programs. BIS also implements the Defense Production Act by analyzing the defense industrial and technology base to ensure that the United States remains competitive in sectors that are critical to national security.

Responding to increased concern about the proliferation of weapons of mass destruction BIS continues to refine U.S. export controls in light of geopolitical and business realities. BIS also seeks to enhance the effectiveness of the EAR by educating exporters and other stakeholders in the export licensing process, thereby improving industry compliance with export control regulations. These efforts will increase the efficiency of the license processing system and thus enable exporters to be more competitive in the global economy while deterring transactions that threaten U.S. security interests.

Program Increases/Decreases:

Program Initiative	Funding Request	Anticipated Impact	Location in the Budget
Advanced Technologies Initiative	8 Positions, 6 FTEs, and \$2,581,000	The Advanced Technologies Initiative will strengthen BIS's ability to implement the recommendations in OIG report IPE-15155, to keep pace with the demands posed by America's vibrant high technology industries.	Export Administration See Page BIS-59.
Enhanced Deemed Export Control Initiative	4 Positions, 3 FTEs, and \$1,050,000	The Enhanced Deemed Export Control Initiative will enable BIS to continue to meet the challenge of efficiently and effectively controlling the transfer of sensitive technology, thus ensuring national security, and implement the recommendations contained in the OIG report IPE-16176.	Export Administration See Page BIS-68.

#### Measure 1a: Median Processing Time for Referral of Export Licenses to Other Agencies (Days)

This measure, which was developed using the timeliness factors in Executive Order 12981, tracks the median processing time of an export license application from its receipt to its referral to other agencies. Approximately 85 percent of all export licenses must be referred to other agencies as dictated by Executive Order 12981. BIS is reviewing whether to revise this measure to more clearly track the performance standard set forth in the Executive Order. Until the measure is formally revised, BIS will retain the target of 9 days in FY 2005 and FY 2006.

The continued rapid development of technology presents great economic opportunities for the United States but also raises significant potential risks to our national security. A prime example of these opportunities and risks is the rise of the night vision/thermal imaging industry. Night vision and thermal imaging devices are used in a wide and growing range of civilian uses, including firefighting, search and rescue, medical diagnostics, predictive maintenance, automotive, and a variety of research applications. At the same time, they have important military and anti-terrorism applications and must be controlled for critical U.S. national security reasons.

Licensed U.S. exports have quickly reached \$600 million and continue their rapid growth. Estimates are that they will grow to nearly \$1 billion by 2008. Night vision cases now account for approximately 25 percent of the cases that the Bureau processes annually. During FY 2004 BIS processed over 3,000 night vision license applications, and expects to process up to 4,000 of these cases in FY 2005, with comparable increases in the future. As a result of the national security significance of these devices, the United States has extensive controls on the export of military and civilian night vision and thermal imaging systems. The challenge in administering export controls on these products, as well as other commodities and technologies, is to administer the controls efficiently to allow U.S. companies to compete globally while also administering the controls effectively to ensure exports are not diverted for unauthorized uses, such as terrorist activity. The night vision and thermal imaging industry is just one example of the challenges to the U.S. export control system. Other sectors include advanced electronics, encryption, aviation, nanotechnology, and semiconductor manufacturing.

#### Measure 1b: Median Processing Time for Export Licenses Not Referred to Other Agencies (Days)

This is the other component of the license application inventory (about 15 percent of all applications received). As with measure 1.a., BIS is reviewing whether to revise this measure to more clearly track the performance standard set forth in Executive Order 12981. Until the measure is formally revised, BIS will retain the target of 15 days in FY 2005 and FY 2006.

#### Measure 1c: Median Processing Time for Issuing Draft Regulations (Months)

BIS routinely issues new and amended regulations to effectuate its responsibilities under the Export Administration Act (EAA). Whether regulations liberalize or restrict industry activity, their prompt promulgation benefits the United States from a trade, economic, and national security perspective. Regulatory changes can, for example, reduce the number of license requirements imposed on U.S. exporters, close loopholes in the regulations, implement international agreements, adapt controls to geopolitical developments, or address new export control challenges. The majority of BIS regulations issued implement changes agreed to in the four multilateral control regimes in which the United States participates: Wassenaar Arrangement (conventional arms and related sensitive dual-use goods), Nuclear Suppliers Group, Missile Technology Control Regime, and the Australia Group (chemical and biological controls). This measure will track the length of time it takes BIS to issue a draft regulation after regime changes have been received and analyzed. There is a significant amount of time that is spent analyzing each regime resolution before actual drafting of a regulation can begin. For example, BIS must determine the appropriate level of unilateral controls for items decontrolled by the Regimes before it can change its regulations. Due to the complexity of changes recently made by the multilateral control regimes, BIS will retain the target of 3 months in FY 2005 and FY 2006.

#### Measure 1d. Level of Exporter Understanding of BIS Export Control Requirements

This measure indicates the effectiveness of BIS's export control outreach program. BIS's export control outreach program is a means for transferring knowledge from the government to the private sector regarding export control requirements. The BIS outreach program to the domestic and international business communities is a form of preventive enforcement that encourages compliance with the EAR. Seminars also help to heighten business awareness of the U.S. Government's export control policy objectives and improve compliance with regulatory requirements. The first metric measures the overall value of information presented on a scale of 1 to 5 by calculating an average of all scores given to a set of questions. The second metric is an index that reflects the knowledge gained by exporters who attend BIS seminars. In FY 2004 BIS calculated the second metric by comparing the actual improvement in knowledge to the maximum improvement possible for each event attendee. The FY 2004 baseline score was 45 percent. BIS will retain the targets of 4.2 and 45 percent respectively for these measures in FY 2005 and FY 2006.

#### Measure 1e: Percent of Industry Assessments Resulting in BIS Determination on Revising Export Controls

The Office of Technology Evaluation (OTE), if funded and established, will be responsible for assessing the current status of technologies employed in U.S. industries whose products are subject to export controls – in order to determine if those technologies have changed in such ways that existing controls should be revised or new controls should be imposed, and in order to determine if the control criteria remain pertinent and relevant or should be altered so the controls achieve the greatest possible beneficial effect and avoid unintended consequences. Because all determinations by BIS concerning whether existing controls should be revised ought to be informed by rigorous assessments of the technology employed in producing the products to which the controls apply, BIS seeks to establish an OTE to conduct such assessments. BIS anticipates that such assessments will be of such importance to its decision making concerning revising existing or imposing new controls that 100 percent of the export control-focused industry assessments OTE conducts will be instrumental in determining whether – and, if so, how – to revise existing or establish new export controls.

#### Program Evaluations:

In March 2003, the Department of Commerce OIG issued a report, "Improvements Are Needed To Better Enforce Dual-Use Export Control Laws" (IPE-15155) that identified opportunities to improve BIS's ability to enforce these laws, including as they apply to new technologies. The proposed Advanced Technologies Initiative will significantly strengthen BIS's ability to successfully implement the OIG's recommendations and otherwise keep pace with the demands posed by America's vibrant high technology industries. This program has two components – licensing and outreach, and technology evaluation.

In March 2004, the OIG issued a report "Deemed Export Controls May Not Stop the Transfer of Sensitive Technology to Foreign Nationals in the U.S." (IPE-16176) that identified opportunities to improve BIS's ability to stop the transfer of sensitive technology to foreign nationals in the U.S. This initiative is an essential element of BIS's plan to successfully implement the OIG's recommendations.

In FY 2004, the GAO and the OIG continued their ongoing reviews of BIS's programs and activities. BIS's Office of Planning, Evaluation and Management (OPEM) conducted an annual review of the performance data to ensure that it was complete and accurate. In addition to the annual review, OPEM produces monthly performance reports for the performance measures tracked by ECASS and semiannual reports for other selected measures tracked by paper evidence. During this process, significant deviations from projected targets, if any, were discussed with the appropriate office so that program changes could be made to help meet BIS performance goals.

### Cross Cutting Activities:

#### Intra-Department of Commerce

BIS works with the International Trade Administration's U.S. and Foreign Commercial Service (US&FCS) offices located around the world to coordinate activities associated with planning and conducting export control seminars, Pre-License Checks (PLCs), and Post-Shipment Verifications (PSVs).

BIS employs a full-time export administration specialist in the Department of Commerce's Public Information Office in the Reagan International Trade Center. The specialist operates as an export counselor providing information in response to walk-in or telephone inquiries.

#### Other Government Agencies

Departments of State, Defense, Energy, Treasury, and Justice and the Central Intelligence Agency (CIA) – BIS works with these Executive Branch agencies to develop and implement U.S. export control policy and programs, including reviewing license applications, developing encryption policy and high-performance computer control policy, implementing sanctions, and participating in multilateral regimes such as the Wassenaar Arrangement, the Missile Technology Control Regime, the Nuclear Suppliers Group, and the Australia Group. BIS also coordinates intelligence and law enforcement operations with these agencies.

#### Government/Private Sector

Technical Advisory Committee – BIS consults with Committee members who are appointed by the Secretary of Commerce to advise the U.S. Government on matters and issues pertinent to implementation of the provisions of the EAA and the EAR, as amended, and related statutes and regulations. These issues relate to U.S. export controls for national security, foreign policy, nonproliferation, and short supply reasons.

### External Factors and Mitigation Strategies:

Compliance with export control laws may be compromised if exporters are not aware of changes in requirements pertaining to them. BIS mitigates this situation by ensuring that exporters have ready access to regulatory and policy changes through seminars, individual counseling, and the Internet.

### **Performance Goal 2: Ensure U.S. Industry Compliance with the Chemical Weapons Convention (CWC) Agreement**

Corresponding Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers

Corresponding General Goal / Objective 1.2: Advance Responsible Economic Growth and Trade While Protecting American Security

### Rationale:

BIS is responsible for ensuring U.S. industry's compliance with the treaty requirements of the Chemical Weapons Convention (CWC). BIS collects, validates, and aggregates data from those U.S. companies that manufacture or use chemicals covered by the convention; educates those companies on their treaty rights and obligations; and serves as the lead U.S. Government agency for hosting international inspectors who are inspecting U.S. business facilities subject to Convention requirements. BIS's primary host team role is to ensure that confidential business information is protected during inspections of U.S. firms. In addition, with the

ratification by the U.S. Senate of the Additional Protocol to the International Atomic Energy Agency (IAEA) Safeguards Agreement, BIS serves as lead U.S. Government agency in U.S. industry's compliance with the Protocol, and will be required to discharge responsibilities similar to those imposed under the CWC.

Program Increases/Decreases: None

Measure 1a: Number of Site Assistance Visits Conducted to Assist Companies Prepare for International Inspections

BIS is responsible for overseeing industry compliance with the CWC and under the IAEA Protocol. This responsibility includes facilitating domestic visits of international inspection teams to determine compliance with the multilateral treaty obligations by covered U.S. facilities, and informing industry of its obligations under the treaty. Industry site assistance visits prepare covered facilities to receive a team of international inspectors. These visits are to ensure that the inspections run smoothly with no potential loss of proprietary business information.

Program Evaluations:

In FY 2004, the GAO and the OIG continued their ongoing reviews of BIS's programs and activities. BIS's OPEM conducted an annual review of the performance data to ensure that it was complete and accurate. In addition to the annual review, OPEM produces monthly performance reports for the performance measures tracked by ECASS and semiannual reports for other selected measures tracked by paper evidence. During this process, significant deviations from projected targets, if any, were discussed with the appropriate office so that program changes could be made to help meet BIS performance goals.

Cross Cutting Activities:

Intra-Department of Commerce: None

Other Government Agencies:

Governments of nations that conform to the CWC – BIS has negotiated bilateral and multilateral agreements that demonstrate compliance with the CWC.

Departments of State and Defense – BIS works with these Executive branch agencies to develop and implement U.S. policy and programs related to implementation of the CWC and to effectively coordinate industry site visits so that inspected companies comply with their statutory and regulatory obligations.

With the percent ratification of the Additional Protocol to the IAEA Safeguards Agreement BIS will be entering into interagency agreements with the Departments of State and Defense to ensure compliance with these new requirements.

Government/Private Sector:

American Chemistry Council and the Society of Chemical Manufacturers of America – BIS negotiates controls and policies that conform to the CWC while also protecting the valid concerns and interests of U.S. industry.

External Factors and Mitigation Strategies:

BIS conducts both informational seminars and outreach visits that help companies prepare for CWC inspections. The Organization for the Prohibition of Chemical Weapons (OPCW) establishes the number of CWC inspections based on (1) a mandated minimum number, and (2) risk assessments that the OPCW performs. BIS mitigates these potential problems by working closely with the OPCW to anticipate inspection requirements and properly address them in the budget planning process.

**Performance Goal 3: Prevent Illegal Exports and Identify Violators of Export Prohibitions and Restrictions for Prosecution**

Corresponding Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers

Corresponding General Goal / Objective 1.2: Advance Responsible Economic Growth and Trade While Protecting American Security

Rationale:

To be effective, export controls must be enforced and violators punished. BIS enforces dual-use export controls for reasons of national security, foreign policy, nonproliferation, anti-terrorism, and short supply. The Bureau also enforces the antiboycott provisions of the EAR, the Chemical Weapons Convention Implementation Act (CWCIA), and the Fastener Quality Act. BIS special agents investigate potential violations of these laws, and build and present cases for criminal or administrative prosecution.

BIS enforcement personnel also conduct outreach and educational programs to train U.S. exporters to identify and avoid illegal transactions. A key element of BIS's preventive enforcement program is the on-site visits made to both current and potential foreign end-users of sensitive technology. In addition, BIS works with the international multilateral regimes for non-proliferation to encourage other governments to implement enforcement measures consistent with the Bureau's export enforcement efforts.

Program Increases/Decreases:

Program Initiative	Funding Request	Anticipated Impact	Location in the Budget
Targeted Export Enforcement	5 Positions, 4 FTEs, and \$1,710,000	Targeted Export Enforcement will provide staff to support the seized computer evidence recovery program, investigations and outreach, and enhanced end-use verification program.	Export Administration See Page BIS-82.

Measure 3a: Number of Investigative Actions That Result in the Prevention of a Violation and Cases Which Result in a Criminal and/or Administrative Prosecution

This performance measure will capture the actual number of EE leads and cases that result in a prevention of a violation. Prevention may be accomplished by an investigative lead which results in agent outreach to a business, a freight forwarder, or any party to an export, and deters or prevents an unauthorized export. This measure will also count preventions that are achieved through cases that result in a criminal penalty or administrative resolution, rather than simply investigations accepted for prosecution. This measure will reflect the actual number and type of preventive enforcement actions conducted including; detentions of suspect exports, seizures of unauthorized shipments, industry outreach and issuance of warning letters for first time and/or minor export offenses, screened licenses targeted for enforcement concerns, recommended denials of license applications based on diversion or false statement indicators, recommended placement of parties on the Unverified List and denials on visa requests, detection of violations of license conditions, and other preventive actions that identify and prevent suspect transactions. The implementation of this measure will allow BIS to gauge its overall effectiveness in terms of successful prosecutions and preventive enforcement.

In FY 2005, BIS will monitor and enhance compliance with license conditions, by detecting and prosecuting violations of such conditions. BIS will retain the FY 2005 target of 275. Resources requested for FY 2006 to focus on SCERS support, investigative travel and deemed export enforcement will increase the number of prevention cases from 300 to 315 in FY 2006. In FY 2005, the wording of this measure has been revised to more accurately reflect its meaning. However, the methodology used to compute the measure remains unchanged.

Measure 3b: Number of Post-Shipment Verifications Completed

The continued rapid development of technology presents great economic and trade opportunities for the United States but also raises significant potential risks to our national security and our ability to maintain a military and technological advantage. Industry sectors critical to homeland, national, and economic security include; advanced electronics and avionics, thermal imaging, encryption and security software, biological toxins and WMD pre-cursor chemicals, extended temperature range integrated circuits, and advanced semiconductor manufacturing equipment.

Consistent with the Department of Commerce's goal of increasing national security while facilitating trade, BIS's Office of Export Enforcement (EE) conducts end-use verification checks during Sentinel visits (formerly known as "Safeguards") conducted under the Sentinel Program. During Sentinel trips, EE agents attempt to verify bona fides of consignees named on a BIS license, and confirm that the equipment is being used in conformance with conditions on the license. By conducting post-shipment verifications (PSVs), BIS can provide a level of assurance that foreign end-users are aware of BIS license restrictions and comply with them. PSV's also identify diverted transactions and reveal untrustworthy end-users and intermediate consignees.

End-use checks are resource intensive. Each Sentinel trip requires a team of two special agents for nearly six weeks to perform target analysis, pre-departure technical training, actual travel, and the subsequent post-trip briefings and final report. The end-use check workload is likely to increase significantly. With the increase of trade and licensing applications in key sectors, and the increased number of requests from other U.S. Government agencies, BIS will maintain an increased target of 400, an increase of 25 over the FY 2004 target of 375. With the funding requested for FY 2006, BIS retains its goal to complete 425 Sentinel checks in FY 2006, a goal that is considered vital to the BIS mission.

### Program Evaluations:

BIS's Sentinel Program ("Sentinel") sends teams of two criminal investigators overseas to conduct on-site pre-license and post-shipment checks. The teams determine the disposition of licensed or otherwise controlled U.S.-origin commodities, particularly those of proliferation concern. The teams also assess the suitability of foreign end-users to receive U.S.-origin licensed goods and technology, and conduct educational outreach to foreign trade groups. This program will help ensure that Export Enforcement (EE) maintains a robust enforcement program in dual-use export controls, and completes the implementation of recommendations contained in OIG report IPE-15155 and a December 2003 report by GAO.

In FY 2004, the GAO and the OIG continued their ongoing reviews of BIS's programs and activities. BIS's OPEM conducted an annual review of the performance data to ensure that it was complete and accurate. In addition to the annual review, OPEM produces monthly performance reports for the performance measures tracked by ECASS and semiannual reports for other selected measures tracked by paper evidence. During this process, significant deviations from projected targets, if any, were discussed with the appropriate office so that program changes could be made to help meet BIS performance goals.

### Cross Cutting Activities:

#### Intra-Department of Commerce

BIS works with the Office of Chief Counsel for Industry and Security (OCC/IS) on administrative cases developed by BIS's enforcement agents.

BIS works with the Census Bureau on seminars and data sharing, including Shipper's Export Declarations (SED). BIS is also working with the Census Bureau on the Automated Export System, a joint venture with other U.S. Government agencies that seeks to implement electronic submission of SED data by the exporter.

BIS works with the ITA and the US&FCS offices located around the world to conduct PSVs.

#### Other Government Agencies

Departments of State, Justice (DOJ) and its Federal Bureau of Investigation (FBI), Homeland Security and its Bureau of Immigration and Customs Enforcement (ICE), U.S. Postal Service, and the intelligence community – BIS works with these agencies on law enforcement matters, including development of leads, intelligence coordination, implementation of export control policy, and coordination of export license, antiboycott, and fastener quality investigations. BIS field offices participate in interagency working groups with the FBI and the U.S. Postal Service, and shares data with ICE via the Treasury Enforcement Computer System.

Government/Private Sector: None

### External Factors and Mitigation Strategies:

Priorities and resources of DOJ and OCC/IS directly influence the achievement of this goal. BIS mitigates this situation by targeting investigations effectively, conducting them in a professional manner, and presenting them persuasively to prosecutors.



BIS may also have to rely on other agencies to conduct certain investigative activities. BIS mitigates this by maintaining regular communication with those agencies. BIS also diligently seeks opportunities to work cases jointly with other law enforcement agencies.

The increasing volume and complexity of international commerce directly increases the difficulty of applying and enforcing export controls and, consequently, the difficulty of preventing proliferation. BIS mitigates this situation by conducting visits overseas to educate foreign consignees about U.S. export laws and by sharing information with foreign export control officials. BIS attempts to focus investigative resources on areas that pose the greatest risk to national security.

#### **Performance Goal 4: Enhance the Export and Transit Controls of Nations Seeking to Improve Their Export Control System**

Corresponding Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers

Corresponding General Goal / Objective 1.2: Advance Responsible Economic Growth and Trade While Protecting American Security

##### Rationale:

Strong enforcement of U.S. export regulations is critical to protect U.S. security interests. However, U.S. national interests can also be jeopardized if sensitive materials and technologies from other nations reach countries of concern or terrorists. For this reason, BIS's strategy includes promoting the establishment of effective export control systems by other nations. BIS has been assisting the countries of the former Soviet Union and the former Warsaw Pact nations of Central Europe to strengthen their export control and enforcement regimes. BIS is also now extending technical assistance to other countries considered export or transit proliferation risks.

Through a series of bilateral and regional cooperative activities co-sponsored with the State Department, BIS helps the nations with which it works to (1) develop the procedures and requirements necessary to regulate the transfer of sensitive goods and technologies, (2) enforce compliance with these procedures and requirements, and (3) promote the industry-government partnerships necessary for an effective export control system to meet international standards.

In FY 2005 the wording of this goal has been revised from "Enhance the Export and Transit Control Systems of Nations that Lack Effective Control Arrangements" to "Enhance the Export and Transit Control Systems of Nations Seeking to Improve Their Export Control System".

Program Increases/Decreases: None

Measure 4a: Number of Targeted Deficiencies Remedied in the Export Control Systems of Program Nations

This performance measure is intended to measure the achievement of BIS's international cooperation program in remedying deficiencies in the export control systems of key nations. The BIS program aims to enhance the export and transit control systems of nations are seeking to improve their export control systems. Each targeted deficiency represents a specific facet of an export or transit control system that BIS seeks to strengthen through its cooperative activities in participating countries. BIS's Model Country Program has identified 59 possible targeted deficiencies and matching remedial activities that are used to assess each country's export control program. Each targeted deficiency remedied shows how BIS can document the influence of its extensive bilateral and regional cooperative activities.

BIS bases and establishes future targets on the pace and timing of activities and the availability of resources to conduct the exchanges that produce outcomes. Because they require action on the part of sovereign governments, outcomes from BIS activities are often not immediately achieved. As a result, for many outcomes, there is an inherent time delay of as much as six months to two years between the performance of an export control technical exchange that addresses a specific desired outcome and BIS's ability to obtain confirming evidence that the outcome has been achieved. Estimates of future targets are based on historical experience related to the number of outcomes that have been addressed by past technical exchanges, but that have not yet been confirmed with evidence, and the number of new outcomes that will be addressed by technical exchanges during the current fiscal year. BIS expects a slightly higher level of activity in this area and increased reimbursable funding from other agencies. In FY 2004, 41 targeted deficiencies were remedied vice a target of 30. Accordingly, the target was raised from 30 to 40 in FY 2005 and in FY 2006.

#### Program Evaluations:

In FY 2004, the GAO and the OIG continued their ongoing reviews of BIS's programs and activities. BIS's OPEM conducted an annual review of the performance data to ensure that it was complete and accurate. In addition to the annual review, OPEM produces monthly performance reports for the performance measures tracked by ECASS and semiannual reports for other selected measures tracked by paper evidence. During this process, significant deviations from projected targets, if any, were discussed with the appropriate office so that program changes could be made to help meet BIS performance goals.

#### Cross Cutting Activities:

Intra-Department of Commerce

ITA and OCC/IS support BIS's program to assist key nations to establish strong, effective export controls.

Other Government Agencies

ICE and the CIA's Weapons Intelligence, Nonproliferation, and Arms Control Center – BIS coordinates with these agencies regarding export control cooperation technical exchanges and activities with other nations.

Departments of State, Defense, Energy, and Justice, ICE, and the FBI – BIS works with these agencies to coordinate assessments of the international export control system and to prioritize, design, and fund programs in which interagency resources are focused on specific national and regional issues.

Government/Private Section: None

#### External Factors and Mitigation Strategies:

BIS works with other agencies on the technical exchange and other activities relating to international export control cooperation. Two factors that drive the scheduling of technical exchange activities are (1) the interagency coordination process that enables agency experts to participate in the exchanges, and (2) the priorities of the countries involved. BIS mitigates these factors by conducting close and frequent consultations with pertinent U.S. agencies and client nation officials.

Unforeseeable shifts in U.S. policy (for example, suspension of activity with a particular country) or in the policies of client nations occasionally may preclude execution of funded, scheduled events or participation of certain national invitees. BIS mitigates these situations by designing fewer events that appeal to a broader range of potential participants. BIS also works with service providers to minimize cancellation costs.

Data Validation and Verification

BIS’s Office of Planning, Evaluation and Management (OPEM) conducts an annual review of the performance data to ensure that it is complete and accurate. During this process, significant deviations from projected targets, if any, are discussed with the appropriate office so that program changes can be made to help meet BIS’s performance goals.

The actual validation process is conducted following procedures similar to audit principles including sampling and verification of data. Case information is regularly downloaded from the management information systems and imported into databases and spreadsheets for analysis. In some cases, information is manually checked against actual paper files to ensure the accuracy of information in the management information systems. Additionally, documentation is reviewed and a determination is made on its adequacy and sufficiency to support claims that outcomes and outputs have been achieved.

Performance Measure	Data Source	Frequency	Data Storage	Internal Control Procedures	Data Limitations	Actions to be taken
Median Processing Time for Referrals of Export Licenses to Other Agencies (Days)	ECASS	Monthly	ECASS	BIS’s OPEM will perform two types of checks to ensure data are entered where they should be (system integrity) and to ensure that the data are accurate and valid	None	None
Median Processing Time for Export Licenses Not Referred to Other Agencies (Days)	ECASS	Monthly	ECASS	BIS’s OPEM will perform two types of checks to ensure data are entered where they should be (system integrity) and to ensure that the data are accurate and valid	None	None
Median Processing Time for Issuing Draft Regulations (Months)	Paper records such as official publications and draft regulations	Semi-annual	Office Files	BIS’s OPEM will validate the performance measure against supporting documentation	None	None

Performance Measure		Data Source	Frequency	Data Storage	Internal Control Procedures	Data Limitations	Actions to be taken
Level of Exporter Understanding of BIS Export Control Requirements	Value of Information (Average Score on a scale of 1-5)	Export Seminar Surveys	Monthly	Survey Results Database	BIS's OPEM will validate the performance measure against supporting documentation	Data is dependent on the voluntary responses of seminar participants and in based on respondent opinion. Opinion may, or may not be a factual indicator of performance.	None
	Percent Knowledge Gained Index	Export Seminar Surveys	Monthly	Survey Results Database	BIS's OPEM will validate the performance measure against supporting documentation	None	None
Percent of Industry Assessments Resulting in BIS Determination on Revising Export Controls		Written Determination to Impose, Revise, or Continue Controls Based on the Results to the Assessment	Semi-annual	Office Files	BIS's OPEM will validate the performance measure against supporting documentation	None	None
Number of Site Assistance Visits Conducted to Assist Companies Prepare for International Inspections		Site Assistance and Inspection Reports	Semi-annual	Office Files	BIS's OPEM will validate the performance measure against supporting documentation	None	None
Number of Investigative Actions that Result in the Prevention of a Violation and Cases Which Result in a Criminal and/or Administrative Prosecution		Export Enforcement IMS	Monthly	Export Enforcement IMS	BIS's OPEM will perform two types of checks to ensure data are entered where they should be (system integrity) and to ensure that the data are accurate and valid	None	None

Performance Measure	Data Source	Frequency	Data Storage	Internal Control Procedures	Data Limitations	Actions to be taken
Number of Post-Shipment Verifications Completed	ECASS	Monthly	ECASS	BIS's OPEM will perform two types of checks to ensure data are entered where they should be (system integrity) and to ensure that the data are accurate and valid	None	None
Number of Targeted Deficiencies Remedied in the Export Control Systems of Program Nations	Paper Records	Semi-annual	Office Files	BIS's OPEM will validate the performance measure against supporting documentation	None	None

**FY 2006 Annual Performance Plan**  
***U.S. Census Bureau***

**Mission Statement**

The Census Bureau serves as the leading source of quality data about the nation's people and economy. We honor privacy, protect confidentiality, share our expertise globally, and conduct our work openly. We are guided on this mission by our strong and capable workforce, our readiness to innovate, and our abiding commitment to our customers.

The U.S. Census Bureau strategic goal is to meet the needs of policymakers, businesses, non-profit organizations, and the public for current and benchmark measures of the U.S. population, economy, and governments. This supports the Department of Commerce (DOC) Strategic Goal 1, to provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers. Further, Census Bureau programs directly support DOC general goal/objective 1.3, to enhance the supply of key economic and demographic data to support effective decision-making of policymakers, businesses and the American public. The Census Bureau accomplishes these strategic goals by being the leading source of quality data about the nation's people and economy, by honoring privacy and protecting confidentiality, sharing Census Bureau expertise globally, and conducting work openly.

Requested resources will build upon current programs, continue efforts to re-engineer the decennial census, fund the second year in the 2007 Economic Census cycle and the 2007 Census of Governments cycle, and enhance the current economic statistics program and intercensal demographic estimates program in order to provide more accurate information for decision-makers and allocation of funds to the public. The re-engineered 2010 Decennial Census approach will provide more accurate information in the years between decennial censuses with the implementation of the American Community Survey. The economic census provides the nation with comprehensive, detailed, and authoritative facts about the structure of the U.S. economy; it helps build the foundation for the Gross Domestic Product (GDP). Enhancements in the current economic statistics programs will expand key source data for our nation's GDP, support improved coverage and electronic reporting of trade statistics, and support the development of a database infrastructure to integrate state administrative data and Census Bureau data products in order to fill critical data gaps at the state and local levels. The budget also requests funds to continue efforts begun in 2003 to eliminate data gaps by measuring migration across U.S. borders, to fund mail security improvements at the National Processing Center (NPC) in order to safeguard Census Bureau employees against potential mail threats, and to fund furniture and relocation costs for the new Census Bureau building.

## **Priorities/Management Challenges**

The Census Bureau has the following priorities/objectives:

- To meet the needs of policymakers, businesses, non-profit organizations, and the public for current measures of the U.S. population, economy, and governments,
- To support the economic and political foundations of the U.S. by producing benchmark measures of the economy and population for the administration and equitable funding of federal, state, and local programs,
- To meet constitutional and legislative mandates by implementing a re-engineered 2010 Census that is cost-effective, provides more timely data, improves accuracy, and reduces operational risk,
- To support innovation, promote data use, minimize respondent burden, respect individual privacy, and ensure confidentiality.

The Census Bureau faces a number of key challenges in continuing to provide timely, reliable, and confidential data about the economy and population of the United States. The following challenges are viewed as among the most significant because of their importance to the Census Bureau mission:

- Perceptions of the role of government in society. Public perception of both government and non-government intrusion into personal and business information privacy is increasingly negative. This affects the response rate to surveys and censuses and will likely be a significant factor affecting the future performance of the Census Bureau.
- The economy. Measuring our ever evolving and rapidly changing economy is becoming increasingly difficult as firms adopt new organizational structures and relationships, embrace new ways of doing business and streamline their internal and external processes. These changes often alter traditional record keeping practices, posing additional data collection challenges.
- Privacy. Data stewardship involves establishing policies that preserve privacy and confidentiality, reduce reporting burden, and maximize data use. As technology provides a greater ability to collect, process, and disseminate data, it also presents greater challenges to protect data from improper access and use. Any concerns about privacy of information in the Internet age, confidentiality of information provided to the government, and intrusiveness of government programs are challenges to the Census Bureau in collecting personal information in its surveys and censuses.
- The federal budget. Demands on the federal budget during the next few years will be substantial. Our challenge will be to demonstrate the critical importance of accurate information to the government, the economy, and the public, in the face of budget constraints.
- Workforce and workplace management. Many Census Bureau employees will be eligible for early or regular retirement by 2010. Recruiting, developing, and retaining the next generation of employees will require planning to ensure that specialized technical and managerial knowledge, as well as the Census Bureau's corporate culture, values, and institutional knowledge, are transferred. Workplace conditions will also be critical issues in the next few years. Deteriorating headquarters buildings make it difficult to recruit and retain staff.

## Unit Cost Measures

The Census Bureau continues efforts to develop meaningful unit cost measures for all activities. Measures are selected with four key factors in mind:

1. they are measurable and currently being measured,
2. they represent a cross-section of the programs activities,
3. they line up with budget items, and
4. they support the goals and objectives of the Department of Commerce's and Census Bureau's strategic plans.

Unit cost measures are reflected in the appropriate narrative justifications, as well as this summary table. The figures below reflect unit obligations, not true unit costs.

<b>CENSUS BUREAU UNIT COST MEASURES</b>						
<b><u>SALARIES &amp; EXPENSES</u></b>						
<b>Measure</b>	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Enacted</b>	<b>FY 2006 Estimate</b>
<b>Current Surveys and Statistics</b>						
<u>Current Economic Statistics</u>						
Current Retail Trade (Units = Sum of one annual survey and two (annualized) monthly retail trade sector surveys each multiplied by the number of questions asked)	N/A	N/A	N/A	N/A	N/A	\$9.98/unit 906,540 units
Current Wholesale Trade (Units = Sum of one annual survey and one monthly (annualized) wholesale trade sector survey each multiplied by the number of questions asked)	N/A	N/A	N/A	N/A	N/A	\$13.79/unit 351,600 units
Current Service Trade Reports (Units = Sum of one annual survey and one quarterly (annualized) service sector survey each multiplied by the number of questions asked)	N/A	N/A	N/A	N/A	\$10.40/unit 1,168,692 units	\$10.83/unit 1,167,092 units



<b>Measure</b>	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Enacted</b>	<b>FY 2006 Estimate</b>
Construction Statistics (Units = Two monthly construction sector surveys multiplied by the number of questions asked)	N/A	N/A	N/A	N/A	\$7.37/unit 668,160 units	\$7.13/unit 718,560 units
Annual Survey of Manufactures (Units = One annual manufacturing sector survey multiplied by the number of questions asked)	N/A	N/A	N/A	N/A	\$3.36/unit 2,236,000 units	\$3.50/unit 2,236,000 units
Manufacturers Shipments, Inventories, and Orders (M3) (Units = One monthly (annualized) manufacturing sector survey multiplied by the number of questions asked)	N/A	N/A	N/A	N/A	N/A	\$13.03/unit 294,000 units
Business Register (Units = Sum of company variables)	N/A	N/A	N/A	N/A	\$0.34/unit 68,245,577 units	\$0.35/unit 68,245,577 units
Foreign Trade Statistics (Units = Sum of export and import data records multiplied by the number of variables for each record)	N/A	N/A	N/A	N/A	\$0.01/unit 2,814,100,000 units	\$0.01/unit 2,814,100,000 units
Quarterly Financial Report (Units = One quarterly (annualized) manufacturing, mining, wholesale and retail trade sectors survey multiplied by the number of questions asked)	N/A	N/A	N/A	N/A	N/A	\$2.88/unit 1,904,480 units
Finance (Units = Two annual government finance sector surveys multiplied by the number of questions asked)	N/A	N/A	N/A	N/A	\$1.75/unit 3,162,645 units	\$1.82/unit 3,162,645 units

<b>Measure</b>	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Enacted</b>	<b>FY 2006 Estimate</b>
Employment (Units = One annual government employment survey multiplied by the number of questions asked)	N/A	N/A	N/A	N/A	N/A	\$2.42/unit 649,000 units
<b>Current Demographic Statistics</b>						
Current Population Survey (CPS) (Units = Number of households surveyed each month)	\$46/unit 57,000 units	\$47/unit 57,000 units	\$45/unit 57,000 units	\$52/unit 57,000 units	\$55/unit 57,000 units	\$55/unit 57,000 units
Survey of Income and Program Participation (SIPP) 1/ (Units = Number of households surveyed annually)	\$134/unit 115,000 units	\$142/unit 94,000 units	\$164/unit 95,000 units	\$157/unit 107,000 units	\$165/unit 96,000 units	\$180/unit 97,000 units
<b>Survey Development and Data Services</b>						
Statistical Abstract (Units = Printed and pdf tables)	\$537/unit 2,856 units	\$549/unit \$2,816 units	\$531/unit 2,796 units	\$517/unit 2,859 units	\$508/unit 3,000 units	\$496/unit 3,200 units
<b><u>PERIODIC CENSUSES &amp; PROGRAMS</u></b>						
<b>Economic Statistics Programs</b>						
<b><u>Economic Census</u></b>						
FY 2002 Economic Census Cycle Cost in Millions of Dollars per 1% GDP Share (Units = 1% GDP share)	N/A	N/A	N/A	N/A	\$3.82 million/unit	N/A
FY 2007 Economic Census Cycle Cost in Millions of Dollars per 1% GDP Share (Units = 1% GDP share)	N/A	N/A	N/A	N/A	N/A	\$5.89 million/unit

<b>Measure</b>	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Enacted</b>	<b>FY 2006 Estimate</b>
<b>Census of Governments</b>						
FY 2002 Census of Governments Cycle Cost in Millions of Dollars per 1% GDP Share (Units = 1% GDP share)	N/A	N/A	N/A	N/A	\$2.25 million/unit	N/A
FY 2007 Census of Governments Cycle Cost in Millions of Dollars per 1% GDP Share (Units = 1% GDP share)	N/A	N/A	N/A	N/A	N/A	\$2.83 million/unit
<b>Demographic Statistics Programs</b>						
<b>Intercensal Demographic Estimates</b>						
Annual National Intercensal Population Estimate	N/A	N/A	N/A	N/A	\$12.89/unit 62,620 units	\$10.28/unit 75,144 units
Monthly National Intercensal Population Estimate	N/A	N/A	N/A	N/A	\$4.15/unit 150,288 units	\$3.97/unit 150,288 units
Annual State Intercensal Population Estimate	N/A	N/A	N/A	N/A	\$0.40/unit 2,719,320 units	\$0.32/unit 3,263,184 units
Monthly State Intercensal Population Estimate	N/A	N/A	N/A	N/A	\$0.03/unit 6,526,368 units	\$0.03/unit 6,526,368 units
Annual County Population Estimate	N/A	N/A	N/A	N/A	\$0.01/unit 167,478,120 units	\$0.01/unit 200,973,744 units
Annual Sub-County Population Estimate	N/A	N/A	N/A	N/A	\$6.49/unit 203,625 units	\$5.18/unit 244,350 units
Annual State and County Housing	N/A	N/A	N/A	N/A	\$41.38/unit 15,960 units	\$33.10/unit 19,101 units
(Units = data cells for each estimate)						

<b>Measure</b>	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Enacted</b>	<b>FY 2006 Estimate</b>
<b>2010 Decennial Census</b>						
ACS – Initial Mail Collection	N/A	N/A	N/A	N/A	\$13.28/unit 2,490,000 units	\$12.27/unit 3,000,000 units
ACS – Telephone Non-Response Follow-up	N/A	N/A	N/A	N/A	\$16.46/unit 830,000 units	\$16.50/unit 1,000,000 units
ACS – Personal Visit Non-Response Follow-up  (Units = Number of Households)	N/A	N/A	N/A	N/A	\$126.46/unit 400,000 units	\$138.48/unit 480,000 units
MAF/TIGER (geographic database) Street and Address Location Improvements (Units = Number of counties completed during fiscal year)	N/A	N/A	N/A	N/A	\$83,128/unit 610 units	\$76,710/unit 700 units
<b>Demographic Surveys Sample Redesign</b>						
Cycle Cost per Sample Unit (Unit = Number of sample housing units provided for the decade for surveys included in the demographic surveys sample redesign program)	N/A	N/A	N/A	N/A	N/A	\$20.03/unit 4,274,250 units
<b>Geographic Support</b>						
Boundary and Annexation Survey (Units = Legally defined governmental entities)	N/A	N/A	N/A	N/A	\$446/unit 12,000 units	\$446/unit 13,500 units

<b>Measure</b>	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Enacted</b>	<b>FY 2006 Estimate</b>
<b>Data Processing Systems</b>						
Desktop Services (Units = Number of desktop units)	N/A	N/A	N/A	N/A	\$1,347/unit 1,550 units	\$1,318/unit 1,600 units
LAN Management (Units = Number of users supported by the LAN)	N/A	N/A	N/A	N/A	\$1,118/unit 1,600 units	\$1,129/unit 1,600 units
Data Center Operations and Management	N/A	N/A	N/A	N/A	\$655/unit 10,921 units	\$634/unit 11,395 units
Enterprise Systems	N/A	N/A	N/A	N/A	\$789/unit 10,921 units	\$785/unit 11,395 units
Software Engineering /Data Backup	N/A	N/A	N/A	N/A	\$628/unit 10,921 units	\$569/unit 11,395 units
Capital Planning and IT Policy	N/A	N/A	N/A	N/A	\$273/unit 10,921units	\$264/unit 11,395 units
Continuity of Operations (Units = Number of total Census Bureau current staff)	N/A	N/A	N/A	N/A	\$137/unit 10,921 units	\$133/unit 11,395 units

1/ SIPP units for all fiscal years have been corrected. Previous units erroneously included Survey of Program Dynamics. There was no change to unit cost figures for prior years.

## **PART Assessments**

Five Census Bureau programs have been evaluated using OMB's Program Assessment and Rating Tool (PART). During the FY 2005 budget cycle, current demographic statistics, intercensal demographic estimates, decennial census, and demographic surveys sample redesign were evaluated. During the FY 2006 budget cycle, the economic census program was evaluated, and the current demographic statistics program was reassessed. All of the Census Bureau programs have scored in the effective or moderately effective range, and the programs received valuable recommendations from OMB to make them more effective.

<b>U.S. Census Bureau PART Ratings</b>		
<b>Program</b>	<b>FY 2005 Budget Cycle</b>	<b>FY 2006 Budget Cycle</b>
Current Demographic Statistics	Moderately Effective	Effective
Intercensal Demographic Estimates	Moderately Effective	
Decennial Census	Moderately Effective	
Survey Sample Redesign	Effective	
Economic Census		Effective

The Census Bureau has already implemented most of the OMB recommendations stemming from the FY 2005 PART assessments and is dedicated to continue working toward fully implementing the remaining recommendations. A milestone schedule for implementing OMB recommendations has been developed and will be updated on a quarterly basis. The current schedule is shown below.

## **Status of Implementing OMB PART Recommendations from FY 2005 Cycle**

<b>Program</b>	<b>OMB Recommendation</b>	<b>Milestone</b>	<b>Milestone Completion</b>	<b>Status</b>
<u>Current Demographic Statistics</u>	1. Continue to improve long-term goals for the SIPP by including an ambitious data release schedule.	1a. Establish a SIPP Data Products Team to review the problem.	August 2003	Complete
		1b. SIPP Data Products Team develops recommendations for improving the long-term release schedule.	December 2003	Complete
		1c. Early releases begin.	FY 2006	On Target

<b>Program</b>	<b>OMB Recommendation</b>	<b>Milestone</b>	<b>Milestone Completion</b>	<b>Status</b>
	2. Develop ways to improve managerial accountability for SIPP release schedules.	2a. Establish a SIPP Data Products Team to review the problem.	August 2003	Complete
		2b. SIPP Data Products Team develops recommendations for improving managerial accountability for the SIPP release schedule.	September 2003	Complete
		2c. Approve and implement recommendations from the SIPP Data Products Team.	Approved Feb 04 Implementation is ongoing	Complete
	3. Pursue additional independent evaluations of the SIPP to demonstrate that results are being achieved.	3a. Outside study by Mathematica Policy Research, Inc.	August 2003 (Census and SSA working on implementing suggestions)	Complete
		3b. Seek advice from the federal policy community on the order of topics on which data will be collected by the 2004 SIPP Panel.	August 2004	Complete
		3c. Repeat an external evaluation of the usefulness of the SIPP content by surveying prominent SIPP data users both inside and outside government.	Preliminary report Aug. 2004; Final report December 2004	Complete
<u>Intercensal Demographic Estimates</u>	1. Work to further increase the involvement of state partners and other stakeholders in the production and quality review of the estimates and consider more external reviews.	1a. Meet with Bureau of Labor Statistics to seek advice and discuss changes in population estimates for 2003.	November 2003	Complete

<b>Program</b>	<b>OMB Recommendation</b>	<b>Milestone</b>	<b>Milestone Completion</b>	<b>Status</b>
		1b. Provide preliminary state, county, and sub-county population estimates to members of the Federal-State Cooperative Program for Population Estimates (FSCPE) for their review and comment.	December 2003	Complete
		1c. Additional meetings with the FSCPE and their steering committee.	April 2004 (and annually thereafter)	Complete
	2. More clearly incorporate programmatic changes into strategic planning documents, including improving the estimates of international migration and use of the American Community Survey.	2a. Incorporate programmatic changes into the Census Bureau Strategic Plan.	September 2003	Complete
		2b. Continue to document plans for enhancements in the Demographic Programs Directorate's internal strategic planning documents.	March 2004	Complete
	3. Continue to set ambitious annual performance goals and incorporate them within formal documents.	3a. Develop an ambitious product delivery schedule for the 22 standard outputs of the intercensal population estimates and projections program for the round of estimates with a reference date of July 1, 2003.	July 2003	Complete
		3b. Incorporate goals into the Demographic Programs Directorate's internal strategic planning documents.	March 2004	Complete



<b>Program</b>	<b>OMB Recommendation</b>	<b>Milestone</b>	<b>Milestone Completion</b>	<b>Status</b>
<u>Decennial Census</u>	1. Continue to examine key cost factors to identify potential areas for savings.	1a. Update lifecycle cost estimate on an annual basis.	September 2004	Milestone met. Examination is an on-going effort.
	2. Develop ways to improve managerial accountability for cost, schedule and performance.	2a. Revise requirements for individual annual performance plans to ensure that senior managers are held accountable to overall performance goals in the annual performance plan.	August 2003	Complete
	3. Improve the cost model to be able to more clearly show how annual activities support the long-term performance goals of the 2010 census.	3a. Complete a needs assessment for the development of the 2010 Decennial Budget Integration Tool.	June 2003	Milestone complete. Cost model improvements are an ongoing effort.
		3b. (1) Complete the statement of requirements, and (2) award multi-year development contract.	3b(1) Sept 2004 3b(2) 2 <sup>nd</sup> Qtr FY05* (*Note: contract award delayed from FY04 due to Congressional reductions to our FY04 budget.)	3b(1) Complete 3b(2) On Target
<u>Demographic Surveys Sample Redesign</u>	1. More clearly incorporate programmatic changes into strategic planning documents, including redesigning samples on a regular basis using the ACS.	1a. Incorporate programmatic changes into the Census Bureau Strategic Plan.	September 2003	Complete
	2. Consider more external evaluations as the program shifts from redesigning based on decennial data to redesigning on a more frequent basis using the ACS and a continuously updated Master Address File.	2a. Consult with various external groups (Bureau of Labor Statistics, other federal sponsors, and outside statistical experts).	FY 2005 – 2006	On Target

Program	OMB Recommendation	Milestone	Milestone Completion	Status
<u>Economic Census</u>	1. Pursue additional independent evaluations of the economic census.	1a. Propose to the Committee on National Statistics (CNSTAT) the possibility of doing one of three different evaluations of Census Bureau economic programs. One of the proposals is to establish a panel to do a clean slate review of the Economic Census for the 2012 Census with possible benefits accruing to the 2007 Census.	11/30/2004	Met
		1b. Meet with CNSTAT to find out if they are interested in doing the economic census evaluation. If they are, and Census Bureau funds are available, the evaluation could start as early as June 2005.	02/28/2005	On Target
		1c. Contract with a public accounting (CPA) firm to provide expert advice on economic census forms design to ensure proper use of accounting terminology and ability to collect the requested data.	03/31/2005	On Target
		1d. Devote spring 2005 Census Bureau Advisory Committee (AEA subcommittee) meeting to an evaluation of the 2002 Economic Census with an eye towards making improvements in the 2007 Economic Census.	04/22/2005	On Target
		1e. Send letters to government agencies and trade associations inviting them to comment on proposed 2007 Economic Census report forms.	11/30/2006	On Target

Program	OMB Recommendation	Milestone	Milestone Completion	Status
	2. Implement a plan to improve electronic response rates in the 2007 Economic Census.	2a. Establish a team to plan and oversee improvements to the electronic reporting instrument that will be used in the 2007 Economic Census. Scope of team covers: incorporation of cognitive testing results, addressing improvements to import/export requirement, addressing web inbox requirement, improving instrument's help, improving performance (importing, exporting, submitting, etc.) for companies with more than 2,000 establishments, addressing requirements for instrument's input and output files, and establishing a panel of respondents for ongoing instrument improvement and testing.	09/30/2004	Met
		2b. Complete plan to improve electronic response rates in the 2007 Economic Census that includes a newly designed electronic reporting instrument.	09/30/2006	On Target
		2c. Complete usability testing of new electronic reporting instrument.	09/30/2007	On Target
		2d. Make available on the internet new electronic reporting instrument.	12/31/2007	On Target

**FY 2006 Program Changes**

The Census Bureau budget request includes \$77.624 million and 448 FTE for cyclical program changes, and \$42.791 million and 65 FTE for initiatives to further the Census Bureau's mission and the Department of Commerce's general goal/objective 1.3.

(Dollars in Thousands)

	<b>Base</b>		<b>Increase/Decrease</b>	
	FTE	Amount	FTE	Amount
Mail Security Crosscutting Initiative	0	0	0	\$1,162

The FY 2006 budget includes resources to safeguard Census Bureau employees against potential mail threats, such as anthrax or ricin, by providing increased mail screening capabilities. This increase includes the funds necessary for the initial set up of a facility and the contract costs necessary to screen the Census Bureau's current surveys and cyclical censuses mail processed through the National Processing Center. This crosscutting initiative supports current economic statistics (\$237K), the economic census (\$104K), and the decennial census (\$821K) programs.

	<b>Base</b>		<b>Increase/Decrease</b>	
	FTE	Amount	FTE	Amount
Economic Census	494	\$69,510	(23)	\$1,613

Fiscal Year 2006 is the second year of the six-year 2007 Economic Census cycle. The primary focus in FY 2006 is planning for the FY 2007 Economic Census to ensure it provides relevant and useful information about the changing economy, identifying ways to facilitate economic census reporting, and designing processing systems that improve the quality, usefulness, and timeliness of economic census data products. This excludes \$104K for the crosscutting initiative for mail security.

	<b>Base</b>		<b>Increase/Decrease</b>	
	FTE	Amount	FTE	Amount
Census of Governments	49	\$5,300	(8)	(\$647)

Fiscal Year 2006 is the second year in the five-year 2007 Census of Governments cycle. The primary focus for FY 2006 is planning and implementation of the Organization Phase, as well as planning for the Employment and Finance Phases of the 2007 Census of Governments.

(Dollars in Thousands)

	<b>Base</b>		<b>Increase/Decrease</b>	
	FTE	Amount	FTE	Amount
2010 Decennial Census	3,005	\$388,644	521	\$77,077

In FY 2006, the Census Bureau will continue efforts to re-engineer the 2010 Decennial Census to reduce operational risk, improve accuracy, provide more relevant data, and contain costs. FY 2006 will be the second year of American Community Survey data collection at the full national sample size of 250,000 addresses per month. By the end of FY 2006, enhancements to the TIGER (geographic reference file) database will be finished for nearly 67% of the nation's counties, which keeps us on schedule for completion in FY 2008. Early planning and development for a short-form only census in 2010 will be continued. This excludes \$821K for the crosscutting initiative for mail security.

	<b>Base</b>		<b>Increase/Decrease</b>	
	FTE	Amount	FTE	Amount
Demographic Surveys Sample Redesign	109	\$10,893	(42)	(\$419)

The requested level of funding in FY 2006 is necessary to continue to focus on shifting the demographic surveys sample redesign towards using a continually updated Master Address File (MAF) and American Community Survey (ACS) data to select household survey samples, rather than relying on the once-a-decade availability of census data. Resources will also be used to conduct the final activities necessary to implement the remaining Census 2000-based household survey samples through the demographic surveys sample redesign program.

In addition to the cyclical program changes listed above, the FY 2006 budget includes funds for new program-specific initiatives to significantly improve the scope and quality of information collected and provided to the country. Each initiative is described in further detail under the appropriate program area.

(Dollars in Thousands)

	<b>Base</b>		<b>Increase/Decrease</b>	
	FTE	Amount	FTE	Amount
Business Statistics	327	\$27,895	36	\$6,000

The FY 2006 budget includes resources to (1) add coverage of 117 service industries to the Service Annual Survey (SAS), (2) expand coverage of the new quarterly services survey (QSS) indicator to match the expanded SAS coverage, (3) provide annual merchandise line data for selected retail and wholesale trade industries selling heterogeneous products, and (4) expand exported services information collected in SAS from 44 to 180 industries. This expansion provides a comprehensive framework for gathering information on services and improves the periodicity and detail of service sector statistics. This excludes \$77K for the crosscutting initiative for mail security.

	<b>Base</b>		<b>Increase/Decrease</b>	
	FTE	Amount	FTE	Amount
General Economic Statistics	360	\$39,273	6	\$2,000

The FY 2006 budget includes resources to support the Longitudinal Employer-Household Dynamics (LEHD) program, which will enable the Census Bureau to leverage existing data on employers with new data on employees to provide greatly improved products. This investment will yield improved information on changing labor market dynamics, economic development, transportation, and emergency planning. This new information will result in more informed decision-making at the local level as well as for national policy makers. This excludes \$36K for the crosscutting initiative for mail security.

	<b>Base</b>		<b>Increase/Decrease</b>	
	FTE	Amount	FTE	Amount
Foreign Trade Statistics	284	\$27,592	19	\$6,600

The FY 2006 budget includes resources to improve the Automated Export System (AES). This initiative will provide support for the legislatively mandated use of the AES to enhance the U.S. Government's ability to produce more accurate trade statistics and enforce export control laws. The initiative will fund the reengineering of the AES collection, processing and editing systems, thereby facilitating electronic reporting by American exporters and introducing new ways to verify data. The upgraded system will better respond to the needs of both government and business users.

(Dollars in Thousands)

	<b>Base</b>		<b>Increase/Decrease</b>	
	FTE	Amount	FTE	Amount
Intercensal Demographic Estimates	88	\$9,151	4	\$1,230

The FY 2006 budget includes funding for measuring migration across U.S. borders. In 2006, the program will begin to improve its estimates of international migration at the state level. With these estimates, state planners will have the information they need to make informed decisions about program needs and service delivery and federal program managers will have the data necessary to make informed decisions about policy issues and allocating federal funds.

	<b>Base</b>		<b>Increase/Decrease</b>	
	FTE	Amount	FTE	Amount
Building Modernization and Consolidation Project – Funding for Furniture and Moving			0	\$25,799

The FY 2006 budget includes resources to purchase open-space furniture for non-managerial employees and contractors in the new facility that is being constructed by the General Services Administration. It also provides for audiovisual equipment, signage for inside the building, furniture for the health center, equipment for the fitness center, as well as relocation costs for existing furniture in enclosed private offices, and employees' work area materials. This will help in providing a safe and productive environment for Census Bureau employees and avoid disruption of mission-critical operations necessary for the successful completion of the Census Bureau's many surveys, including the 2007 Economic Census and the 2010 Decennial Census.

## Target and Performance Summary

<b>Census Bureau Performance Goal: Meet the needs of policymakers, businesses, non-profit organizations, and the public for current and benchmark measures of the U.S. population, economy and governments.</b>			
<b>Measure</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Target</b>	<b>FY 2006 Target</b>
Measure 1a. Achieve pre-determined collection rates for Census Bureau censuses and surveys in order to provide statistically reliable data to support effective decision-making of policymakers, businesses, and the public.	(1) 92.3% response rate for the Current Population Survey (CPS). (2) 91.6% response rate for the National Crime Victimization Survey (NCVS). (3) 90.8% response rate for the American Housing Survey (AHS). (4) 72% response rate for the Survey of Income and Program Participation (SIPP). (5) 96.7% response rate for the American Community Survey (ACS). (6) 85.5% response rate for the Boundary and Annexation Survey (BAS). (7) 81% response rate for the Annual Trade Survey (ATS). (8) 83% response rate for the Annual Retail Trade Survey (ARTS). (9) 78% response rate for Service Annual Survey (SAS). (10) 81% response rate for the Annual Survey of Manufactures (ASM). (11) 77% response rate for employment phase of census of governments and 77% response rate for the finance phase.	(1) 54,000 out of 60,000 eligible (90%) for CPS ( <i>FY05 measure 1a(1)</i> ) (2) 44,500 out of 50,000 eligible (89%) for NCVS ( <i>FY05 measure 1a(2)</i> ) (3) 47,170 out of 53,000 eligible (89%) for AHS ( <i>FY05 measure 1a(3)</i> ) (4) 25,520 out of 31,900 eligible (80%) for SIPP ( <i>FY05 measure 1a(4)</i> ) (5) At least a 94% overall weighted response rate using three modes of data collection – mail, telephone and personal visit for ACS. ( <i>FY05 measure 3a</i> ) (6) 85% response rate for the Boundary and Annexation Survey (BAS). ( <i>FY05 measure 4a</i> ).	At least 90% of key censuses and surveys meet or exceed pre-determined collection rates at planned levels of reliability



Measure	FY 2004 Actual	FY 2005 Target	FY 2006 Target
<p>Measure 1b. Release data products for key Census Bureau programs on time to support effective decision-making of policymakers, businesses, and the public.</p>	<p>(1) 10 data products released for SIPP.  (2) 2 data products released for the Survey of Program Dynamics (SPD).  (3) 4 data products released for Census of Governments.  (4) Economic Census Advance Report issued on schedule, in March 2004.  (5) 577 Economic Census reports released.  (6) All 116 principal Economic Indicators were released on time.</p>	<p>(1) 2 SIPP data products released by 9/30/05, <i>(FY05 measure 1b(1))</i>  (2) 12 CPS data products released by 9/30/05, <i>(FY05 measure 1b(2))</i>  (3) 6 CPS Supplement data products released by 9/30/05, <i>(FY05 measure 1b(3))</i>,  (4) 1 AHS data product released by 9/30/05, <i>(FY05 measure 1b(4))</i>  (5) Economic Census: Issue all the geographic series reports by 9/30/05; Issue 2 Survey of Business Owners (SBO) reports by 9/30/05; Issue Business Expenses Survey (BES) Report by 6/30/05 <i>(FY05 measure 2b(3))</i>.  (6) Release all 116 monthly and quarterly principal economic indicators according to pre-announced time schedule.<i>(FY05 measure 1c)</i>  (7) Annual Survey of Manufactures (ASM) released as scheduled, <i>(FY05 measure 1d(1))</i>  (8) Annual Trade Survey (ATS) released as scheduled <i>(FY05 measure 1d(2))</i>  (9) Annual Retail Trade Survey (ARTS) released as scheduled <i>(FY05 measure 1d(3))</i>  (10) Service Annual Survey (SAS) released as scheduled. <i>(FY05 measure 1d(4))</i></p>	<p>(1) 100% of economic indicators released on schedule.   (2) At least 90% of other data products from key censuses and surveys released on schedule.</p>

<b>Measure</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Target</b>	<b>FY 2006 Target</b>
<p>Measure 1c. Introduce Census 2000-based samples as scheduled so that the household surveys can continue through the next decade, and so that policymakers, businesses, and the public can continue to be confident in the major federal socioeconomic indicators these surveys provide.</p>	<p>(1) New samples implemented for the Survey of Income and Program Participation (SIPP) in February 2004.  (2) New samples implemented for the Current Population Survey (including State Children's Health Insurance Program) in April 2004.</p>	<p>(1) Consumer Expenditures Survey – Quarterly (CE-Q) samples introduced by 11/30/04 (<i>FY05 measure 2d(1)</i>)  (2) Consumer Expenditures Survey – Diary (CE-D) samples introduced by 1/31/2005 (<i>FY05 measure 2d(2)</i>)  (3) National Crime Victimization Survey (NCVS) samples introduced by 1/31/2005 (<i>FY05 measure 2d(3)</i>)  (4) American Housing Survey – National Sample (AHS-N) samples introduced by 5/31/2005. (<i>FY05 measure 2d(4)</i>)</p>	<p>100% of Census 2000-based samples introduced on schedule.</p>
<p>Measure 1d. Correct street features in TIGER (geographic) database to more effectively support Census Bureau censuses and surveys, facilitate the geographic partnerships between federal, state, local and tribal governments, and support the E-Government initiative in the President's Management Agenda.</p>	<p>600 counties were completed in FY 2004.</p>	<p>610 counties to be completed in FY 2005.</p>	<p>700 counties to be completed in FY 2006.</p>

Measure	FY 2004 Actual	FY 2005 Target	FY 2006 Target
<p>Measure 1e. Complete key activities for cyclical census programs on time to support effective decision-making by policymakers, businesses, and the public and meet constitutional and legislative mandates.</p>	<p>(1) Completed initial mailing of 2002 Survey of Business Owners forms by 7/31/04.</p> <p>(2) Decennial Census: Implemented the activities that supported the following objectives of the 2004 census test:</p> <ul style="list-style-type: none"> <li>• Questionnaire content</li> <li>• Hand held computers (HHC) devices for field work</li> <li>• Coverage improvements</li> <li>• Special place/group quarters</li> <li>• Residence rules</li> </ul>	<p>(1) Detailed project plan for FY 2007 Economic Census by 9/30/05. <i>(FY05 measure 2a(1))</i></p> <p>(2) Detailed project plan for FY 2007 Census of Governments by 9/30/05. <i>(FY05 measure 2a(2))</i></p> <p>(3) Intercensal Demographic Estimates: Improved controls for the 2004 ACS released by 5/30/05. <i>(FY05 measure 2c(1))</i>.</p> <p>(4) Intercensal Demographic Estimates: CPS controls released each month in time for weighting monthly estimates. <i>(FY05 measure 2c(2))</i>.</p> <p>(5) Complete evaluations of the 2004 census test. <i>(FY05 measure 3c(1))</i>.</p> <p>(6) Determine design requirements and select sites for the 2006 census test. <i>(FY05 measure 3c(2))</i>.</p> <p>(7) Complete preparation for and begin implementation of the 2005 National Census Test. <i>(FY05 measure 3c(3))</i>.</p> <p>(8) Use research, testing, and development efforts to date to update relevant 2010 Census action plans. <i>(FY05 measure 3c(4))</i>.</p>	<p>At least 90% of key preparatory activities completed on schedule.</p>
<p>Measure 1f. Meet or exceed overall Federal score of customer satisfaction on the American Customer Satisfaction Index.</p>	<p>71% score on ACSI.</p>	<p>73% score on ACSI.</p>	<p>Meet or exceed overall federal score.</p>

## **Crosswalk for Revised Census Bureau Goals and Measures**

The FY 2006 budget reflects a shift to more customer-focused Census Bureau measures based on the Government Performance and Results Act (GPRA). The Census Bureau has reduced the number of its performance measures, and made the remaining measures more outcome-oriented. The FY 2005 President's Budget reported on 4 goals, 14 measures, and 30 targets for the Census Bureau. The FY 2006 budget reduces the number of goals to 1, and the number of measures to 6, and the number of targets to 7. The summary, customer-focused information will now be included in the Department-level budget submission, and detailed targets and performance information will be maintained internally as a management tool and for supporting backup. The following crosswalks compare the FY 2005 President's Budget to the FY 2006 President's Budget:

### **GOAL CROSSWALK:**

<b>FY 2005 President's Budget</b>	<b>FY 2006 President's Budget</b>
Goal 1. Meet the needs of policy-makers, businesses and non-profit organizations, and the public for <u>current</u> measures of the U.S. population, economy, and governments.	Goal 1. Meet the needs of policy-makers, businesses, non-profit organizations, and the public for current and benchmark measures of the U.S. population, economy, and governments.
Goal 2. Support the economic and political foundations of the U.S. by producing <u>benchmark</u> measures of the economy and population for the administration and equitable funding of federal, state, and local programs.	
Goal 3. Meet constitutional and legislative mandates by implementing a re-engineered 2010 census that is cost-effective, provides more timely data, improves accuracy, and reduces operational risk.	
Goal 4. Support innovation, promote data use, minimize respondent burden, respect individual privacy, and ensure confidentiality.	

### **MEASURE CROSSWALK:**

<b>Type of Information Reported</b>	<b>FY 2005 President's Budget Measure(s)</b>	<b>FY 2006 President's Budget Measure</b>
Data Collection	1a, 2a, 3a, 4a	1a
Data Release	1b, 1c, 1d, 2b	1b
Introducing Census 2000-based samples	2d	1c
Correcting Street Features in Geographic Database	3b	1d
Key Activities Contributing to the Long-Term Goals of the Cyclical Activities	2a, 2c, 3c	1e
Customer Service (American Customer Satisfaction Index)	4c	1f
Expanding Web-Based Technology Solutions	4b	Removed (internal measure only)

## **Resource Requirements Summary**

PERFORMANCE GOAL: MEET THE NEEDS OF POLICY MAKERS, BUSINESSES, NON-PROFIT ORGANIZATIONS, AND THE PUBLIC FOR CURRENT AND BENCHMARK MEASURES OF THE U.S. POPULATION, ECONOMY, AND GOVERNMENTS.

	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Enacted	FY 2006 Base	Increase/ Decrease	FY 2006 Estimate
<b>Salaries And Expenses</b>								
<b>Current Surveys and Statistics</b>								
Current Economic Statistics	102.7	111.3	122.9	131.3	133.6	139.8	14.8	154.6
Current Demographic Statistics	49.8	53.5	54.4	57.9	58.9	61.6	0	61.6
Survey Development and Data Services	3.8	4.1	4.3	3.5	3.6	3.8	0	3.8
<b>Mandatory</b>								
Survey Of Program Dynamics	10.0	9.9	9.9	10.0	10.0	10.0	0.0	10.0
Children's Health Insurance Program	10.0	10.0	10.0	10.0	10.0	10.0	0.0	10.0
S & E /Mandatory	176.3	188.8	201.5	212.7	216.1	225.2	14.8	240.0
<b>Periodic Censuses And Programs</b>								
<b>Economic Statistics Programs</b>								
Economic Census	41.4	52.1	86.4	72.8	67.6	69.5	1.7	71.2
Census Of Governments	3.1	5.7	6.5	6.3	5.1	5.3	(0.6)	4.7
<b>Demographic Statistics Programs</b>								
Intercensal Demographic Estimates	5.7	6.3	9.3	9.4	8.9	9.2	1.2	10.4
2000 Decennial Census	441.5	147.9	92.4	9.8	0	0	0	0
2010 Decennial Census	New	64.3	144.7	253.2	392.6	388.6	77.9	466.5
Continuous Measurement	21.2	26.4	0	0	0	0	0	0
Demographic Surveys Sample Redesign	7.9	12.4	12.1	13.0	11.1	10.9	(0.4)	10.5

	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Enacted</b>	<b>FY 2006 Base</b>	<b>Increase/ Decrease</b>	<b>FY 2006 Estimate</b>
Electronic Information Collection	6.1	6.2	6.2	6.5	0	0	-	-
Geographic Support	34.8	37.3	37.7	40.1	38.8	39.8	-	39.8
Data Processing Systems	23.5	23.1	23.5	30.8	30.6	31.1	0.0	31.1
Suitland Federal Center Office Space Construction	0.3	2.1	1.5	23.1	0.0	0	25.8	25.8
Periodic Censuses And Programs	585.5	383.8	420.3	465.0	554.7	554.4	105.6	660.0
Reimbursable Obligations	205.2	226.9	225.1	252.4	225.7	220.9	0	220.9
<b>Total Funding</b>	<b>967.0</b>	<b>799.5</b>	<b>846.9</b>	<b>930.1</b>	<b>996.5</b>	<b>1,000.5</b>	<b>120.4</b>	<b>1,120.9</b>
Direct	761.8	572.6	621.8	677.7	770.8	779.6	120.4	900.0
Reimbursable Obligations	205.2	226.9	225.1	252.4	225.7	220.9	0	220.9
IT Funding	347.5	291.4	246.2	363.4	364.8	364.8	66.9	431.7
FTE	10,380	8,420	7,729	7,795	9,111	9,111	513	9,624

\*Columns may not add due to rounding

### **Skills Summary:**

Survey statisticians, mathematical statisticians, large-scale census and survey specialists, economists, geographers, demographers, program and management analysts, and information technology specialists.

**Performance Goal:** Meet the needs of policymakers, businesses, non-profit organizations, and the public for current and benchmark measures of the U.S. population, economy, and governments.

**Corresponding DOC Strategic Goal 1:** Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers.

**DOC General Goal/Objective 1.3:** Enhance the supply of key economic and demographic data to support effective decision-making of policymakers, businesses and the American public.

**Rationale:** As the nation’s premier statistical agency, the Census Bureau has the responsibility to provide policymakers, academia, businesses and the public with accurate, timely and relevant statistical information. This responsibility spans constitutional mandates, such as the decennial censuses, and legislative mandates, such as the collection of information on the impact of welfare reform. The Census Bureau must also capture the information which forms the basis for estimates of Gross Domestic Product (GDP), the nation’s economic indicators, trade and industry estimates, allocation of federal program funds, distribution of congressional seats, and national characteristics, such as race and Hispanic origin, sex, age, and disability status. The Census Bureau must provide the public with information that is current, while ensuring that the collection of this information does not impose an undue burden on respondents.

**Program Increases/Decreases:**

The following initiatives directly support the Census Bureau’s goal to meet the needs of policymakers, businesses, non-profit organizations, and the public for current and benchmark measures of the U.S. population, economy, and governments. They are not directly tied to any particular GPRA measure. (Dollars in Thousands)

Program Initiative	Funding Request (in \$K)	Anticipated Impact	Location in the Budget
Mail Security Crosscutting Initiative	\$1,162	Avoid disruption of mission-critical operations in the event of a potential mail threat. Mail operations are necessary for the successful completion of the Census Bureau’s surveys and censuses so that statistically reliable data can be provided to policymakers, businesses, and the public for better allocation of funds to the public and more accurate information for decision-makers.	Page # CEN-47

Program Initiative	Funding Request (in \$K)	Anticipated Impact	Location in the Budget
Improved Measurement of Services	\$6,000	Provide a comprehensive framework for gathering information on services and improving the periodicity and detail of service sector statistics.	Page # CEN-67
Longitudinal Employer-Household Dynamics (LEHD) Program	\$2,000	Improved information on changing labor market dynamics, economic development, transportation, and emergency planning for local decision makers, as well as for national policy makers.	Page # CEN-84
Improve the Automated Export System (AES)	\$6,600	Facilitate electronic reporting by American exporters and introduce new ways to verify data. The upgraded system will better respond to the needs of both government and business users.	Page # CEN-95
Measuring Migration Across U.S. Borders	\$1,230	Improved estimates of international migration that provide state planners with the information they need to make informed decisions about program needs and service delivery; and federal program managers will have the data necessary to make informed decisions about policy issues and allocating federal funds.	Page # CEN-169
Building Modernization and Consolidation Project – Funding for Furniture and Moving	\$25,799	Avoid disruption of mission-critical operations necessary for the successful completion of the Census Bureau’s many surveys so that statistically reliable data can be provided to policymakers, businesses, and the public for better allocation of funds to the public, and more accurate information for decision makers.	Page # CEN-237



**Measure 1a**

Achieve pre-determined collection rates for Census Bureau censuses and surveys in order to provide statistically reliable data to support effective decision-making of policymakers, businesses, and the public.

**Explanation of Measure 1a:** Maintaining a high level of response for both demographic and economic surveys ensures that information from Census Bureau surveys and censuses is always reliable, and widely accepted by customers over the longer term. Reliability of Census Bureau statistics is essential for the Census Bureau to fulfill DOC general goal/objective 1.3, to enhance the supply of key economic and demographic data to support effective decision-making of policymakers, businesses and the American public. Statistically reliable data ensures that the information, which forms the basis for estimates of Gross Domestic Product (GDP), the nation’s economic indicators, trade and industry estimates, and allocation of federal program funds, is done accurately. FY 2006 measure 1a combines information that was reported under measures 1a, 2a, 3a, and 4a in the FY 2005 President’s Budget.

<b>FY 2006 TARGET</b>	<b>FY 2006 INTERNAL INFORMATION TO SUPPORT THE TARGET</b>
Measure 1a target:  90% of key censuses and surveys meet or exceed pre-determined collection rates and levels of reliability.	(1) 90% of eligible households from a planned sample for CPS. (2) 89% of eligible households from a planned sample for NCVS. (3) 89% of eligible households from a planned sample for AHS. (4) An average of 80% of eligible households from a funded sample for SIPP across the three survey waves. (5) 92% overall weighted response rate for ACS using three modes of data collection. (6) 85% response rate for the Boundary and Annexation Survey (BAS). (7) 77% response rate for the Annual Trade Survey (ATS). (8) 77% response rate for the Annual Retail Trade Survey (ARTS). (9) 77% response rate for the Service Annual Survey (SAS). (10) 77% response rate for the Annual Survey of Manufactures (ASM). (11) 77% response rate for the Annual Public Employment Survey (APES).

**FY 2006 Target:** The FY 2006 target for Measure 1a is that at least 90% of key censuses and surveys meet or exceed pre-determined collection rates at planned levels of reliability. The internal targets will continue to be measured by the Census Bureau in support of this measure.

**Changes to FY 2005 Targets:** The FY 2005 target for the response rate for the Boundary and Annexation Survey (BAS) changed from 83% to 85%.

**Measure 1b**

Release data products for key Census Bureau programs on time to support effective decision-making of policymakers, businesses, and the public.

**Explanation of Measure 1b:** Ensuring that data products are released on schedule is essential for the Census Bureau to fulfill DOC general goal/objective 1.3, to enhance the supply of key economic and demographic data to support effective decision-making of policymakers, businesses and the American public. However, the Census Bureau acknowledges an important distinction between release of the Economic Indicators and the other surveys' and censuses' data products. OMB Statistical Directive Number 3 requires that data for the principal economic indicators be released within prescribed time periods. The impact of not meeting release dates for the economic indicators is much more grave, so two separate targets are noted. FY 2006 measure 1b combines information that was reported under measures 1b, 1c, 1d, and 2b in the FY 2005 President's Budget.

FY 2006 TARGET	FY 2006 INTERNAL INFORMATION TO SUPPORT THE TARGET
Measure 1b targets:  1) 100% of Economic Indicators released on schedule.  2) At least 90% of other data products from key censuses and surveys released on schedule.	(1) 2 SIPP data products released by 9/30/06, (2) 12 CPS data products released by 9/30/06, (3) 6 CPS Supplement data products released by 9/30/06, (4) 1 AHS data product released by 9/30/06, (5) Remaining Economic Census data products released by 9/30/06, (6) Core ACS tables released by 9/30/2006, (7) 116 monthly and quarterly economic indicators released as scheduled, (8) Annual Survey of Manufactures (ASM) released as scheduled, (9) Annual Trade Survey (ATS) released as scheduled, (10) Annual Retail Trade Survey (ARTS) released as scheduled, (11) Service Annual Survey (SAS) released as scheduled, (12) Annual Public Employment Survey (APES) released as scheduled.

**FY 2006 Target:** The FY 2006 target for Measure 1b is that 100% of economic indicators will be released on schedule, and at least 90% of other data products from key censuses and surveys will be released on schedule.

**Changes to FY 2005 Targets:** The FY 2005 dissemination target for the economic census has changed. The previous FY 2005 target was to release 1,027 data products. This is replaced by three targets (1) Issue all geographic series reports by 9/30/05; (2) Issue two Survey of Business Owners (SBO) reports by 9/30/05; (3) Issue Business Expenses Survey (BES) report by 6/30/05. The change is a direct consequence of delayed funding for the economic census data collection activities in FY 2004 and lagging response rates that extended data collection activities during FY 2004. The extension of data collection by four months in FY 2004 pushed the original release schedule back by three months, into FY 2005. However, the adjusted dissemination schedule satisfies the Bureau of Economic Analysis' needs and is a significant improvement to the 1997 schedule.

**Measure 1c**

Introduce Census 2000-based samples as scheduled so that the household surveys can continue through the next decade and so that policymakers, businesses, and the public can continue to be confident in the major federal socioeconomic indicators these surveys provide.

**Explanation of Measure 1c:** Introducing new Census 2000-based, redesigned samples is critical to the successful implementation of the demographic surveys sample redesign and the continuation of household surveys at a quality and reliability level demanded by Congress, survey sponsoring agencies, and data users. This information was reported under measure 2d in the FY 2005 President's Budget.

FY 2006 TARGET	FY 2006 INTERNAL INFORMATION TO SUPPORT THE TARGET
Measure 1c target:  100% of Census 2000-based samples will be released on schedule.	(1) National Health Interview Survey (NHIS) samples introduced by 1/31/06. (2) American Housing Survey – Metropolitan Sample (AHS-MS) samples introduced by 5/31/06.

**FY 2006 Target:** The FY 2006 target for Measure 1c is that 100% of Census 2000-based, redesigned samples planned for release in FY 2006 will be released on schedule.

**Changes to FY 2005 Targets:** There are no changes to the FY 2005 targets associated with this measure.

### **Measure 1d**

Correct street features in TIGER (geographic) database to more effectively support Census Bureau censuses and surveys, facilitate the geographic partnerships between federal, state, local and tribal governments, and support the E-Government initiative in the President's Management Agenda.

**Explanation of Measure 1d:** Correctly locating every street in the Master Address File and geographic database (MAF/TIGER) is critical to providing geographic products and services that meet the accuracy expectations of the 2010 Census field data collection staff, the Census Bureau's data product customers, and the needs of the U.S. Geological Survey/The National Map. Many local and tribal governments that participated in the Census 2000 geographic partnership programs and many potential customers for MAF/TIGER geographic products have indicated that they would not consider future geographic partnerships or use without substantial improvements in location accuracy. Investing in the identification and correct location of new housing units and streets or roads in small towns and rural areas will assure uniform address and street coverage is in the MAF/TIGER database and in the Census Bureau's data products, both for the American Community Survey and the 2010 Decennial Census. This information was reported under measure 3b in the FY 2005 President's Budget.

FY 2006 TARGET	FY 2006 INTERNAL INFORMATION TO SUPPORT THE TARGET
Measure 1d target:  Bring features in TIGER (geographic) database within 7.6 meters of true GPS location for 700 of the nation's counties in FY 2006.	Enhancements to the TIGER (geographic reference file) database will be finished for 700 counties during FY 2006, which keeps the program on schedule for completion in FY 2008.

**FY 2006 Target:** The FY 2006 target for Measure 1d is to bring features in TIGER (geographic) database within 7.6 meters of Global Position System (GPS) location for 700 of the Nation's 3,233 counties during FY 2006.

**Changes to FY 2005 Targets:** The FY 2005 target associated with this measure changed from completing 700 counties to completing 610 counties, due to reductions in funding.

**Measure 1e**

Complete key activities for cyclical census programs on time to support effective decision-making by policymakers, businesses, and the public and meet constitutional and legislative mandates.

**Program Increases/Decreases:** The following program increases/decreases are directly related to performance measure 1e (Dollars in Thousands):

Program Initiative	Funding Request (\$ in K)	Anticipated Impact	Location in the Budget
Cyclical program change for the second year of the six-year 2007 Economic Census cycle.	\$1,613 (excluding \$104 for mail security)	The increase in funding is simply due to the cyclical nature of the economic census program. Changes in funding from year to year are based on the changes in key activities and not tied to changes in performance.	Page # CEN-149
Cyclical program change for the second year in the five-year 2007 Census of Governments cycle.	(\$647)	There is no impact on the American public with regard to performance based on this program change. The decrease in requested funding is simply due to the cyclical nature of the census of governments program.	Page # CEN-159
Cyclical program change associated with re-engineering the 2010 Decennial Census.	\$77,077 (excluding \$821 for mail security)	A re-engineered Decennial Census will provide more accurate official population counts for determining the allocation to states of seats in the U.S. House of Representatives and will result in better allocation of funds for an array of programs ranging from Medicaid to Highway Planning and Construction.	Page # CEN-187
Cyclical program change for the demographic surveys sample redesign program.	(\$419)	There is no impact on the American public with regard to performance based on this program change. The decrease in requested funding is simply due to the cyclical nature of the demographic surveys sample redesign program.	Page # CEN-220

**Explanation of Measure 1e:** Due to the cyclical nature of these programs, it is important to track annual key activities that support the programs. The internal activities that are tracked are those considered to be the most important in meeting the long-term goals of the cyclical census programs. FY 2006 measure 1e combines information that was reported under measures 2a, 2c, and 3a in the FY 2005 President’s Budget.

FY 2006 TARGET	FY 2006 INTERNAL INFORMATION TO SUPPORT THE TARGET
<p>Measure 1e target:</p> <p>At least 90% of key preparatory activities will be completed on schedule.</p>	<ol style="list-style-type: none"> <li>(1) Finalize report form content for 2007 Economic Census core programs.</li> <li>(2) Complete forms design for 60% of the 2007 Economic Census core programs’ report forms.</li> <li>(3) Finalize the content for the 2007 Census of Governments.</li> <li>(4) Complete forms design for the 2007 Census of Governments Organization and Employment programs.</li> <li>(5) Intercensal Demographic Estimates: CPS controls released each month in time for weighting monthly estimates.</li> <li>(6) Complete implementation and evaluation of the 2005 National Census Test and, based on the findings, make appropriate revisions to research, testing, and development efforts for the 2010 Decennial Census.</li> <li>(7) Implement activities scheduled for FY 2006 that support the objectives of the 2006 Census Test.</li> <li>(8) Award the Field Data Collection Automation and Decennial Response and Integration System contracts.</li> </ol>

**FY 2006 Target:** The FY 2006 target for Measure 1e is at least 90% of key preparatory activities will be completed on schedule.

**Changes to FY 2005 Targets:** There are no changes to the FY 2005 targets associated with this measure.

**Measure 1f**

Meet or exceed the overall federal score of customer satisfaction on the American Customer Satisfaction Index (ACSI).

**Explanation of Measure 1f:** The ACSI is a survey conducted since 1994 by the University of Michigan in cooperation with other groups. It tracks trends in customer satisfaction and provides benchmarks that can be compared across industries and between the public and private sectors. The Census Bureau’s model traditionally focuses on key communications, services, and products: data products, web products, and overall customer service as these relate to customers’ perceived quality, expectations, overall customer satisfaction, complaints, and loyalty. This information was reported under measure 4c in the FY 2005 President’s Budget.

FY 2006 TARGET	FY 2006 INTERNAL INFORMATION TO SUPPORT THE TARGET
Measure 1f target:  Meet or exceed the overall federal score on the ACSI.	The federal ACSI score will be available at the same time as the Census Bureau score.

**FY 2006 Target:** The FY 2006 target for Measure 1f is that the Census Bureau will meet or exceed the overall federal score on the ACSI.

**Changes to FY 2005 Targets:** There are no changes to the FY 2005 targets associated with this measure.

### **Program Evaluations**

The Census Bureau is committed to rigorous and extensive evaluations of all data against statistical standards. Program evaluations are numerous and ongoing. They include both internal and external reviews.

Five Census Bureau programs have been evaluated using the Program Assessment and Rating Tool (PART): current demographic statistics, intercensal demographic estimates, decennial census, demographic surveys sample redesign, and economic census. All of the programs scored in the effective or moderately effective range, and the programs received valuable feedback with recommendations on how to make them even more effective. The Census Bureau has already implemented several of the recommendations stemming from those PART assessments and is dedicated to continue working toward fully implementing the remaining recommendations. A milestone schedule for implementing recommendations has been developed and will be updated on a quarterly basis.

### **Cross-cutting Activities**

#### **Intra-Department of Commerce:**

- **Bureau of Economic Analysis (BEA):** The Census Bureau works closely with other statistical agencies, in particular BEA. BEA is a primary customer for the Census Bureau's economic and demographic data. For example, BEA uses self-employment earnings data from the Current Population Survey to improve the National Income and Product Accounts. Additionally, the economic census furnishes an important part of the framework for measures, such as the Gross Domestic Product (GDP), the BEA Input Output analyses, and the National Income and Product Accounts. BEA also supports the Census Bureau in the compilation of the *Statistical Abstract of the United States* and the *County and City Data Book*.
- **National Oceanic and Atmospheric Administration (NOAA):** The MAF/TIGER (geographic database) Enhancements Program works with NOAA on issues related to the global positioning system and geodetic control. NOAA also supports the Census Bureau in the compilation of the *Statistical Abstract of the United States* and the *County and City Data Book*.
- **International Trade Administration (ITA):** ITA supports the Census Bureau in the compilation of the *Statistical Abstract of the United States* and the *County and City Data Book*.
- **Patent and Trademark Office (PTO):** PTO supports the Census Bureau in the compilation of the *Statistical Abstract of the United States* and the *County and City Data Book*.

### **Other Government Agencies:**

- **Bureau of Labor Statistics (BLS):** BLS shares costs for the Census Bureau's major annual Current Population Survey (CPS). The CPS provides BLS with monthly unemployment numbers that are used to calculate the change in unemployment rates from previous months, which is a critical measure of the nation's economy.
- **Federal Reserve Board (FRB) and Council of Economic Advisors (CEA):** The Census Bureau also supports the missions of the FRB and the CEA. The FRB uses Census Bureau data to measure flow of funds and to assess industrial debt structure, liquidity, and profitability. Alan Greenspan, Chairman of the Federal Reserve Board, called the Census "...indispensable to understanding America's economy. It insures the accuracy of the statistics we rely on for sound economic policy and for successful business planning..." The CEA uses the Census Bureau's principal economic indicators as input into economic policy decisions.
- **Interagency Council on Statistical Policy (ICSP):** Under the auspices of OMB, the Census Bureau is a major participant in this council, which works to improve the collaborative activities of federal statistical agencies. Activities of the ICSP have led to standardized data and concepts, technology transfers, methodology exchange, collaborative research, process improvement, better customer service, reduced respondent burden, and infrastructure sharing.
- **Other Federal Agencies:** Agencies involved in crosscutting activities with the MAF/TIGER (geographic database) Enhancements Program include the Federal Geographic Data Committee (FGDC), the U.S. Geological Survey (USGS), the OMB, and the National Imagery and Mapping Agency (NIMA). The federal agencies involved in crosscutting activities with the Geographic Support System (GSS) include the U.S. Postal Service, the FGDC, the USGC, and the Department of Education. The compilation of the *Statistical Abstract of the United States* and the *County and City Data Book* cuts across all federal statistical agencies, such as the BLS and a number of other federal agencies, such as the Internal Revenue Service.
- **State, Local and Tribal Governments:** The Federal-State Cooperative Program for Population Estimates (FSCPE) and the State Data Center (SDC) program are two of the Census Bureau's most longstanding and successful partnerships. Between 1967 and 1973, the FSCPE was formalized between the states and the Census Bureau to promote consistent and jointly prepared county and sub-county population estimates with complete state coverage. This assures the highest quality population estimates are available to be used to distribute about \$200 billion and to determine eligibility for many social programs, which are based on population. The SDC program between the states and the Census Bureau was created in 1978 to make data available locally to the public through a network of state agencies, universities, libraries, and regional and local governments. The Census Bureau disseminates demographic data relating to poverty, income, population trends, child health insurance issues, and other important measures to SDCs for distribution throughout local communities. The Business and Industry Data Center program was added in 1988 to meet the needs of local business communities for economic data. State governors appoint data center lead organizations. In addition, the MAF/TIGER Enhancements Program also seeks geographic partnerships with all 39,000-plus state, local, and tribal governments in the United States, Puerto Rico, and the island areas. The 2010 Census seeks direct input from state, local, and tribal governments, as well as the private sector, through its advisory committee.

### **Government/Private Sector:**

- **Businesses and business associations:** The Census Bureau consults extensively with businesses and business associations in the development of economic surveys and censuses.
- **Private sector contractors:** The Census Bureau is working with several private sector contractors and will be using commercial off-the-shelf software and geographic information system software developed and supported by the private sector for major portions of the MAF/TIGER Enhancements Program.
- **External advisory committees:** The 2010 Census, including the American Community Survey and the MAF/TIGER Enhancements Program, interacts regularly with seven external advisory committees composed of members from governmental, professional, public, and private sector organizations. They comprise the Advisory Committee of Professional Associations (American Statistical Association, Population Association of America, American Economic Association, and American Marketing Association), the Decennial Census Advisory Committee to the Secretary of Commerce, and the five Racial and

Ethnic Advisory Committees (African American, American Indian and Alaska Native, Asian, Hispanic, and Native Hawaiian and Other Pacific Islander). These committees provide advice and connections used by all three programs in shaping the specific approaches. Work is also done in cooperation with National Academy of Science panels.

**International/Private Sector:**

- The International Programs Center (IPC), which is part of the Census Bureau’s Population Division, conducts demographic and socioeconomic studies and strengthens statistical development around the world through technical assistance, training, and software products. Its work is commissioned and funded by federal agencies, international organizations, nongovernmental organizations, private businesses, and other governments. For more than 50 years, the IPC has assisted in the collection, processing, analysis, dissemination, and use of statistics with counterpart governments throughout the world.

**External Factors and Mitigating Strategies**

External Factors (public perception, the economy, privacy, the federal budget, and workforce management) are discussed in the second section of the APP, titled “Priorities/Management Challenges.” Some of the Census Bureau’s mitigating strategies are as follows:

- Continually informing the public of Census Bureau privacy and confidentiality policies for all Census Bureau activities helps to improve public perception about government intrusion into personal and business information. This involves publishing policy statements via the Census Bureau web site and carrying out other information activities.
- Each decade the Census Bureau must adapt the design of the decennial census to changes in the nation’s social, demographic, and technological environment. In recent decades, the pace of change has accelerated, along with demands for increasing accuracy in census results. These forces have engendered a series of census designs that have been increasingly complex and operationally risky—with attendant escalating costs. That trend continued with Census 2000, which for all its notable successes, was conducted at great risk and at historically high cost. Unlike the most recent decennial censuses, our strategy for this decade is to begin to develop and fully test the 2010 Census design earlier in the decade so that we can mitigate late decade operational risks and costs. Both the American Community Survey and MAF/TIGER Enhancements Program are integral to a successful 2010 Census. In addition, based on lessons learned from Census 2000, developing a design infrastructure that leads to operational testing earlier in the decade is crucial. Testing will be done to identify ways to fundamentally change information technology systems and field infrastructure to improve the 2010 Census. There will be small special purpose field tests of individual activities and methods that use relatively few people. There will also be relatively large integrated field tests that will study several methodologies in combination, involving several hundred thousand people. Results from these carefully designed tests will be used to conduct a dress rehearsal in the latter part of the decade and ultimately to achieve a successful, well-managed, cost-effective 2010 Census.

**Data Validation and Verification**

The Census Bureau conducts a quarterly review of performance data to ensure that projected targets are on track to be met. During this process, deviations from projected targets, if any, are discussed with the appropriate program areas so that changes can be implemented to help meet the Census Bureau’s performance goals. On an annual basis, documentation is reviewed to ensure adequacy and sufficiency to support claims that outcomes and outputs have been achieved.



**Data Validation and Verification**

<b>Performance Measure</b>	<b>Data Source</b>	<b>Frequency</b>	<b>Data Storage</b>	<b>Internal Control Procedures</b>	<b>Data Limitations</b>	<b>Actions to be taken</b>
<b>Measure 1a.</b> Achieve pre-determined collection rates for Census Bureau censuses and surveys in order to provide statistically reliable data to support effective decision-making of policymakers, businesses, and the public.	The Census Bureau collects, calculates, and assesses performance measure data on reliability as the surveys are tabulated.	Performance measures are available at the time of survey's public data release.	Survey performance data are in Census Bureau databases and are published in public press releases and data reports (Source and Reliability Statements in every release).	The Census Bureau publicly reports methodological standards for its surveys. The survey data tabulations are compared to these standards to verify that the specified reliability measurements are attained.	None	N/A
<b>Measure 1b.</b> Release data products for key Census Bureau programs on time to support effective decision-making of policymakers, businesses, and the public.	Data collection dates are published in advance. These set the baseline for release dates.	As scheduled	Census Bureau databases and public data releases	Data are verified by comparison with scheduled release dates. Official responses to customers verify customer satisfaction.	None	N/A
<b>Measure 1c.</b> Introduce Census 2000-based samples as scheduled so that the household surveys can continue through the next decade and so that policymakers, businesses, and the public can continue to be confident in the major federal socioeconomic indicators these surveys provide.	Data sources used to initially create the samples are the Census Bureau's Master Address File (MAF), Decennial Census information, and other internal and external sources.	As scheduled	This information is contained in a Census Bureau database for the demographic surveys sample redesign program.	Data from new samples are compared to various sources (previous samples or survey results, past trends, etc) to ensure the samples are appropriately selected.	None	N/A

<b>Performance Measure</b>	<b>Data Source</b>	<b>Frequency</b>	<b>Data Storage</b>	<b>Internal Control Procedures</b>	<b>Data Limitations</b>	<b>Actions to be taken</b>
<b>Measure 1d.</b> Correct street features in TIGER (geographic) database to more effectively support Census Bureau censuses and surveys, facilitate the geographic partnerships between federal, state, local and tribal governments, and support the E-Government initiative in the President's Management Agenda.	MAF/TIGER activity schedule	As scheduled	Census Bureau MAF/TIGER database.	The Census Bureau compares actual completion dates with scheduled dates.	None	N/A
<b>Measure 1e.</b> Complete key activities for cyclical census programs on time to support effective decision-making by policymakers, businesses, and the public and meet constitutional and legislative mandates.	Activity schedules kept by each of the cyclical census programs.	As scheduled	Schedules are stored internally at the Census Bureau.	The Bureau compares actual completion dates with the scheduled completion dates.	None	N/A
<b>Measure 1f.</b> Meet or exceed the overall federal score of customer satisfaction on the American Customer Satisfaction Index.	The American Customer Satisfaction Index, an internationally recognized measure of customer satisfaction.	Annual	University of Michigan Business School.	University of Michigan calculates the Census Bureau score by applying survey results to the satisfaction model, a series of causal equations that link customer expectations, perceived quality, and perceived value to customer satisfaction.	None	N/A

**FY 2006 Annual Performance Plan**  
***Departmental Management***

**Mission Statement**

The Department of Commerce promotes job creation and improved living standards for all Americans by creating an infrastructure that supports economic growth, technological competitiveness, and sustainable development.

Departmental Management (DM) furthers the Department's strategic management integration goal by supporting the management infrastructure needed to carry out the Department's mission. DM is the central source for development of policies and procedures that guide the administrative management of the Department. The DM budget includes funding to support policy development and centralized services in the areas of security, information management, human resources, civil rights, financial management, administrative services, acquisitions, legal matters, and organizational management. DM's oversight of this infrastructure serves the interests of the American public by assuring judicious acquisition, oversight, and management of the resources that are essential to the accomplishment of the Department's varied missions, and by enhancing the efficiency with which the operating units administer their programs.

**Priorities and Management Challenges**

Meeting the objectives of the President's management agenda continues to be an important management priority. Among other things, the Department is working towards complete and comprehensive identification of competencies for mission-critical occupations. The results of these efforts will be used to perfect workable succession plans to maintain appropriate levels of critical workforce competencies. These products will enable us to expeditiously replace mission-critical employees and fill existing competency gaps. Another important priority is applying the Federal Equal Opportunity Recruitment Program and Disabled Veterans Affirmative Action Program plans that the Department has developed in order to sustain existing diversity in the Commerce workforce and to make significant progress towards meeting hiring goals for minority and disabled candidates. Information security is also a priority, as the Department focuses on implementing effective certification and accreditation practices for its information technology systems. This continues to be a challenge that the Department is making every effort to meet. The Department's efforts are likewise focused on the effective use of competitive sourcing and on furthering the public's electronic access to the Department's products and services. The measures associated with the DM performance goal, discussed below, reflect these challenges and priorities.

**Skill Summary**

Departmental Management staff possess expertise in the following areas: accounting, financial management, human resources management, acquisition management, management and organizational analysis, information systems and technology, facilities management, security, and law.

**Performance Goal**

Identify and effectively manage human and material resources critical to the success of the Department's strategic goals.

This goal represents a significant departure from Departmental Management’s previously reported goals. In order to streamline the reporting of our goals and accomplishments, we have consolidated the original three DM goals into the single goal stated above. In addition, we have discontinued measures that were not useful in conveying mission-oriented outcomes. Additional information about these new measures can be found below in the explanation for each measure. To aid in tracking from the former performance goals to the new ones, we have included tables showing the three previous goals, the related performance measures, and the disposition of each of them. These tables can be found at the end of this section.

**Corresponding DOC strategic goal**

Management Integration Goal: Strengthen management at all levels

**Rationale for performance goal**

The Department of Commerce must have the capacity to do business successfully with the public and its partner agencies, both as worldwide enterprise and as an integrated set of individual programs. This requires that it identify and adopt the practices needed to successfully operate a large and complex organization, use resources wisely, and implement the laws that govern its activities. It is the responsibility of Departmental Management to accomplish this combination of objectives in order to support the men and women who carry out the missions and programs of the Department of Commerce bureaus.

<b>Performance Goal: Identify and effectively manage human and material resources critical to the success of the Department’s strategic goals</b>						
	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Target</b>	<b>FY 2006 Target</b>
a. Provide accurate and timely financial information and conform to Federal standards, laws, and regulations governing accounting and financial management				This measure was not implemented until FY 2005. The actual FM performance indicators may be found below in the table of previously reported measures (1a and 1b).	Eliminate any reportable condition within one year of the determination that there is a reportable condition; 90% of management that have access to the Consolidated Reporting System (CRS) have financial data/reports available within one day of the 15 <sup>th</sup> of the month after submitting the raw data to the CRS	Eliminate any reportable condition within one year of the determination that there is a reportable condition; 95% of management that have access to the Consolidated Reporting System (CRS) have financial data/reports available within one day of the 15 <sup>th</sup> of the month after submitting the raw data to the CRS
b. Effectively use competitive sourcing	Inventory submitted on 6/29/01	1% completed and management plan in place to accomplish cumulative goal for FY 2002/2003	Combined target for FY 2002/2003 was 1203 FTEs. Completed 534 or 6.6% of new target of 800	New Departmental FAIR inventory guidance has been developed.	Complete feasibility studies for 168 commercial FTEs to determine potential new FY 05-06	Complete feasibility studies for 84 commercial FTEs for potential study in FY 06.

			FTEs.		studies.	
c. Obligate funds through performance-based contracting	25% of eligible service contracting dollars	31% of \$795M	24% of \$605M	42% of \$806M	50% of eligible service contracting dollars	50% of eligible service contracting dollars
d. Obligate contracts to small businesses	50% of contracts	52% of contracts	45% of contracts	62% of contracts	45% of contracts	45% of contracts
e. Acquire and maintain diverse and highly qualified staff in mission-critical occupations				This measure was not implemented until FY 2005. The actual OHRM performance indicators may be found below in the table of previously reported measures (2a through 2e).	Assess applicants' and bureaus' satisfaction with new automated application system, compare to COOL, improve as indicated (70%); continue improving representation of underrepresented RNO groups throughout the majority of Bureaus (10%); evaluate implementation of learning management on-line system (10%); maintain fill-time standard of 30 days (10%).	Continue improving representation of each underrepresented RNO group throughout Department (70%); evaluate and improve learning management system (10%); maintain fill-time standard of 30 days (10%) and improve applicants' and bureaus' satisfaction with automated application system.
f. Improve the management of information technology (IT).				This measure was not implemented until FY 2005. The actual IT performance indicators may be found below in the table of previously reported measures (3a through 3g).	For major IT projects, cost and schedule overruns and performance shortfalls average less than 10% for all major IT projects; all national critical and mission critical systems are certified and accredited in accordance with the Department's IT	For major IT projects, cost and schedule overruns and performance shortfalls average less than 10% for all major IT projects; all national critical, mission critical and business essential systems are certified and accredited in accordance with the

					security policy.	Department's IT security policy.
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**Explanation of Measures**

**Measure 1a. Provide accurate and timely financial information and conform to Federal standards, laws, and regulations governing accounting and financial management.**

*Explanation:* This measure has been added to ensure that the Department of Commerce is accountable to the American people. To determine if financial information is being provided in a timely and accurate manner, the Department will assess whether those individuals who can best use the information are receiving it within timeframes that render it relevant and useful in their day-to-day decisions.

**Measure 1b. Effectively use competitive sourcing.**

*Explanation:* Americans have a right to expect a reasonable return on the taxes they invest in their country. Good stewardship of these dollars assures that the American public gets the best products at the best price. Whether those products and services can most effectively and efficiently be provided by federal entities or those in the private sector is a determination that must be made on a case-by-case basis. To ensure that appropriate consideration is given to this issue, the FAIR Act requires all federal agencies to provide OMB with a timely inventory of the activities performed by government employees that could be carried out by commercial sources. The Department has developed an annual reporting process that meets this requirement. In FY 2001 and FY 2002, goals were established by OMB for competing these commercial activities between government's most efficient organizations and private sector providers in order to put taxpayers' dollars to the best use. In June 2003, OMB worked with the Department to establish new and more realistic goals in support of the Department's missions. As part of the President's Management Agenda, in June 2003 Commerce adopted a goal of completing or initiating competitions for 10 percent of the commercial activities on the FY 2000 FAIR Act Inventory.

**Measure 1c. Obligate funds through performance-based contracting.**

*Explanation:* Also part of good stewardship of America's tax dollars is ensuring that the government gets what it pays for, especially when it comes to procurement of goods and services from sources outside of the organization. To help make that goal a reality, federal agencies have begun changing the way in which the procurement process is conducted. The movement toward performance-based contracting—a method of procurement in which the Federal Government defines the results it is seeking rather than the process by which those results are to be attained—is part of that effort. With performance-based contracting, the government also defines the standards against which contractor performance will be measured and identifies the incentives that may be used. The Procurement Executives Council had established an ultimate government-wide goal for federal agencies to award 50 percent of eligible service contracts as performance-based contracts (in 10 percent increments) by FY 2005. The interim government-wide goals were 20, 30, 40, and 50 percent for FY 2002, FY 2003, FY2004, and FY 2005, respectively.

In April 2002, OMB's Office of Federal Procurement Policy (OFPP) convened an interagency task force to study Performance Based Service Acquisitions by agencies. The study was completed in July 2003. As a result of its findings, the task force is recommending to OFPP that agencies be allowed to set their own interim goals, while still being required to reach 50 percent of eligible service contracting dollars by FY 2005.

**Measure 1d. Obligate contracts to small businesses**

*Explanation:* Equally important as protecting American resources is ensuring that all segments of American society have an opportunity to compete for the business that is contracted out by federal agencies. This measure monitors the Department's ability to increase opportunities for small businesses to participate in Commerce acquisitions. Historically, this has included small, small disadvantaged, 8(a), and women-owned businesses. In FY 2001, three new categories were added: HUBZone, veteran-owned, and service-disabled veteran-owned small businesses (a subset of veteran-owned small businesses). Every two years, the Small Business Administration (SBA) negotiates procurement goals with each federal agency in an effort to increase contract and subcontract awards to small businesses.

Through FY 2001, DM reported under GPRA on the percentage of contracts awarded in each of three categories: (1) small businesses, (2) women-owned businesses, and (3) minority-owned businesses, which included small disadvantaged and 8(a) businesses. To avoid making this measure overly cumbersome by adding categories, beginning with FY 2002 Commerce simplified the method used to track its GPRA progress. It now reports on the percentage of procurement funds awarded to the umbrella group described as small businesses.

**Measure 1e. Acquire and maintain diverse and highly qualified staff in mission-critical occupations**

*Explanation:* This modified measure represents a combination of two indicators previously appearing under the strategic management of human capital goal, as well as a new indicator of the Department's efforts to achieve and maintain a diverse workforce. The previous indicators (e.g., one relating to the learning management system and another relating to the automated application and referral system, COOL) provide two perspectives on progress in ensuring a competent workforce. The RNO indicator provides a more direct measure of the Department's progress in achieving diversity than previously used measures of recruitment efforts. This modification of the measures permits a more comprehensive assessment of the Department's efforts. Such an assessment is critical if we are to ensure that we have the right people in the right place at the right time to carry out the Department's critical work for the American people.

**Measure 1f. Improve the management of information technology (IT)**

*Explanation:* The Department's significant annual investment in information technology (IT) requires careful management and monitoring as part of the overall program to effectively manage IT resources to meet the mission needs of the Department and to fulfill our obligation to the taxpayer. Through the use of Earned Value Management and Operational Analysis, systems in the development and/or operational phases are monitored to ensure the required functionality is delivered on the schedule and at the cost projected. Program offices regularly report on the progress and status of their efforts against the cost, schedule and performance goals, a process that provides early warning signals for corrective actions. Where needed, program managers are required to develop and implement corrective actions to meet the program goals.

The successful implementation of each program critical to the Department's missions depends in some way on the adequacy and security of the information technology systems that operate throughout the Department. If security of any of these systems were to be compromised, the effective accomplishment of the Department's mission would be in jeopardy. To ensure that these systems are adequately protected (and the Nation reaps the benefits of the Department's work), certification and accreditation requirements have been established. Certification represents the complete testing of all management, operational, and technical controls that protect a system. These controls are documented in the security plan. By approving the plan, the system owner warrants that the controls provide adequate protection for the system. Certification verifies the adequacy of these controls and also validates that the controls are implemented and functioning effectively. Accreditation is the senior program official's acknowledgement of the risk of operating the system. It provides official approval to run the system in the operational environment. Recertification and reaccreditation follow updates of risk assessments and security plans every three years or upon major system modification.

### **FY 2005-2006 Targets**

Our targets have changed for 2005 and 2006 (see, below, the tables depicting the previous measures). We will still be tracking most of the previous DM performance measures (since many have been consolidated into new measures, or still remain useful for tracking purposes), but we will no longer report individually on them.

### **Program Evaluations**

The Department of Commerce uses reviews and reports generated by the Office of Inspector General, the Office of Management and Budget, the Office of Personnel Management, the General Accounting Office, other congressional organizations, government-wide task forces, and other objective sources to evaluate performance goal 1 activities. For example, we work closely with OMB on implementing the five government-wide management initiatives established in the President's Management Agenda and are rated quarterly on their implementation. In addition, many of the laws pertaining to these activities have separate reporting requirements that involve program reviews, and evaluations that identify program strengths and weaknesses. The results of these efforts are used to assess the quality and effectiveness of the administrative management of the Department.

### **Cross-Cutting Activities**

*Intra-departmental:* Under the Departmental Management function, the Office of the Secretary regularly works with all the bureaus across the full range of administrative policy development and program management issues.

*Other government agencies:* Under the Departmental Management function, the Office of the Secretary regularly works with all other federal agencies across the full range of administrative policy development and program management topics.

*Government/private sector:* Under the Departmental Management function, the Office of the Secretary regularly works with the private sector and other elements of the public sector across the full range of administrative policy development and program management issues.

### **External Factors and Mitigating Strategies**

The Department of Commerce faces a number of changing circumstances that demand flexibility and responsiveness. For example, the growing diversity of the civilian labor force requires that the Department seek innovative ways to recruit top minority candidates; the increasing technological orientation of the work of the Department requires an intensifying engagement in the highly competitive marketplace for individuals with skills in science and technology; maintaining the security of IT systems continues to increase in importance; and the rapidly changing IT environment, including developments in hardware, software, applications, Internet use, and the user community, all affect our IT functions and activities.

In response to these challenges, the Department is establishing relationships with educational institutions, including minority-serving colleges and universities, to encourage applications from students in areas of study that prepare them for critical Commerce occupations. The Department is also focusing attention on planning how IT funds will be invested, ensuring that IT architecture is cohesive and well constructed, and that the integrity and availability of IT systems are safeguarded.

### **Data Validation and Verification**

To a great extent, DM measures depend on input provided by multiple sources—typically, Commerce's bureaus—and a combination of techniques is used to validate and verify the data received. For example, financial performance at all levels is subject to review by Department auditors. Data input by the bureaus relating to acquisition activities, e.g., performance-based contracts and small business awards, is screened at the Department level during the reporting cycle. As progress is made and objectives evolve, DM continues to refine its reporting structure and techniques.



<b>Performance Measure</b>	<b>Data Source</b>	<b>Frequency</b>	<b>Data Storage</b>	<b>Internal Control Procedures</b>	<b>Data Limitations</b>	<b>Actions to Be Taken</b>
1a. Provide accurate and timely financial information and conform to federal standards, laws and regulations governing accounting and financial management	Consolidated financial statements and Office of Inspector General (OIG) reports	Annual	Bureau or department financial systems	OIG Audits	None	Continue to comply with Federal Financial Management Improvement Act of 1996 (FFMIA)
1b. Effectively use competitive sourcing	Federal Activities Inventory Reform (FAIR) Act inventory and Competitive Sourcing Management Plan		DM chronology files	Executive Secretariat	None	Request updates quarterly
1c. Obligate funds through performance-based contracting.	Commerce procurement data system	Annual	Commerce procurement data system	Supervisory audit	None	None
1d. Obligate contracts to small businesses	Small Business Administration, the Department of Commerce's Office of Small and Disadvantaged Business Utilization OSDUBU, General Services Administration (GSA)	Annual	OSDBU and GSA federal procurement data systems (FPDS)	OSDBU and GSA FPDs	None	Continue outreach efforts
1e. Acquire and maintain diverse and highly qualified staff in mission-critical occupations	Inventory transmittal letters; Department plan for strategic employee training and development	Annual	Office chronology files; OHRM, bureaus	Executive Secretariat,	None	Measure trends over time
1f. Improve the management of information technology (IT).	Bureau IT offices	Annual	Bureau IT offices, Bureau files, and DM CIO files	Departmental and outside reviews	None	Review bureau processes to assess need for action; review security plans for completeness and conformance with National Institute of Standards and Technology SP 800-18

### Previous Departmental Management Performance Goals and Measures

The tables that follow show the goals and measures that have been consolidated into the new Departmental Management goals and measures (shown above). The table addresses the disposition of the former goals and, in certain cases, the reason for discontinuation of a goal.

#### Previous DM Performance Goal 1: Ensure effective resource stewardship in support of the Department's programs.

	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Target	FY 2004 Actual	FY 2005 Target	FY 2006 Target
a. Clean audit opinion on Department's consolidated financial statements	100%	100%	100%	100%	100%	Discontinued <sup>1</sup>	Discontinued
b. Consolidate Commerce-wide integrated financial management system platforms	N/A	N/A	N/A	Reduce platforms from 5 to 3.	Platforms reduced from 5 to 4.	Discontinued <sup>1</sup>	Discontinued
c. Implement competitive sourcing	Inventory submitted on 6/29/01	1% completed and management plan in place to accomplish cumulative goal for FY 2002/2003	Combined target for FY 2002/2003 was 1203 FTEs. Competed 534 FTEs or 6.6% of new target of 800 FTEs	Multi-year plan under development.	New Departmental FAIR inventory guidance has been developed	(Now measure 1b) <sup>2</sup>	(Now measure 1b)
d. Funds obligated through performance-based contracting	25% of eligible service contracting dollars	31% of \$795M <sup>1</sup>	24% of \$605M <sup>1</sup>	40% of eligible service contracting dollars	42% of \$806M	(Now measure 1c) <sup>3</sup>	(Now measure 1c)
e. Small purchases made using credit cards	92% of actions below \$25,000	95% of actions below \$25,000	97% of actions below \$25,000	90% of actions below \$25,000	> 90% of actions below \$25,000	Discontinued <sup>4</sup>	Discontinued
f. Increase percentage of total obligations awarded	Small business 50%	Small business 52%	Small business 53.34%	Small business 44.80%	Small business 61.95%	(Now measure 1d)	(Now measure 1d)

as contracts to small businesses							
g. Ensure a secure workplace for all Commerce employees	Conducted 32 studies of classified computer systems	Established DOC COOP; 47 risk assessments completed	Reviewed COOPs for 16 Commerce components, including the Office of the Secretary, the Office of the Inspector General, and U.S. Patent and Trademark Office. Conducted compliance reviews of over 450 security containers and 550 sensitive documents. Conducted 40 risk assessment surveys.	Conduct 40 compliance reviews of security programs and classified systems, develop comprehensive COOP compliance and oversight program, and identify Commerce-specific security concerns.	Conducted compliance reviews of 368 security containers and 1,762 sensitive documents. Additionally, conducted 141 physical security risk assessment surveys. Further performed reviews and tests (to include deployment exercises related to DOC/Bureau COOP Plans. Lastly, completing final coordination of Departmental Administrative Order relating to foreign visitors, which has been designed to mitigate the Department's espionage risk.	Discontinued <sup>4</sup>	Discontinued
h. Ensure a safe workplace for all	N/A	Developed safety action plan,	Employee education and awareness	Implement a facility safety assessment	Conducted 13 facility assessments and 5	Discontinued <sup>4</sup>	Discontinued

Commerce employees		reinvigorated the Commerce Safety Council to communicate safety issues, appointed a new agency safety and health official to spearhead safety efforts, established performance element for senior executives, and developed a web-based safety awareness training program.	training activities were implemented, including safety awareness training at the SES and supervisory levels, and evacu-chair training. Implemented safety website, published safety reports, and distributed safety brochures.	program and conduct 10 facility safety assessments and 2 industrial hygiene surveys at DOC facilities, and provide safety training for 100 DOC employees.	industrial hygiene surveys at DOC facilities, provided escape hood training, fire extinguisher training, and new safety training for new employee orientation .		
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**Previous DM Performance Goal 2: Strategic management of human capital**

	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Target</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Target</b>	<b>FY 2006 Target</b>
a. Strategic competencies – ensure competency in leadership and in mission-critical occupations.	Automated tools used by 3 pilot test offices.	Completed final workforce restructuring plan in June 2002. Mission-critical competencies identified. Candidate development program (CDP) implementation plan was developed, which provides	Implemented succession-planning strategies, identified staffing and retention targets for 20 mission critical occupations, announced SES CDP, and received 204 applications.	Enroll new SES CDP participants.	The SES CDP kick-off began in September 2004 with 35 candidates selected from 270 applicants in mission critical occupations through an OPM assessment center process.	Discontinued <sup>5</sup>	Discontinued

		for the identification of gaps.					
b. Strategic competencies—ensure comprehensive training and development strategies.	N/A	General and supervisory training policies implemented.	The Department completed needs assessments for targeted employee groups, and successfully implemented over 1200 e-learning courses in the learning management system (LMS).	Implement learning management system in the Office of the Secretary.	The Learning Management System was implemented in the Office of the Secretary. In addition, a memorandum of understanding was signed by all bureaus for Departmentwide implementation which began in July 2004.	Discontinued <sup>5</sup>	Discontinued
c. Strategic competencies—ensure diverse candidate recruitment.	Developed and implemented resume data base. Sponsored 19 recruitment activities and marketed more than 350 resumes with Department managers.	Completed refining resume data base, participated in 25 recruitment activities, implemented awareness campaign with Department managers.	Completed a survey of effectiveness and utilization of recruitment activities, and determined Department’s hiring baseline, including analysis by race and national origin, and occupation.	Assess efficacy of recruitment approaches.	Corporate recruitment strategy implemented to include training and deploying 25 diverse recruiters to 45 career fair events. Four members of the SES met with university administrators to initiate 12 partnerships with Hispanic-serving institutions and minority-serving institutions. Results were	Discontinued <sup>5</sup>	Discontinued

					26% or 146 of 561 hires in June 2004 were members of minority groups, including 61 (3.7%) Hispanic hires. The Post Secondary Intern program was used to develop a pipeline for entry-level diverse hires through the Student Career Employment Program (formerly the Coop Program).		
d. Efficiency and effectiveness of hiring systems using the Commerce Opportunities On-Line (COOL) System.	COOL phase III created and fill time identified at 38 days.	Incomplete data.	Reduced fill time to 21 days, and completed an assessment survey of the 304 managers who used COOL.	Maintain fill time standard of 30 days and assess applicants' and bureaus' satisfaction with COOL.	Maintained fill time at 21 days. Reviewed survey data of applicants' and bureaus' satisfaction with COOL.	Discontinued <sup>5</sup>	Discontinued
e. Increase the alignment of performance management with mission accomplishment.	Tracking system for aligning performance management with mission accomplishment and overall recognition designed.	All SES were placed on new performance management system in June. The system links management of PMA, individual, and organizational	Commerce GS and equivalent performance management systems are linked through the use of performance	Cascade new performance elements to 60% of the supervisory ranks.	Performance elements that align critical elements to the strategic plan were cascaded to 100% of the supervisory ranks. Com-	Discontinued <sup>5</sup>	Discontinued

		performance and results.	metrics tied to the APP.		merce applied for provisional approval of new SES plans.		
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**Previous DM Performance Goal 3: Acquire and manage the technology resources to support program goals.**

	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Target	FY 2004 Actual	FY 2005 Target	FY 2006 Target
a. Transactions converted to electronic format	28 (23% of 123 total)	67 (54% of 123 total)	107 (50% of 214 total)	149 (70% of 214 total)	172 (80% of 214 total)	Discontinued <sup>4</sup>	Discontinued
b. IT planning and investment review program maturity (on a scale of 0-5)	2	41% at 3 or higher	73% at 3 or higher; 5% at 4 or higher	60% at 3 or higher; 10% at 4 or higher	68% at 3 or higher; 18% at 4 or higher.	Discontinued <sup>6</sup>	Discontinued
c. IT architecture program maturity (on a scale of 0-5)	1.5	82% at 2 or higher; 59% at 3 or higher	91% at 2 or higher; 77% at 3 or higher	60% at 3 or higher; 10% at 4 or higher	77% at 3 or higher; 36% at 4 or higher	Discontinued <sup>6</sup>	Discontinued
d. IT security program maturity (on a scale of 0-5).	100% at 1 or higher; 60% at 2 or higher	70% at 2 or higher; 48% at 3 or higher; 26% at 4 or higher.	100% at 2 or higher; 79% at 3 or higher; 7% at 4 or higher	85% at 3 or higher; 33% at 4 or higher	100% at 3 or higher; 36% at 4 or higher	Discontinued <sup>6</sup>	Discontinued
e. Percentage of IT system security plans completed	61%	98%	100%	100%	100%	Discontinued <sup>6</sup>	Discontinued
f. Percentage of IT systems certified and accredited.	N/A	N/A	N/A	85%	97%	Discontinued <sup>6</sup>	Discontinued
g. Percentage of unsuccessful intrusion attempts.	86% (1,380 of 1,620 intrusion attempts)	87% (1,441 of 1,655 intrusion attempts)	85% (560 of 661 intrusion attempts)	85%.	94% (1,486 of 1,587 intrusion attempts)	Discontinued <sup>6</sup>	Discontinued

<sup>1</sup> The Performance Measure was consolidated into the new measure 1a, "Provide accurate and timely financial information and conform to Federal standards, laws, and regulations governing accounting and financial management."

<sup>2</sup> This performance measure was revised to reflect the progress that had been made with the competitive sourcing initiative.

<sup>3</sup> These dollar amounts represent eligible service contracting dollars

<sup>4</sup> This performance measure has been consistently met or exceeded since reporting began. We will continue to track this indicator, but will no longer include it as an individual performance measure.

<sup>5</sup> This performance measure was consolidated into the new measure 1e, "Acquire and maintain diverse and highly qualified staff in mission-critical occupations.

<sup>6</sup> This performance measure was consolidated into the new measure 1f, "Improve the management of information technology (IT)."



FY 2006 Annual Performance Plan

**Economic Development Administration**

Mission Statement

To lead the federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide

The mission of the Economic Development Administration (EDA) is to lead the federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide economy. This mission directly supports the Department of Commerce goal of providing the tools to maximize U.S. competitiveness.

EDA's Performance Goal 1 includes program activities associated with the Public Works and Development Facilities program, the Economic Adjustment program infrastructure and revolving loan fund components, and when available, the Defense Economic Adjustment Assistance program. The Public Works and Development Facilities program empowers distressed communities to revitalize, expand, and upgrade their physical infrastructure to attract new industry, encourage business expansion, diversify local economies, and generate or retain long-term, private sector jobs and investment. Among the types of projects funded are water, sewer, fiber optics, access roads, redeveloped "brownfields" sites, industrial and business parks, business incubator and skill training facilities, and port improvements. The Economic Adjustment Assistance program infrastructure components designed to assist state and local entities design and implement strategies to adjust or bring about change to an economy. The program focuses on areas that have experienced or are under threat of serious structural damage to the underlying economic base. The program also provides flexible investments to communities for making loans to local businesses to create jobs and leverage other private investment while helping a community to diversify and stabilize its economy. Factors that seriously threaten the economic survival of local communities include mass layoffs resulting from plant closures, military base closures or realignments, defense laboratory or contractor downsizing, natural disasters, natural resource depletion, out-migration, underemployment, and localized negative impacts of foreign trade.

EDA performance targets for long-term program outcomes are based on nine-year projections for private dollars invested, and jobs created and retained. Performance data are obtained at three-year intervals to provide snapshots of current progress in achieving the full, nine-year performance projection. Since most investments are completed an average of three years after award, EDA monitors performance results at three, six, and nine years after investment award. FY 2000 was the first year for which data was available for long-term outcomes. According to the performance evaluation of EDA's Public Works and Development Facilities program (Rutgers et. al. 1997), investment impacts "generally increase with time." The study found that "jobs resulting six years after completion [generally about nine years after investment award] were, on average, twice the number witnessed at project completion [generally about 3 years after award]".

EDA's Performance Goal 2 includes the following program activities: the Planning Assistance program; Economic Adjustment Assistance program strategy investments component; National Technical Assistance, Training, Research, and Evaluation; University Center program; and Local Technical Assistance. This performance goal also includes Trade Adjustment Assistance to firms authorized by the Trade Act of 1974, as amended.

EDA's Planning programs help support local organizations (Economic Development Districts, Indian Tribes, and other eligible areas) with their long-term planning efforts and their outreach to the economic development community on EDA's programs and policies.

The Economic Adjustment Assistance program strategy investment component provides flexible investment support to develop economic adjustment strategies for communities facing sudden or severe economic distress. Under this program, states, cities, counties, and other eligible entities can receive grant assistance to assess the dislocation, develop an economic adjustment plan, and create the infrastructure necessary to generate private sector investment and create jobs.

EDA's Technical Assistance program includes three major components. The University Center program is a partnership of the federal government and academia that makes the varied and vast resources of universities available to the economic development community. The National Technical Assistance program supports world-class economic development practices and activities including information dissemination efforts. The Local Technical Assistance program helps fill the knowledge and information gaps that may prevent leaders in the public and nonprofit sectors in distressed areas from making optimal decisions on local economic development issues.

The Trade Adjustment Assistance program was reauthorized under the Trade Act of 1974, as amended. Through this program, EDA uses a national network of eleven Trade Adjustment Assistance Centers to help manufacturers and producers affected by increased imports prepare and implement strategies to guide their economic recovery.

The assistance programs associated with both of EDA's performance goals directly relate to the Department's Strategic Goal 1: Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers. The capacity building tools provided by EDA's assistance programs under Goal 2 provide support required to develop information needed by economic development practitioners and policy makers to make informed decisions and develop thoughtful and practical strategies for regional economic development. The implementation assistance programs included under Goal 1 complement the Goal 2 programs with the assistance required to actually implement the activities and potential investments identified through the capacity building process.

### **Priorities/Management Challenges**

Integration of mission, organization, budget, and performance drives success. To comply with the President's vision for management reform, EDA has pro-actively implemented the Balanced Scorecard approach to deliver tangible management and program improvements.

- **Budget and Performance Integration**

In FY 2002, OMB conducted its first performance assessment of EDA. EDA continues to implement the FY 2002 PART recommendations to further improve its rating. EDA requested another PART assessment in FY 2004 to assess its progress and was rated as "Moderately Effective." EDA significantly improved program design to increase its impact in communities suffering economic distress and established investment policy guidelines focused on results rather than process. Application of these guidelines encourages regionally oriented investments in America's communities based on expected return on the taxpayer's investment.

In addition to the PART, EDA's Balanced Scorecard approach continues to emphasize "cause and effect" relationships. Integration of management, performance, and budget is critical to achieving timely financial improvements and to enhancing the bureau's performance. At the highest level, the Balanced Scorecard is a framework that helps organizations translate strategy into operational objectives that drive both behavior and performance at the operational level. The Balanced Scorecard is a value-added management process that provides a critical tool for getting from vision to execution.

The Balanced Scorecard approach addresses five perspectives: stakeholder, financial, customer, internal, and learning and growth. Each perspective is enveloped in a high-level strategic architecture that focuses on translating the strategy into operational terms and creating the synergy necessary for successful integration. During FY 2005 EDA plans to expand implementation of the Balanced Scorecard horizontally to include the Headquarters office and also vertically, to the office and division levels.

- **Strategic Human Capital**

EDA worked with Department groups to share perspectives on best practices in the human capital arena. EDA's human capital program is measured by the outcomes in the Balanced Scorecard. The Balanced Scorecard "learning and growth expectations" strategy recognizes that human resource processes are essential for moving strategy

from the top to the bottom. EDA will improve the technological proficiency, as well as the analytical and communication skills of employees. This will allow the bureau to deploy a skilled, knowledgeable, and strategy-focused workforce.

In FY 2004, EDA completed a reorganization of its Headquarters operation to better align resources with our mission and eliminate redundancy and confusion. The Headquarters reorganization became effective in March 2004 and will greatly augment EDA's capacity to link strategy and goals with performance measurement and budget. In FY 2005, EDA plans to streamline and standardize roles, responsibilities, and processes among its regional offices to achieve greater efficiency and effectiveness within its budget realities.

- **Competitive Sourcing**

Focusing on the most efficient means to deliver a product, EDA, in compliance with the Federal Activities Inventory Reform Act (FAIR) Act, continues to identify functions that can be analyzed as to whether they can be accomplished more effectively through the public or private sector. EDA met its FY 2003 competition goal.

- **Improved Financial Performance**

Implementation of the Commerce Business System (formerly known as the Commerce Accounting Management System, or CAMS) and its updated policies and procedures provide improved accountability. Financial systems are integrated and procedures have been enhanced to ensure timely, consistent and reliable reporting.

- **Information Dissemination**

EDA hosted its FY 2004 national conference in June 2004 and over 1,000 participants attended the Washington, DC event. This highly successful conference featured top Administration and Cabinet-level speakers and state-of-the-art discussion of timely economic issues, policies, and practices. EDA also announced and awarded its seven "Excellence in Economic Development" awards in recognition of outstanding economic development practices in Urban or Suburban Economic Development, Rural Economic Development, Enhancing Regional Competitiveness, Economic Adjustment Strategies, Technology-led Economic Development, Community and Faith-Based Social Entrepreneurship, and Innovation.

In FY 2004, EDA helped establish the Economic Development Information Coalition (EDIC) to expand its information dissemination efforts. With EDA's support, EDIC is producing a monthly E-Newsletter, a quarterly magazine, 20 economic development forums, and 4 satellite broadcasts during 2004. The magazine and E-newsletter are distributed to about 12,000 people, and the forums attract between 100 and 150 people at each event. While there is no way to track the actual number of viewers, an agreement reached with DISH NETWORK makes these telecasts available to 9.85 million subscribers. In addition, the Association of Public Television Stations (APTS) promoted the Economic Development Today telecast to affiliate stations nationwide. APTS represents 80 percent of the market of public television stations.

EDA initiated satellite broadcasts in FY 2002 to bring discussion of timely, cutting-edge, and best practices to economic development policy makers and practitioners in areas of the country that would not normally have access to this level of expertise. The highly successful broadcast in FY 2002 was followed by three telecasts in FY 2003 and four during FY 2004. During FY 2005, EDA plans to produce six satellite broadcasts, a monthly E-Newsletter, a quarterly magazine, and to hold a one-day symposium.

- **E-Government**

EDA continues to refine its e-government strategy to manage its programs and services more efficiently. The Information Clearinghouse component of the Economic Development Communications and Operations Management System (EDCOMS) provides high-quality customer service on the web. EDA is directly participating in the E-Grants Storefront and E-Travel (FedTrip) initiatives. EDA participated in both the E-Apply “test of the edges” and pilot tests run in May and July 2003 and is now participating in the functional “FIND” component of E-grants on the web. EDA is also collaborating with NOAA on the development of an interface to the “APPLY” component of E-Grants.

### **Unit Cost Measures for Targets for Job Creation and Private Investment**

To compute targets, EDA calculates the “raw” number of jobs by dividing the total appropriation for job-producing programs by the cost per job derived in the Rutgers study adjusted for inflation. The calculation is adjusted downward by 30 percent to account for the attribution of jobs to dollars and economic conditions other than EDA dollars. Private investment targets are similarly established using a ratio of private investment dollars generated per EDA dollar which is also adjusted downward by 30 percent for the same reason as for jobs. The EDA programs that directly produce jobs and private investment and for which unit cost measures are applied include the Public Works and Development Facilities program, the implementation component of the Economic Adjustment Assistance program, and, when available, the Defense Adjustment program. Actual results for both jobs and private investment are discounted by 25 percent to account for the attribution of jobs to dollars and economic conditions other than EDA dollars. EDA has begun expressing both target and actual job creation and retention targets as a ratio of jobs per \$1 million of EDA investment and target and actual private investment as a ratio of private investment generated per dollar of EDA investment.

### **PART Assessment**

In FY 2002, OMB conducted its first performance assessment of EDA. EDA continues to implement the FY 2002 PART recommendations to further improve its rating. EDA requested another PART assessment in FY 2004 to assess its progress and was rated as “Moderately Effective.” EDA significantly improved program design to increase its impact in communities suffering economic distress and established investment policy guidelines focused on results rather than process. Application of these guidelines encourages regionally oriented investments in America’s communities based on expected return on the taxpayer’s investment.

The PART Assessment resulted in three recommendations which EDA has reviewed and is working to address as discussed below.

#### **Recommendation 1: Adjust targets to better reflect achievable performance.**

Since implementation of its performance management system in FY 1997, EDA has adjusted future targets on various measures to reflect previous performance results of its programs as data has been collected.

#### **Recommendation 2: Develop Unit-cost measures for private sector leverage related to EDA investments.**

EDA has developed unit-cost measures to reflect the ratio of EDA investment dollars to private sector dollars leveraged. The ratio is based on a study conducted by Rutgers University, which compiled and analyzed the performance of EDA public works projects after nine years. In its findings, Rutgers found a private-sector leverage ratio of 10 to 1 for every EDA dollar invested. A review of the actual results for FY 1997 and FY 1998 performance measures shows that 20 percent of the projected private investment was realized within the first three years, and 50 percent after six years, resulting in three and six-year target ratios of 2:1 and 5:1 respectively. The unit-cost measures are discounted 30 percent to account for the attribution of private sector investment generated as a result of funding and economic conditions other than EDA funding. Unit cost measures are shown in the “Target and Performance Summary” beginning on page 10.

**Recommendation 3: Better target EDA resources to areas of greatest need through administrative steps and reauthorization.**

This recommendation is being addressed through reauthorization and the resulting regulations. As part of the process of drafting a new reauthorization bill, EDA researched a variety of modifications to the eligibility criteria to address this recommendation. EDA offered five options, but OMB ultimately determined that the most appropriate mechanism for better targeting EDA resources would be new regulations.

Figure 1 is a map displaying economically distressed and highly distressed counties of the United States. Distress is defined as counties with a 24-month average unemployment rate at least 1% above the national average or per capita income (PCI) not more than 80% of the national average. To be eligible for EDA assistance under Title 201 Public Works and Development Facilities or Title 209 Economic Adjustment Assistance implementation, areas must meet or exceed this level of distress. High economic distress is defined as areas with a 24-month unemployment rate at least 180% of the national average or PCI not more than 60% of the national average. PCI data is from the Bureau of Economic Analysis and represents 2001 estimates. Unemployment data is from the Bureau of Labor Statistics from which a 24-month average for the period ending December 31, 2003 was computed. As can be seen from the embedded table on Figure 1, only one-third of the nation's labor force resides in distressed counties eligible for EDA assistance, and only 3.8 percent of the labor force resides in highly distressed counties eligible for EDA assistance.

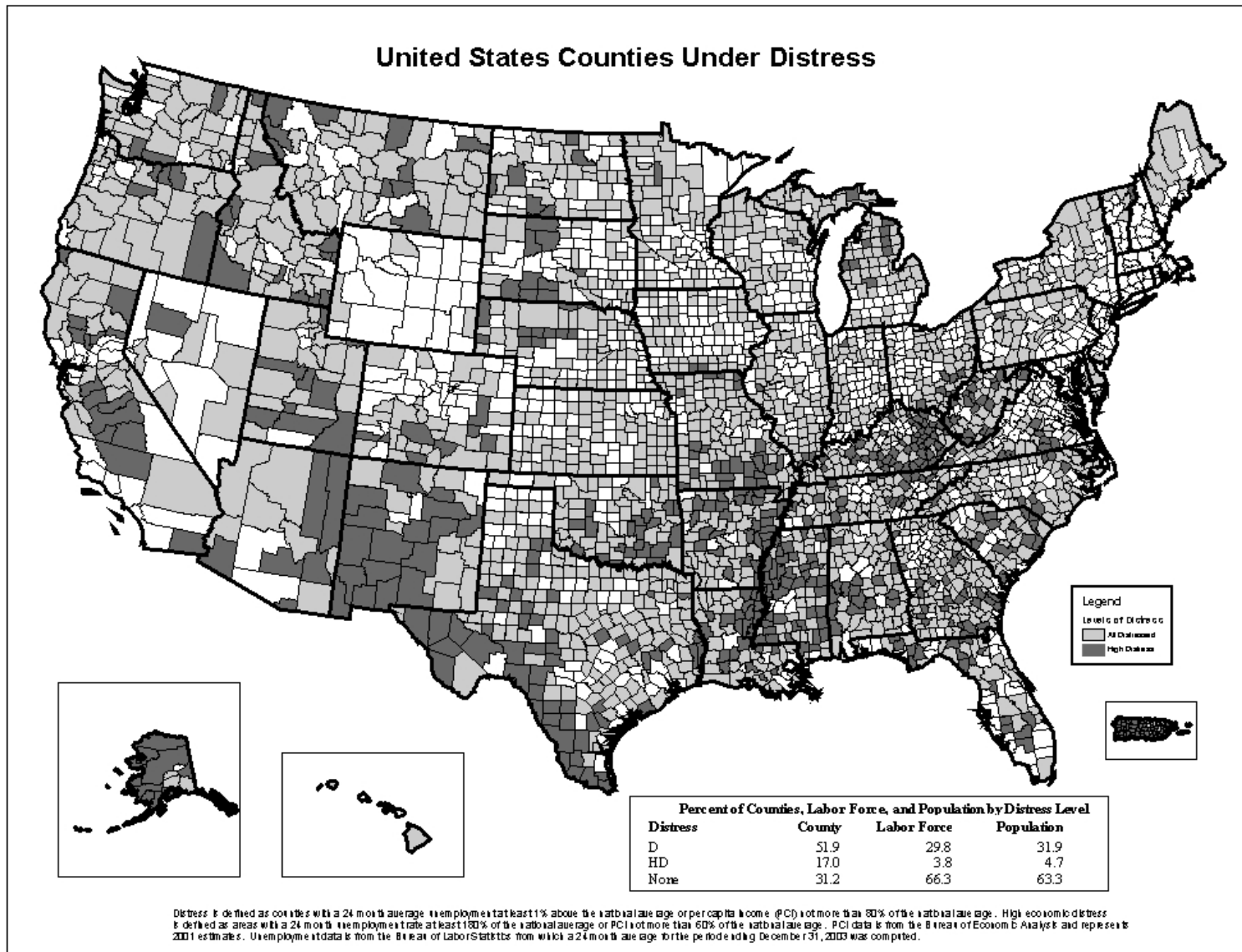


Figure 1 - Distressed Counties of the United States

**Target and Performance Summary**

**Performance Goal 1: Increase Private Enterprise and Job Creation in Economically Distressed Communities**

<i>Measure</i>	<i>FY 2001 Target</i>	<i>FY 2001 Actual</i>	<i>FY 2002 Target</i>	<i>FY 2002 Actual</i>	<i>FY 2003 Target</i>	<i>FY 2003 Actual</i>	<i>FY 2004 Target</i>	<i>FY 2004 Actual</i>	<i>FY 2005 Target</i>	<i>FY 2006 Target</i>
Private sector dollars invested in distressed communities as a result of EDA investments	\$480M by FY 2004		\$390M by FY 2005		\$320M by FY 2006	\$1,251M from FY 2000 investments <sup>3</sup>	\$330M (1.40 to 1) by FY 2007	\$947M (2.76 to 1) from FY 2001 investments <sup>3</sup>	\$270M (1.40 to 1) by FY 2008	---
	\$1,200M by FY 2007	\$971M <sup>1</sup>	\$970M by FY 2008	\$640M <sup>2</sup>	\$810M by FY 2009	\$2,475M from FY 1997 investments <sup>4</sup>	\$824M (3.50 to 1) by FY 2010	\$1.740 M (8.77 to 1) from FY 1998 investments <sup>4</sup>	\$675M (3.50 to 1) by FY 2011	---
	\$2,410M by FY 2010		\$1,940M by FY 2011		\$1,620M by FY 2012		\$1,649M (7.00 to 1) by FY 2013		\$1,349M (6.99 to 1) by FY 2014	---
<sup>1</sup> Actual private sector dollars - Three Year Performance exceeds the FY 1998 projected target of \$130 million by FY 2001. (snapshot of performance for first reporting interval for FY 1998 investments; see specific explanation of measure) <sup>2</sup> Actual private sector dollars - Three Year Performance exceeds the FY 1999 projected target of \$420 million by FY 2002. (snapshot of performance for first reporting interval for FY 1999 investments) <sup>3</sup> Actual private sector dollars - Three Year Performance exceeds the FY 2000 projected target of \$400 million by FY 2003. (snapshot of performance for first reporting interval for FY 2000 investments) <sup>4</sup> Actual private sector dollars - Six Year Performance exceeds the FY 1997 projected target of \$581 million by FY 2003. (snapshot of performance for second reporting interval for FY 2000 investments)										

<i>Measure</i>	<i>FY 2001 Target</i>	<i>FY 2001 Actual</i>	<i>FY 2002 Target</i>	<i>FY 2002 Actual</i>	<i>FY 2003 Target</i>	<i>FY 2003 Actual</i>	<i>FY 2004 Target</i>	<i>FY 2004 Actual</i>	<i>FY 2005 Target</i>	<i>FY 2006 Target</i>
Jobs created or retained in distressed communities as a result of EDA investments	14,400 by FY 2004 36,000 by FY 2007 72,000 by FY 2010	12,898 <sup>5</sup>	11,500 by FY 2005 28,900 by FY 2008 57,800 by FY 2011	29,912 <sup>6</sup>	9,170 by FY 2006 22,900 by FY 2009 45,800 by FY 2012	39,841 from FY 2000 investments <sup>7</sup> 47,607 from FY 1997 investment <sup>8</sup>	8,999 (38 to \$1M) by FY 2007 22,497 (96 to \$1M) by FY 2010 44,994 (191 to \$1M) by FY 2013	21,901 (64 to \$1M) from FY 2001 investments <sup>7</sup> 68,109 (343 to \$1M) from FY 1998 investment <sup>8</sup>	7,277 (38 to \$1M) by FY 2008 18,193 (94 to \$1M) by FY 2011 36,386 (189 to \$1M) by FY 2014	--- --- ---

<sup>5</sup> Actual jobs created/retained - Three Year Performance exceeds the FY 1998 projected target of 5,400 by FY 2001. (snapshot of performance at first reporting interval for FY 1998 investments)

<sup>6</sup> Actual jobs - Three Year Performance exceeds the FY 1999 target of 11,300 jobs by FY 2002. (snapshot of performance at first reporting interval for FY 1999 investments)

<sup>7</sup> Actual jobs - Three Year Performance exceeds the FY 2000 target of 11,300 jobs by FY 2003. (snapshot of performance at first reporting interval for FY 2000 investments)

<sup>8</sup> Actual jobs - Six Year Performance exceeds the FY 1997 target of 25,200 jobs by FY 2003. (snapshot of performance at second reporting interval for FY 2000 investments)

<i>Measure</i>	<i>FY 2001 Target</i>	<i>FY 2001 Actual</i>	<i>FY 2002 Target</i>	<i>FY 2002 Actual</i>	<i>FY 2003 Target</i>	<i>FY 2003 Actual</i>	<i>FY 2004 Target</i>	<i>FY 2004 Actual</i>	<i>FY 2005 Target</i>	<i>FY 2006 Target</i>
State and local dollars committed per EDA dollar	\$1-\$1	\$1-\$1	\$1-\$1	\$1-\$1	\$1-\$1	\$1-\$1	\$1-\$1	\$1-\$1	\$1-\$1	<sup>9</sup>
Percentage of investments areas of Highest distress	40%	43%	40%	40.1%	37-43%	37.6%	37-43%	37%	37-43%	<sup>9</sup>
Percentage of EDA dollars Invested in Technology-related Projects in Distressed areas	NEW	N/A	10%	11.8%	7-10%	8.8%	7-10%	7%	7-10%	<sup>9</sup>

<sup>9</sup> EDA discontinued performance measures that did not reflect the outcome efforts of the bureau. The discontinued performance measures were originally designed to provide results the same year as the investment was awarded in lieu of actual job and private investment data, which had not been realized and reported yet. The measure will be reported in the 2004 and 2005 Performance and Accountability Reports, but after that, EDA will track the measure internally.



**Performance Goal 2: Improve Community Capacity to Achieve and Sustain Economic Growth**

<i>Measure</i>	<i>FY 2001 Target</i>	<i>FY 2001 Actual</i>	<i>FY 2002 Target</i>	<i>FY 2002 Actual</i>	<i>FY 2003 Target</i>	<i>FY 2003 Actual</i>	<i>FY 2004 Target</i>	<i>FY 2005 Target</i>	<i>FY 2006 Target</i>
Percentage of economic development districts and Indian tribes implementing economic development projects from the comprehensive economic development strategy process that lead to private investment and jobs	TBD	NEW	TBD	NEW	95%	98.7%	95%	95%	---
Percentage of sub-state jurisdiction members actively participating in the economic development district program	89-93%	92%	89-93%	95.3%	89-93%	96.7%	89-93%	89-93%	---
Percentage of University Center clients taking action as a result of the assistance facilitated by the University Center	NEW	NEW	NEW	NEW	75%	78.1%	75%	75%	---
Percentage of those actions taken by University Center clients that achieved the expected results	NEW	NEW	NEW	NEW	80%	85.7%	80%	80%	---
Percentage of Trade Adjustment Assistance Centers (TAACs) clients taking action as a result of the assistance facilitated by the TAACs	NEW	NEW	NEW	NEW	90%	92.4%	90%	90%	---
Percentage of those actions taken by Trade Adjustment Assistance Center clients that achieved the expected results	NEW	NEW	NEW	NEW	95%	98.4%	95%	95%	---
Percentage of local technical assistance and economic adjustment strategy investment awarded in areas of highest distress	30-35%	32%	30-35%	30%	30-35%	30.2%	30-35%	30-35%	<sup>10</sup>

<sup>10</sup> EDA discontinued performance measures that did not accurately reflect the outcome efforts of the bureau. The measures will be reported in the 2004 and 2005 Performance and Accountability Reports, but after that, EDA will track the measure internally.

### Resource Requirements Summary

<b>Performance Goal 1: Increase Private Enterprise and Job Creation in Economically Distressed Communities</b>	<b>2001 Actual</b>	<b>2002 Actual</b>	<b>2003 Actual</b>	<b>2004 Actual Obligations</b>	<b>2005 Estimate</b>	<b>2006 Base</b>	<b>2006 Request</b>	<b>Increase/Decrease</b>
	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>
Salaries and Expenses	18.7	19.8	19.6	19.5	19.6	N/A	N/A	N/A
<b>Economic Development Assistance Programs</b>								
Public Works and Development Facilities	285.3	249.9	208.8	203.5	161.5	N/A	N/A	N/A
Economic Adjustment Assistance	58.3	26.9	29.9	31.8	31.4	N/A	N/A	N/A
Defense Economic Adjustment <sup>2</sup>				[1.5]				
<b>Total Funding Performance Goal 1</b>	362.3	296.6	258.3	254.8	212.5	N/A	N/A	N/A
IT Funding <sup>2</sup>	[0.9]	[1.8]	[0.8]	[0.8]	[0.8]	N/A	N/A	N/A
FTE	165	155	149	137	174	N/A	N/A	N/A
<b>Performance Goal 2: Improve Community Capacity to Achieve and Sustain Growth</b>								
Salaries and Expenses	10.0	10.6	10.5	10.5	10.5	N/A	N/A	N/A
<b>Economic Development Assistance Programs</b>								
Planning	24.0	24.0	23.9	23.7	27.0	N/A	N/A	N/A
Technical Assistance	9.2	9.5	9.2	8.1	8.3	N/A	N/A	N/A
Research and Evaluation	0.5	0.4	0.5	0.3	0.5	N/A	N/A	N/A
Trade Adjustment Assistance	10.5	10.5	10.4	11.8	11.8	N/A	N/A	N/A
Economic Adjustment Assistance	22.5	13.8	12.8	13.6	13.4	N/A	N/A	N/A
Defense Economic Adjustment <sup>2</sup>				[.7]				
<b>Total Funding Performance Goal 2</b>	76.7	68.8	67.3	68.1	71.6	N/A	N/A	N/A
IT Funding <sup>2</sup>	[0.5]	[0.9]	[0.5]	[0.4]	[0.4]	N/A	N/A	N/A
FTE	89	84	80	74	87	N/A	N/A	N/A
<b>Appropriation Total</b>								
Salaries and Expenses	28.7	30.4	30.1	30.0	30.1	30.9	26.6	(4.3)
<b>Economic Development Assistance Program</b>	410.3	335.0	295.5	292.8	254.0	0	0	0
<b>TOTAL, EDA*</b>	<b>439.0</b>	<b>365.4</b>	<b>325.6</b>	<b>322.9</b>	<b>284.1</b>	<b>30.9</b>	<b>26.6</b>	<b>(4.3)</b>

\*Totals reflect direct obligations for EDAP programs and S&E; totals do not include one-time, disaster investments or reimbursable funding.

2 – Not included in S&E or EDAP totals.

## **Skill Summary**

EDA possesses the following institutional skills: economic development policy and planning; community outreach and project development; program and investment management; civil rights, environmental, and legal compliance; engineering; financial management; research and evaluation; program and management analysis; and general administration.

## **PERFORMANCE GOALS**

### **EDA Performance Goal 1: *Increase Private Enterprise and Job Creation in Economically Distressed Communities***

#### **Corresponding DOC Strategic Goal:**

**Strategic Goal 1:** Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers.

**General Goal/Objective 1.1:** *Enhance economic growth for all Americans by developing partnerships with private sector and nongovernmental organizations.*

#### **Rationale for Performance Goal 1**

EDA fosters a favorable environment for the private sector to risk capital investment to produce goods and services and increase productivity. While successful economic development projects attract private sector capital investment and create value-added jobs, they are also beneficial for local communities and all levels of government. By investing in successful undertakings, creating jobs, and expanding the economy, the demand for government expenditures for social services decreases while tax revenues increase.

EDA's investment guidelines set standards to achieve its performance goals of promoting private investment and job creation in distressed communities. Potential investments must be market-based and proactive, maximize private capital investment, create higher-skill and higher-wage jobs, and offer a positive return on the taxpayer's investment.

Within the framework of this goal, EDA investments in public works serve as catalysts for other public and private investments for the establishment or expansion of commercial and industrial facilities in distressed communities. EDA also provides Economic Adjustment Assistance investments for infrastructure improvements and revolving loan funds to help communities and businesses respond to actual or threatened sudden and severe disruption or long-term deterioration of a local economy.

#### **Measure 1a: Private Sector Dollars Invested in Distressed Communities as a Result of EDA Investments**

Explanation of Measure: The actual FY 2003 outcomes reported are the three-year performance results of FY 2000 Public Works and Development Facilities and Economic Adjustment Assistance infrastructure and Revolving Loan Fund investments and the six-year performance results of the FY 1997 Public Works and Development Facilities and Economic Adjustment Assistance investments. The formula-driven calculation projects investment data at three-, six-, and nine-year intervals from the investment award. The formula is based on a study done by Rutgers University, which compiled and analyzed the performance of EDA public works projects after nine years. Based on this formula, EDA initially estimated that 10 percent of the nine-year projection would be realized after three years, and 50 percent after six years.

A review of the actual results for FY 1997 and FY 1998 performance measures shows that 20 percent of the projected private investment was realized within the first three years. Based on that review, EDA adjusted the three-year target to 20 percent. EDA will continue to analyze actual private investment results to collect smooth trend data prior to modifying the target further. Actual results reported here reflect a 25 percent discount to account for the attribution of jobs to dollars and economic conditions other than EDA dollars.

FY 2005 Targets: In FY 2004, EDA developed unit-cost measures to reflect the ratio of private sector dollars leveraged to EDA investments. EDA consistently reviews targets to align them with achievable outcomes. EDA will conduct an in-depth review of its results from the FY 2001 investments and FY 1998 investments. The analysis will help determine whether to again adjust its three-year and six-year targets.

**Measure 1b: Jobs Created or Retained in Distressed Communities as a Result of EDA Investments**

Explanation of Measure: The actual FY 2003 outcomes reported are the results of the FY 2000 Public Works and Development Facilities and Economic Adjustment Assistance infrastructure and Revolving Loan Fund investments and the six-year performance results of the 1997 Public Works and Development Facilities and Economic Adjustment Assistance investments. The formula-driven calculation projects investment data at three-, six-, and nine- year intervals from the investment award. The formula is based on a study done by Rutgers University, which compiled and analyzed the performance of EDA Public Works projects after nine years. Based on this formula, EDA initially estimated that 10 percent of the nine-year projection would be realized after three years, and 50 percent after six years.

A review of the actual results for FY 1997 and FY 1998 performance measures shows that 20 percent of the projected jobs were realized within the first three years. Based on that review, EDA adjusted the three-year target to 20 percent. EDA will continue to analyze actual job creation results to collect smooth trend data prior to modifying the target further. Actual results reported here reflect a 25 percent discount to account for the attribution of jobs to dollars and economic conditions other than EDA dollars.

FY 2005 Targets: In FY 2004, EDA developed unit-cost measures to reflect the ratio of jobs created and retained to EDA investments. EDA consistently reviews targets to align them with achievable outcomes. EDA will conduct an in-depth review of its results from the FY 2001 investments and FY 1998 investments. The analysis will help determine whether to adjust its three-year targets or six-year targets.

## **Discontinued Measures**

### **State and Local Dollars Committed per EDA Dollar**

Explanation of Measure: EDA's Economic Adjustment Assistance program assists those communities that experience sudden and severe economic distress and qualify for higher investment grant rates. Original targets for this measure were based on program evaluations (Rutgers et al. 1997), which found that EDA's median contribution to total costs for construction projects funded under the section 201 Public Works and Development Facilities Program was 53.6 percent and that projects funded under the section 209 Economic Adjustment Assistance Program had a median EDA share of 75 percent (reflecting different grant rate requirements for these programs under prior legislation). After reviewing the findings from both studies during FY 1998, EDA determined that an EDA share of 60 percent was a reasonable estimate for the combined program activities. With the enactment of the Economic Development Administration Reform Act of 1998, EDA issued new regulations during FY 1999, increasing requirements for non-federal funding to 50 percent of total project costs, except for areas of high distress, which qualify for higher EDA grant rates.

FY 2005 Targets: EDA discontinued performance measures that did not reflect outcome efforts of the bureau. The discontinued performance measures were originally designed to provide results the same year as the investment was awarded in lieu of actual job and private investment data which had not been realized and reported yet. The measure is reported in the 2004 Performance and Accountability Report. EDA will continue to track the measure internally for quality assurance.

### **Percentage of Investments to Areas of Highest Distress**

Explanation of Measure: EDA actively encourages proposals from areas of highest distress and directs program and staff resources to assist these communities in developing viable proposals and plans for successful investments. Highest distress areas are defined as those areas where the 24-month unemployment rate is at least 180 percent of the national average, or where the per capita income is not more than 60 percent of the national average. EDA investments in areas of highest distress have surpassed the performance target for two consecutive years following implementation of the Economic Development Reform Act of 1998. To qualify for the minimum EDA assistance, distressed communities must show that per capita income is not more than 80 percent of the national average, or that the 24-month unemployment rate is at least one percent greater than the national average, as opposed to those with highest distress that must meet the criteria discussed above.

FY 2005 Targets: EDA discontinued performance measures that did not reflect outcome efforts of the bureau. The discontinued performance measures were originally designed to provide results the same year as the investment was awarded in lieu of actual job and private investment data which had not been realized and reported yet. The measure is reported in the 2004 Performance and Accountability Report. EDA will continue to track the measure internally for quality assurance.

### **Percentage of EDA Dollars Invested in Technology-related Projects in Distressed Areas**

Explanation of Measure: EDA programs provide support for the efforts of the nation's distressed communities to become competitive in the new worldwide economy. By supporting technology-based economic development, EDA offers those parts of the U.S. that have lagged behind the opportunity to become leaders in the new economy. This measure supports increased investment in technology-led economic development to provide better jobs and opportunities for growth in distressed communities. EDA already supports local and state initiatives to upgrade infrastructure, telecommunications, and technology-transfer facilities to support existing firms and new enterprise development. EDA also encourages greater participation by universities, community colleges, and business organizations to ensure that local firms and communities benefit from new information technologies, manufacturing processes, and applied research and development in environmental and life sciences.

FY 2005 Targets: EDA discontinued performance measures that did not reflect outcome efforts of the bureau. The discontinued performance measures were originally designed to provide results the same year as the investment was awarded in lieu of actual job and private investment data which had not yet been realized nor reported. The measure is reported in the 2004 Performance and Accountability Report. EDA will continue to track the measure internally for quality assurances.

## ***Performance Goal 2: Improve Community Capacity to Achieve and Sustain Economic Growth***

### **Corresponding DOC Strategic Goal:**

**Strategic Goal 1:** Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers.

**General Goal/Objective 1.1:** *Enhance economic growth for all Americans by developing partnerships with private sector and nongovernmental organizations*

### **Rationale for Performance Goal 2**

Powerful economic forces are at work today and will grow stronger in the years to come. Organizations will be pushed to reduce costs, improve quality of products and services, and increase productivity. Although adjustment to changing conditions and requirements is a challenge, EDA is nonetheless committed to it. EDA is creating a new, stronger organization that provides practitioners with a one-stop source for information and professional development.

EDA is proud of its active partnership with its economic development partners at the state, regional, and local levels. The partnership approach to economic development is key to effectively and efficiently addressing the economic development challenges facing U.S. communities.

EDA continues to build upon its partnerships with local development officials; Economic Development Districts; University Centers; faith-based and community-based organizations; and local, state, and federal agencies. But more importantly, EDA will forge strategic working partnerships with private capital markets and look for innovative ways to spur development.

Economic development is a local process; however, the federal government plays an important role by helping distressed communities build capacity to identify and overcome barriers that inhibit economic growth. EDA's approach is to support local planning and long-term partnerships with state and regional organizations that can assist distressed communities with strategic planning and investment activities. This process helps communities set priorities, determine the viability of projects, leverage outside resources to improve the local economy, and sustain long-term economic growth.

EDA planning funds support the preparation of Comprehensive Economic Development Strategies (CEDS) that guide EDA Public Works and Development Facilities and Economic Adjustment Assistance implementation investments, including revolving loan funds. Sound local planning also attracts other federal, state, and local funds plus private sector investments to implement long-term development strategies. Evaluations of EDA's Public Works and Development Facilities and Defense Adjustment programs show that EDA capacity-building programs play a significant role in the successful outcomes of its infrastructure and revolving loan fund projects.

## **EDA Performance Measures**

### **Measure 2a: Percentage of Economic Development Districts and Indian Tribes Implementing Economic Development Projects from the Comprehensive Economic Development Strategy Process that Lead to Private Investment and Jobs**

Explanation of Measure: This measure provides an indication of whether the CEDS process is market-based, and whether EDA is helping to create an environment conducive to the creation of higher-skill, higher-wage jobs. Research conducted on FY 2002 data established a baseline for FY 2003. The CEDS is a plan that emerges from a broad-based, continual-planning process that addresses economic strengths and weaknesses, opportunities and threats posed by external trends and forces, and partners and resources for development.

FY 2005 Targets: EDA established targets based on the analysis of FY 2002 data. EDA will continue to analyze trend data for further refinement.

### **Measure 2b: Percentage of Sub-state Jurisdiction Members Actively Participating in the Measure Economic Development District Program**

Explanation of Measure: Economic Development Districts (EDDs) generally consist of three or more counties that are considered member jurisdictions. Sub-state jurisdiction participation indicates the District's responsiveness to the area it serves and shows that the services it provides are of value. Active participation was defined as either attendance at meetings or financial support of the Economic Development District during the reporting period. Sub-state jurisdiction members are independent units of government (cities, towns, villages, counties, etc.) and eligible entities substantially associated with economic development, as set forth by the district's by-laws or alternate enabling document. Under EDA's amended legislation, participation of sub-state jurisdictions in EDDs was reduced from 75 percent to more than 50 percent for district designation purposes.

FY 2005 Targets: The FY 2005 target ranges are based on the same calculations as the previous targets. EDA will continue to analyze trend data for further refinement.

### **Measure 2c: Percentage of University Center Clients Taking Action as a Result of the Assistance Facilitated by the University Center**

Explanation of Measure: This measure will determine the perceived value-added by the University Centers to their clients. EDA funds 69 University Centers that provide technical assistance and specialized services (for example, feasibility studies, marketing research, economic analysis, environmental services, and technology transfer) to local officials and communities. This assistance improves the community's capacity to plan and manage successful development projects. University Centers develop client profiles and report findings to EDA, which evaluates the performance of each center once every three years and verifies the data. Taking action as a result of the assistance facilitated means to implement an aspect of the technical assistance provided by the University Center in one or several areas: economic development initiatives and training session development; linkages to crucial resources; economic development planning; project management; community investment package development; geographic information system services; strategic partnering to public- or private-sector entities; increased organizational capacity; feasibility plans; marketing studies; technology transfer; new company, product, or patent developed; and other services.

FY 2005 Targets: EDA established targets based on the analysis of FY 2003 data. EDA will continue to analyze trend data for further refinement.

### **Measure 2d: Percentage of Those Actions Taken by University Center Clients that Achieved the Expected Results**

Explanation of Measure: This measure is a follow-up to the measure, "Percentage of University Center clients taking action as a result of the assistance facilitated by the University Center." It will further define the relevance of the assistance facilitated by the University Centers. EDA-funded University Centers provide technical assistance and specialized services to local officials and communities. This assistance enhances the community's capacity to plan and manage successful development projects. This measure will determine if the assistance provided by the University Center is market-based and results in desired outcomes. University Centers will develop client profiles and report findings to EDA, which will evaluate the performance of each center once every three years and verify the data.

FY 2005 Targets: EDA established targets based on the analysis of FY 2003 data. EDA will continue to analyze trend data for further refinement.

## **Measure 2c: Percentage of Trade Adjustment Assistance Center (TAAC) Clients Taking Action as a Result of the Assistance Facilitated by the TAAC**

Explanation of Measure: This measure will determine the value-added of the funded TAAC to its clients. Twelve EDA-funded TAACs work jointly with U.S. firms and industries that have been adversely impacted as a result of trade agreements to identify and define specific actions to improve each firm's competitive position in world markets.

These centers develop client profiles and report findings to EDA, which will review the profiles to verify data as part of periodic site visits to monitor and evaluate each center's performance. Taking action as a result of the assistance facilitated means to implement an aspect of the trade adjustment assistance provided by the TAAC. The TAACs provide three main types of assistance to firms: help in preparing petitions for certification\* which must be approved by EDA, analysis of the firm's strengths and weaknesses and development of an adjustment strategy, and in-depth assistance for implementation of the strategy." \*Only petitions for certification that are actually approved can be counted.

FY 2005 Targets: EDA established targets based on the analysis of FY 2003 data. EDA will continue to analyze trend data for further refinement.

## **Measure 2f: Percentage of Those Actions Taken by TAAC Clients that Achieved the Expected Results**

Explanation of Measure: This is a new measure that is a follow-up to the measure, "Percentage of TAAC clients taking action as a result of the assistance facilitated by the TAAC." It will further define the relevance of the assistance facilitated by the TAAC. EDA-funded TAACs work jointly with trade-impacted firms to identify and define actions to improve each firm's competitive position in world markets. This measure will determine if the assistance facilitated by the TAACs is market-based and results in desired outcomes. The centers will conduct client surveys and report findings to EDA.

FY 2005 Targets: EDA established targets based on the analysis of FY 2003 data. EDA will continue to analyze trend data for further refinement.

## **Discontinued Measure**

### **Percentage of Local Technical Assistance and Economic Adjustment Assistance Strategy Investments Awarded in Areas of Highest Distress**

Explanation of Measure: Local technical assistance investments provide specialized technical or professional services to help local officials evaluate investment opportunities and solve complex development issues. Strategy investments help local communities adjust to sudden and severe economic dislocations and long-term declines that affect key sectors of the local economy. Areas of *highest* distress for this measure include areas where the 24-month unemployment rate is at least 180 percent of the national average or where per capita income is not more than 60 percent of the national average, as well as Indian Tribes or areas suffering from natural disasters. To qualify for the minimum EDA assistance, distressed communities must show that per capita income is not more than 80 percent of the national average, or that the 24-month unemployment rate is at least one percent greater than the national average.

FY 2005 Targets: This measure did not reflect outcome efforts of the bureau and has been discontinued. The measure is reported in the 2004 Performance and Accountability Report. EDA will continue to track the measure internally for quality assurance.

## **Program Evaluations:**

According to the performance evaluation of EDA's Public Works and Development Facilities program (Rutgers et al. 1997), the investments produce jobs, usually in increasing amounts, after project completion. The study found that investment impacts "jobs resulting six years after completion [generally about nine years after investment award] were, on average, twice the number witnessed at project completion [generally about 3 years after award]". Since most investments are completed an average of three years after award, EDA monitors performance results at three, six, and nine years after investment award.

The agency completed an evaluation of the Local Technical Assistance program in FY 2003. The study found that this program is frequently responsible for "stakeholder buy-in" in that "relatively small amounts of money available through the Local Technical Assistance program provide a 'nucleus' around which organizations come together for a common  
*FY 2006 EDA Congressional Request*



purpose.” The evaluation also found that the Local Technical Assistance program often provided “ignition of the process” and resulted in other activities getting started. EDA anticipates that an evaluation of the Economic Adjustment Assistance program will be completed in FY 2005.

### **Cross-cutting Activities:**

#### **Intra-Department of Commerce:**

EDA collaborates with the following Department of Commerce bureaus on cross-cutting initiatives:

- National Oceanic and Atmospheric Administration (NOAA) -- Strategies to promote Port Improvement and Economic Revitalization (PIER), sustainable development, disaster reduction, protection of natural resources, and the development of eco-industrial parks.
- National Institute of Standards and Technology (NIST) -- Technology deployment and assistance to small manufacturers in economically distressed areas.
- National Telecommunications and Information Administration (NTIA) -- Strategies to upgrade telecommunications infrastructure in distressed rural and urban communities.
- Minority Business Development Agency (MBDA) -- Increased support for minority business development and entrepreneurship and for minority-serving institutions.

#### **Other Government Agencies:**

EDA builds effective partnerships with federal, state, and local entities on program delivery and information dissemination. At the federal level, major partners include:

- Federal Emergency Management Agency (FEMA) -- Early response, coordination, assessment, mitigation, and economic recovery efforts following major disasters.
- Environmental Protection Agency (EPA) -- Strategies to redevelop brownfields and improve air quality in ways that benefit economically distressed communities.
- Department of Defense Office of Economic Adjustment (OEA) -- Economic adjustment strategies and investments for base reuse and communities affected by Base Realignment and Closure Commission (BRAC) decisions.
- Department of Energy (DOE) -- Economic adjustment assistance to communities affected by closures of federal energy labs and facilities.
- Appalachian Regional Commission (ARC) -- Community and economic development assistance for economically distressed areas in the thirteen-state Appalachian region.
- Department of Labor (DOL) -- Dislocated Worker Program.
- Department of Agriculture (USDA), Rural Development/Rural Utilities (RD/RU) -- Infrastructure and business financing for enterprise development in rural areas.
- Department of Transportation (DOT) -- Improvements to highway, port, rail, and airport facilities to support private investment in distressed communities.
- Department of Housing and Urban Development (HUD) -- Coordination of Community Development Block Grants (CDBG) funds for economic development at the state and local levels; support for Empowerment Zones, Enterprise Communities, and Renewal Communities.
- Delta Regional Authority

#### **Government/Private Sector:**

EDA reviewed interagency agreements and supported GAO’s review of cross-cutting federal programs for state and local economic development projects. EDA will provide leadership to improve federal assistance for economic development programs in distressed communities.

### **External Factors and Mitigation Strategies:**

GAO has recognized that measuring the performance of economic development programs is difficult because of the many external factors that can influence local economies. To ensure strong program performance, EDA targets assistance to projects that can provide direct and lasting benefits to economically distressed communities. EDA programs are not intended to work alone, but to increase the availability of outside capital (both public and private) for sustainable development strategies to create and retain private enterprise and jobs in economically distressed areas. In doing so, EDA recognizes that many factors can influence the level of distress, the rate of investment and job creation or retention, and the availability of other public funding and private entities. For example:

- National or regional economic trends, such as slowdowns in the national economy, can cause firms to delay or postpone investments in new products, markets, plants, equipment, and workforce development. Such trends can affect the rate at which jobs are created or retained.
- Changes in business climate and financial markets can impact the level of private capital and degree of risk associated with investment decisions, particularly for firms considering establishing or expanding operations in highly distressed areas.
- Downturns in the national or regional economy can increase the demand for EDA assistance and reduce the availability of state and local funding. EDA regulations provide for waivers or reductions of the non-federal share, allowing EDA to cover a higher share of total project costs depending on the level of distress demonstrated by the local community.
- Natural disasters and other major events can dramatically impact local economies and create an unanticipated demand for EDA assistance. This can affect performance in several ways, increasing the number of areas that are eligible for assistance and the number of areas in highest distress. Such emergencies can alter funding priorities under regular EDA programs and at times result in emergency supplemental funding.

### **Mitigation Strategies Include:**

- Strengthening local, State, and sub-state partnerships to assess and respond to long-term economic trends, sudden and severe dislocations, emergencies, and other unanticipated impacts on local economic conditions.
- Establishing flexible program and funding authorities that respond to local priorities.
- Developing effective partnerships with other federal agencies to improve assistance for distressed communities.
- Working directly with distressed communities, through experienced field staff and with state and local officials to achieve long-term development objectives and address sudden and severe economic dislocations.

### **Data Validation and Verification**

The EDA GPRA pilots provided trend data on past performance, as presented earlier. They also provided critical outreach and training for EDA investment recipients and staff on valid reporting methods and verification of performance data on long-term outcomes. EDA achieved a 98 percent response rate for the FY 1999 pilots and conducted site visits to more than 25 percent of the projects to validate and verify data reported. The data was provided to Rutgers University for review and comparison with the original evaluations.

EDA validates some of the annual performance results of private sector investment and job creation upon receipt of the data. For FY 1999 investment results reported in FY 2002, regional offices verified 89 percent of the private sector investment and 58 percent of the jobs created. Regional offices directly contacted those investment recipients to request supporting information. Reports were completed that identified how the data was verified and the person or business contacted to verify the data. During FY 2002, EDA conducted validation site visits on six FY 1998 investments, one in each region, which had been closed out by the end of FY 2001. At the time of the visit, the investments were reviewed utilizing the data report outline below. In all cases, the private investment and jobs created were verified, and the results were even higher at the time of the visit than at the time the data was reported.

EDA processing procedures specify that staff verify proposed private investment and jobs. Proposals for EDA investments are reviewed by regional Investment Review Committees (IRC) and then forwarded to the Senior Advisor for Performance Evaluation at headquarters. This quality assurance process was implemented to determine whether the IRC-endorsed investment satisfies the regulations and the Investment Policy Guidelines, as amended. Once a project has been invited for investment, the application includes a signed "Assurances of Compliance with Civil Rights and Other Legal Requirements" (Exhibit V.B.1.b).

EDA utilizes the following criteria for site selection to verify the private investment and job creation and retention data reported for its performance measures.

- The fiscal year data being verified are from an investment that was closed within the appropriate three-, six-, or nine-year reporting time-frame.
- EDA investment is equal to or greater than \$500,000.
- Private investment dollars and jobs created or retained is present.
- At least one verification site visit per region will be conducted.
- A varied selection of Public Works and Development Facilities and Economic Adjustment Assistance (regular, defense, or revolving loan fund) investments will be reviewed.

The GPRA site validation visit report includes background of the EDA investment and a project description. The following data are requested from the investment recipient with accompanying documentation for each item to verify the information.

- The tax assessment of the property or the building, before and after the construction or renovation. (if available)
- The number of jobs retained at the time of project close-out and at the time of the site visit. Sources must be identified with documentation.
- The number of jobs created at the time of project close-out and at the time of the site visit. Sources must be identified with documentation.
- The average salary of building's previous tenants, if applicable, or average annual wage before EDA investment. (if available)
- The average annual wage after EDA investment.
- The amount of private investment at the time of project closeout and at the time of the site visit. Sources must be identified with documentation.
- The increase in Local Real or Business Property Tax Base (in dollars, if available).
- The percentage of population growth (or decline) since investment award.
- Direct project-related results, direct non-project-related results, and indirect results (if any) are identified in the report, as well as an overall assessment of the EDA investment.
- Photos, brochures, news-related articles (if available) are also included.

As EDA collects and analyzes the data, EDA will use it to adjust performance targets as appropriate.

**Economic Development Administration  
Data Validation and Verification Chart**

<i>Performance Measure</i>	<i>Data Source</i>	<i>Frequency</i>	<i>Data Storage</i>	<i>Verification</i>	<i>Data Limitations</i>	<i>Actions to be Taken</i>
Measure 1a: Private Sector Dollars Invested in Distressed Communities as a Result of EDA Investments  Measure 1b: Jobs Created or Retained in Distressed Communities as a Result of EDA Investments	Investment Recipient performance reports	At three-year intervals (typically three, six, and nine years after investment award)	EDA Management Information System	To validate data, EDA regions contacted recipients, or confirmed with engineers or project officers who had been on site. EDA will perform regional validation on-site visit with some recipients.	Universe - Regular Appropriation for Public Works and Development Facilities and Economic Adjustment Assistance implementation and revolving loan fund investments. Private investment may vary along with economic cycles.	EDA will continue to monitor investment and job creation data.
Measure 1c: State and Local Dollars Committed per EDA Dollar <sup>1</sup>	Investment Recipient applications and progress reports	At the time of award of investment	EDA Management Information System	EDA verifies non-federal funds committed to projects prior to disbursement of investment funds.	Universe - Regular Appropriations for Public Works and Development Facilities, Economic Adjustment Assistance Implementation, and Defense Economic Adjustment Implementation investments; the match rate may decrease in cases of severe distress while eligible areas increase during economic downturns.	EDA will continue to monitor state and local investment data.
Measure 1d: Percentage of Investments to Areas of Highest Distress <sup>1</sup>	Investment Recipient applications	Ongoing	EDA Management Information System	EDA samples projects periodically to ensure accurate project location codes. Statistical data are based on the Bureau of Labor Statistics' current 24-month unemployment data and most current Bureau of Economic Analysis per capita income data.	Universe - Regular Appropriations for Public Works and Development Facilities, Economic Adjustment Assistance Implementation, and Defense Economic Adjustment Implementation investments; the number of highest distressed areas will increase during economic downturns and decrease during economic expansions.	Determine appropriate investment portfolio mix for EDA's limited resources and continue to monitor results
Measure 1e: Percentage of EDA Dollars Invested in Technology-related Projects in Distressed Areas <sup>1</sup>	Investments that are specifically identified and coded in EDA's Management Information System	Ongoing	EDA Management Information System	Testing performance projections, providing training, and improving reporting.	Universe - Investments from all EDA funding sources that are direct investments in technology-related construction or acquisition, or investments related to expanding the technology potential of companies, communities, or areas; EDA investments are dependent on the type of opportunities communities present.	EDA will continue to monitor and develop trend data.

<sup>1</sup> Measure is to be discontinued effective FY 2006

Measure 2a: Percentage of Economic Development Districts and Indian Tribes Implementing Economic Development Projects from the CEDS Process that Lead to Private Investment and Jobs	Investment Recipient Performance Evaluations and Comprehensive Economic Development Strategy	Annually	EDA Management Information System	EDA will conduct periodic performance reviews and site visits	Universe - EDA Partnership Planning investments only. This measure may vary with economic cycles due to limited local resources during downturns for project investments.	Baseline established from FY 2002 data. EDA will continue to monitor and develop trend data.
Measure 2b: Percentage of Sub-state Jurisdiction Members Actively Participating in the Economic Development District Program	Investment Recipient Performance Evaluations	Annually	EDA Management Information System	EDA conducts performance reviews and site visits on approximately one-third of the District and Indian Tribe investments per year.	Universe - EDA Partnership Planning investments only. This measure shows the value-added of the Economic Development Districts in which EDA invests. While an Economic Development District may be effective, members still may not participate for other reasons.	EDA will continue to monitor compliance with the new definition of sub-state member jurisdictions.
Measure 2c: Percentage of University Center Clients Taking Action as a Result of the Assistance Facilitated by the University Center	University Center client profiles	Annually	EDA Management Information System	Performance data will be verified by the University Centers. EDA headquarters will annually review profile data.	Universe - EDA Local Technical Assistance investments. This measures the value of the University Centers; however, while the assistance may be valued, clients may choose not to act for other reasons.	Baseline established from FY 2002 data. EDA will continue to monitor and develop trend data.
Measure 2d: Percentage of Those Actions Taken by University Center Clients that Achieved the Expected Results	University Center client profiles	Annually	EDA Management Information System	Performance data will be verified by the University Centers. EDA headquarters will annually review data.	Universe - EDA Local Technical Assistance investments only. Outside mitigating factors such as the local economy may affect the measure.	Baseline established from FY 2002 data. EDA will continue to monitor and develop trend data.
Measure 2e: Percentage of Trade Adjustment Assistance Center Clients Taking Action as a Result of the Assistance Facilitated by the TAAC	Trade Adjustment Assistance Center client profiles	Annually	EDA Management Information System	Performance data will be verified for the Trade Adjustment Assistance Centers. EDA headquarters will annually review data.	Universe - EDA Trade Adjustment Assistance investments only. Outside mitigating factors such as the local economy may affect the measure.	Baseline established from FY 2002 data. EDA will continue to monitor and develop trend data.
Measure 2f: Percentage of Those Actions Taken by Trade Adjustment Assistance Center Clients that Achieved the Expected Results	Trade Adjustment Assistance Center reports	Annually	EDA Management Information System	Performance data will be verified by the Trade Adjustment Assistance Centers. EDA headquarters will annually review data.	Universe - EDA Trade Adjustment Assistance investments only. Outside mitigating factors such as the local economy may affect the measure.	Baseline established from FY 2002 data. EDA will continue to monitor and develop trend data.

Measure 2g: Percentage of Local Technical Assistance and Economic Adjustment Assistance Strategy Investments Awarded in Areas of Highest Distress <sup>2</sup>	Bureau of Labor Statistics current 24-month unemployment data and most current Bureau of Economic Analysis per capita income data	Ongoing	EDA Management Information System	EDA verifies data prior to grant approval.	Universe - EDA Local Technical Assistance and Economic Adjustment Assistance Strategy investments. The number of highly distressed areas will increase during economic downturns and decrease during economic expansions affecting EDA investments in these communities.	Determine appropriate investment portfolio mix for EDA's limited resources and continue to monitor results.
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<sup>2</sup> Measure is to be discontinued effective FY 2006

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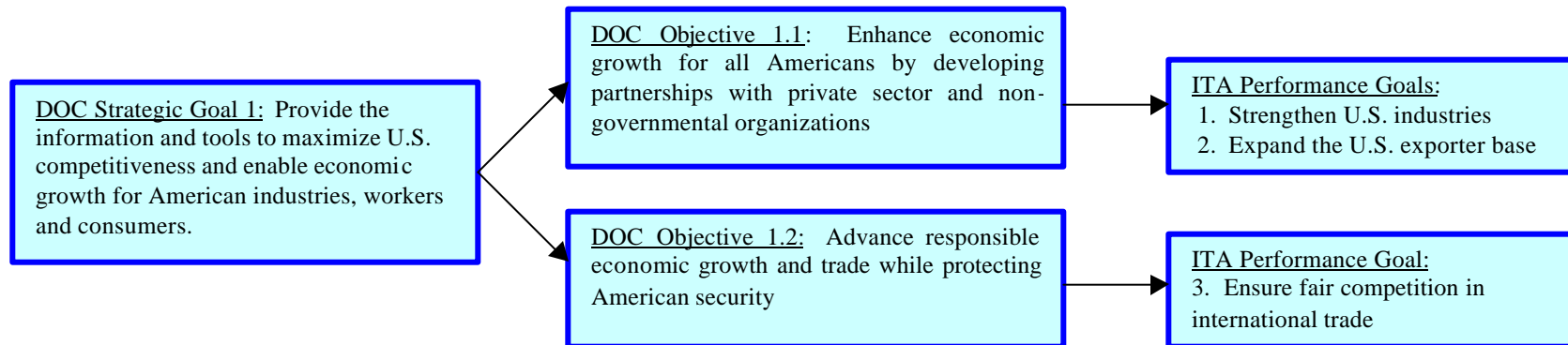
Exhibit 3a

FY 2006 ANNUAL PERFORMANCE PLAN

**International Trade Administration  
Mission Statement**

To create economic opportunity for U.S. workers and firms by promoting international trade, opening foreign markets, ensuring compliance with our trade laws and agreements, and supporting U.S. commercial interests at home and abroad.

The International Trade Administration (ITA) is committed to free and fair trade by opening foreign markets through negotiations, assessing domestic and international competitiveness, promoting trade, delivering export assistance, and ensuring fair competition and compliance with international trade agreements. ITA supports the Department of Commerce's mission of creating the conditions for economic growth and opportunity by offering a variety of products and services to the U.S. exporting community. ITA's three performance goals directly tie to the Department's strategic goal and objectives. The relationship between the Department's goal and objectives and ITA's performance goals is depicted below:



In FY 2004, ITA's mission and operations were restructured to meet the demands of ITA's customers in the 21<sup>st</sup> century. Today, U.S. businesses operate in a dynamic global environment, which not only creates great opportunity, but also presents significant challenges. The President and the Secretary of Commerce look to ITA to take the lead on many critical issues of national importance. First, ITA has moved aggressively to help the Nation's manufacturers and, in 2004,

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established the Manufacturing and Services program. American manufacturers are a cornerstone of the American economy and enhance U.S. competitiveness while improving lives domestically and internationally. The United States is the world's leading producer of manufactured goods. Standing alone, the U.S. manufacturing sector would represent the fifth-largest economy in the world – larger than China's economy as a whole. ITA assess and tracks industry structure, operations and technology developments and advises the Secretary of Commerce and the Congress on the health of U.S. manufacturing industries, including domestic barriers resulting from governmental regulatory policies. Through analysis of both domestic and international competitiveness, ITA shapes U.S. trade policy to advance U.S. industry's interests in the global marketplace and pursues foreign governments to eliminate trade practices that distort markets for goods, capital and labor. ITA is working with U.S. industry to make inroads to major purchasers for second-tier suppliers including an outreach and matchmaking effort to potential purchasers along the U.S.-Mexico border.



**“Millions of American jobs are supported by exports. That's a fact. One in five factory jobs in this country directly depend on trade. The surest way to threaten those jobs is a policy of economic isolation. The surest way to add more jobs is a confident policy, a confident economic policy that trades with the world.”**

President Talks Jobs/Trade at Women's Entrepreneurship Forum  
Remarks by the President at the Women's Entrepreneurship in the 21st Century Forum  
Cleveland Convention Center  
Cleveland, Ohio March 10, 2004

Secondly, the ITA's CS has been consolidated and modernized enabling export promotion efforts to deliver better products and services to business clients. The CS places primary emphasis on the promotion of goods and services from the United States, particularly by SMEs, and on the protection of U.S. business interests abroad. Currently, one in ten U.S. jobs depend on exports.<sup>3</sup> U.S. CS employees work to expand the number of U.S. companies that export and the number of companies that export to more than one country. They provide high-quality services and customized solutions through a unique global network of knowledgeable trade professionals located in over 250 offices domestically and internationally. Special help is also extended to provide export assistance to rural companies and minority/women-owned firms. Additionally, the CS operates the TIC that provides a single point of customer contact to all U.S. government export assistance programs; runs the AC that supports U.S. companies bidding on major foreign contracts; and plans and coordinates U.S. Government export promotion and assistance programs through the Trade Promotion Coordinating Committee (TPCC). As the Chinese market presents unique challenges to U.S. exporters, CS staff utilizes culturally sensitive approaches to gather trade opportunities, conduct market research, and search for Chinese partner contacts. The information gathered is made available to export.gov clients.

The third critical component of ITA addresses the concern of ensuring fair trade. ITA advances trade compliance and market access outreach through its Trade Compliance Center (TCC), which works to monitor foreign countries' compliance with trade agreement obligations, addresses compliance violations promptly, and increases awareness among U.S. exporters of the rights created by these trade agreements. The Market Access and Compliance's (MAC) Investigations and

<sup>3</sup> November 2002 White House press release on Trade Promotion Authority.



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Compliance program takes new and proactive measures to ensure that our trading partners honor their commitments. Staffed with experts in intellectual property rights, investigations, and intelligence, this office works closely with the USTR and the USPTO to investigate and resolve violations of U.S. negotiated trade agreements.

The Import Administration (IA) program, which enforces U.S. trade laws, is working extensively with U.S. businesses on a regular basis to help them understand U.S. trade laws related to dumping and foreign government subsidies. Appropriate actions are taken when violations have been identified. IA's Unfair Trade Practices Team tracks, detects and confronts unfair competition by monitoring economic data from U.S. global competitors and vigorously investigates evidence of unfair subsidization and production distortions. IA was able to focus and sharpen expertise on China by creating a China Compliance office that devotes more resources to China and cases and issues unique to non-market economies, such as intellectual property rights violations affecting the U.S. textile industry.

The productivity of American workers is unrivaled, yet their competitiveness can be compromised by unnatural and government imposed restraints on free and open markets. President Bush has consistently declared that free trade cannot be a one-way street. ITA is mindful of the dramatic impact of inequitable trade practices, and has marshaled all the resources at its disposal to level the playing field.

**Priorities/Management Challenges**

- **Manufacturing in America** –The Manufacturing in America Report, published in January 2004, acknowledges that manufacturing is vital to the Nation's economy, recognizes the unprecedented challenges to U.S. global leadership, and recommends reforms to strengthen manufacturing competitiveness. ITA is implementing the recommendations made in the Manufacturing in America Report and is fostering an environment in which U.S. firms can compete and succeed in manufacturing.
- **Global Supply Chain Initiative** – U.S. manufacturers identified a need for access to global supply chains that would take U.S. goods into the internal stream of commerce. ITA, in conjunction with the Trade Promotion Coordinating Committee (TPCC), has been tasked to develop and implement a joint, public-private global supply chain initiative to promote access for U.S. SMEs manufacturers. ITA is working with U.S. industry to make inroads to major purchasers for second-tier suppliers including an outreach and matchmaking effort to potential purchasers along the U.S.-Mexico border.
- **Standards Initiative** – Divergent standards, redundant testing and compliance procedures, and unilateral and non-transparent standard-setting processes are now recognized as major impediments for U.S. companies to free trade. It is estimated that standard issues affect 80 percent of global commodity trade. Standards issues impact SMEs particularly hard, as the costs to adjust product specifications to meet unique foreign standards often keep companies from pursuing additional new export markets and to remain cost competitive when forced to add unnecessary costs for duplicative testing. ITA will focus on trade-related standards issues, allowing the organization to support U.S. industry's desire for more analysis of emerging overseas standards issues and their effect on U.S. companies' competitiveness.
- **Trade Relationship with China** – U.S. exports have accelerated substantially, growing 15 percent in 2002 and 29 percent in 2003 and 37 percent in the first half of 2004. China is now America's fourth largest export market, after the U.K. Currently, there are almost 13,000 U.S. small and medium-sized businesses (SMEs) that export to China. Nevertheless, trade with China continues to present a number of challenges for U.S. companies. Until World Trade Organization (WTO) accession is completed in 2017, aspects of the Chinese economy are still organized under principles that are inconsistent with the WTO rules, and, since it is a non-market economy, these issues impact our trading relationship. ITA, in close coordination with USTR and other agencies, has adopted an aggressive and multi-pronged approach to ensure that China honors its WTO commitments and that U.S. companies benefit from these opportunities. Additionally, IA is

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focusing and sharpening expertise in China by creating a China Compliance office that devotes more resources to China and cases/issues unique to non-market economies.

- **Improved Enforcement of U.S. Trade Laws and Agreements** – ITA has built an Investigation and Compliance Unit to take new and proactive measures to ensure that our trading partners honor their commitments. ITA is analyzing market trends and foreign practices to identify potential unfair trade problems at the earliest stage possible. ITA's Unfair Trade Practices Team is monitoring economic data from global competitors and vigorously investigates evidence of unfair subsidization and production distortions.
- **Expanding Global Intellectual Property Rights (IPR) Enforcement** – IPR protection leads to improvements in productivity, and helps trigger new ideas and pushes inventors to improve existing technologies. IPR protection is an essential component of an economic foundation. To bolster existing efforts, ITA is focusing resources to enforce U.S. negotiated trade agreements, uphold the U.S. Strategy Targeting Organized Piracy (STOP) and combat violators of IPR around the world. ITA will pursue perpetrators along the entire chain, including manufacturers and importers, and will exert pressure on countries where problems are found. ITA will work with U.S. industry and coordinate with other U.S. agencies, including the USPTO and the U.S. Food and Drug Administration (FDA), to investigate allegations of piracy and to help resolve market access and trade compliance cases.
- **Data Support for Trade Negotiations and Agreements** -- In today's world, negotiating, implementing, enforcing, and justifying trade agreements is complex. ITA will continue to provide the ability to analyze statistically and interpret ever-increasing amounts of trade data to effectively model and evaluate the U.S. position at the negotiating table. The results of these negotiations and the implementation and justification of the resulting agreements affect U.S. jobs, our balance of payments, and ultimately our quality of life and our ability to export democracy around the world.

**Unit Cost Measures**

ITA has identified the requirements to implement an activity- based cost accounting and management system. Implementation of this system will enable ITA to further integrate budget and performance. Once ITA is in a position to identify costs for specific activities, ITA will be able to develop new performance indicators that measure unit costs. These measures can help assess productivity and can be used to manage by results because certain activities lead to attainment of performance and results. Using unit cost measures is a best practice in the private sector and is a critical step to enhance and improve ITA's operational efficiency. Development and implementation of activity-based cost accounting will be completed by FY 2008.

**Program Assessment Rating Tool Reviews (PART)**

FY 2005 PART Review of the U.S. and Foreign Commercial Service (CS)

On September 8, 2003, OMB provided ITA and the DOC with the final PART score for the CS program. The final CS PART score was 56% and the results were found to be adequate. ITA continues to make progress on recommendations resulting from the CS PART. CS is implementing the following actions to improve future PART scores:

- ITA is working with the CS to arrive at more accurate annual performance targets.
- ITA is working to develop accurate cost data to show how much it costs to provide certain products and services. This will move the CS towards a consistently applied pricing and marketing strategy for its services, both domestically and abroad. The CS must also determine annual and long-term metrics that would strategically direct the program towards a percentage of fee funding.
- ITA is implementing the recommendations of the ITA User Fee Study.

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- ITA has committed to establish a system for periodic independent evaluations of sufficient scope and quality or as needed to support program improvements and evaluate effectiveness and relevance to CS problems and needs.

FY 2006 PART Review of Market Access and Compliance (MAC) and Import Administration (IA)

The Office of Management and Budget has identified two ITA PART Reviews that will be conducted in ITA during FY 2005 for submission to OMB during the FY 2007 President's Budget cycle. A PART review will be completed on the MAC program and a PART review will be completed on the IA program.



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**Target and Performance Summary**

	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Target</b>	<b>FY 2006 Target</b>	<b>FY 2007 Target</b>
<b>Performance Goal 1: Strengthen U.S. Industries</b>							
1a. Assessment of the trade and economic analysis process <sup>4</sup>	N/A	N/A	N/A	New	New	70	70
1b. Customer perception of ease of access to export and trade information and data	N/A	N/A	74	74	74 to 76	74 to 76	74 to 76

	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Target</b>	<b>FY 2006 Target</b>	<b>FY 2007 Target</b>
<b>Performance Goal 2: Expand the U.S. Exporter Base</b>							
2a. Percentage of undertaken advocacy actions completed successfully	New	11.8%	10%	13%	12% to 15%	12% to 15%	12% to 15%
2b. Number of U.S. exporters entering a new market—long-term measure	5,386	5,740	6,278	4,759	4,760 to 5,500	4,760 to 5,500	Total 31,600 <sup>5</sup> (Footnote 5)
2c. Number of U.S. firms exporting for the first time—long-term measure	742	699	896	704	700 to 850	700 to 850	Total 4,400 (Footnote 5)
2d. Number of export transactions made as a result of ITA involvement—long-term measure	11,160	12,178	14,090	11,382	11,385 to 13,500	11,385 to 13,500	Total 71,500 (Footnote 5)
2e. Percentage of CS fee funded programs—long-term measure	New	New	New	1%	2%	3%	3%

<sup>4</sup> The process of developing trade and economic analyses is a capability critical to ITA's mission. Demand for this capability will continue to expand as ITA must develop even greater analytic capacity to conduct domestic and international competitiveness. It represents both a current and future ITA and DOC priority.

<sup>5</sup> These are long term targets established after the CS completed a PART review. These targets represent a cumulative total of prior year fiscal actuals and current and budget year targets from FY 2001 through FY 2006.

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	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Target</b>	<b>FY 2006 Target</b>	<b>FY 2007 Target</b>
<b>Performance Goal 3: Ensure Fair Competition in International Trade</b>							
3a. Percentage of AD/CVD cases completed on time	New	100%	100%	100%	100%	100%	100%
3b. Number of market access and compliance cases initiated	New	253	144	161	160 to 170	150 to 160	150 to 160
3c. Number of market access and compliance cases concluded	New	New	158 <sup>6</sup>	116	75 to 85	80 to 90	80 to 90

**Resource Requirements Summary**  
(Dollars in Millions)

	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Estimate</b>	<b>FY 2006 Base</b>	<b>Increase/ Decrease</b>	<b>FY 2006 Request</b>
<b>Performance Goal 1: Strengthen U.S. Industries</b>								
Manufacturing and Services	\$66.5	\$69.2	\$69.9	\$52.3	\$58.3 <sup>7</sup>	\$48.1	-\$0.7	\$47.4
Executive Direction/Administration	\$1.7	\$1.9	\$2.8	\$3.7	\$4.7	\$4.8	\$0	\$4.8
Total Funding	\$68.2	\$71.1	\$72.7	\$56.0	\$63.0	\$52.9	-\$0.7	\$52.2
Direct	\$66.1	\$69.8	\$70.6	\$54.3	\$61.6	\$51.5	-\$0.7	\$50.8
Reimbursable	\$2.1	\$1.3	\$2.1	\$1.7	\$1.4	\$1.4	\$0	\$1.4
IT Funding	\$4.6	\$4.4	\$4.0	\$4.0	\$4.2	\$4.3	\$0	\$4.3
FTE	382	391	402	287	309	309	0	309

<sup>6</sup> In FY 2003 the number of cases concluded exceeded the number of cases initiated because the program solved simple cases first.

<sup>7</sup> Includes \$9.9 M one-time funding for Travel and Tourism Board.

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<b>Performance Goal 2: Expand the U.S. Exporter Base</b>								
	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Estimate</b>	<b>FY 2006 Base</b>	<b>Increase/ Decrease</b>	<b>FY 2006 Request</b>
Commercial Service	\$208.6	\$208.6	\$212.9	\$232.4	\$236.5	241.2	\$0	\$241.2
Executive Direction/Administration	\$8.4	\$9.1	\$13.5	\$16.3	\$21.0	\$21.1	\$0	\$21.1
Total Funding	\$217.0	\$217.7	\$226.4	\$248.7	\$257.5	\$262.3	\$0	\$262.3
Direct	\$204.1	\$208.4	\$217.5	\$239.8	\$230.9	\$235.7	\$0	\$235.7
Reimbursable	\$12.9	\$9.3	\$8.9	\$8.9	\$26.6	\$26.6	\$0	\$26.6
IT Funding	\$16.4	\$14.6	\$12.5	\$17.4	\$18.2	\$18.4	\$0	\$18.4
FTE	1,361	1,290	1,273	1,352	1,521	1,521	0	1,521

<b>Performance Goal 3: Ensure Fair Competition in International Trade</b>								
Market Access and Compliance	\$29.5	\$37.9	\$42.2	\$33.4	\$48.1	\$39.8	\$0	\$39.8
Import Administration	\$38.7	\$45.6	\$45.4	\$69.2	\$61.7	\$62.1	\$0	\$62.1
Executive Direction/Administration	\$4.4	\$4.6	\$7.0	\$8.1	\$10.5	\$10.6	\$0	\$10.6
Total Funding	\$72.6	\$88.1	\$94.6	\$110.7	\$120.3	\$112.5	\$0	\$112.5
Direct	\$72.1	\$87.6	\$92.7	\$109.7	\$117.2	\$109.5	\$0	\$109.5
Reimbursable	\$0.5	\$0.5	\$1.9	\$1.0	\$3.1	\$3.0	\$0	\$3.0
IT Funding	\$6.2	\$6.5	\$6.0	\$7.7	\$8.1	\$8.1	\$0	\$8.1
FTE	513	574	610	602	772	772	0	772

<b>Grand Total</b>								
Total Funding	\$357.7	\$376.9	\$393.7	\$415.4	\$440.8	\$427.7	-\$0.7	\$427.0
Direct	\$342.2	\$365.8	\$380.9	\$403.8	\$409.8	\$396.7	-\$0.7	\$396.0
Reimbursable	\$15.5	\$11.1	\$12.8	\$11.6	\$31.0	\$31.0	\$0	\$31.0
IT Funding	\$27.2	\$25.6	\$22.5	\$29.1	\$30.5	\$30.8	\$0	\$30.8
FTE	2,256	2,255	2,285	2,242	2,602	2,602	0	2,602

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**Skill Summary:**

The following list describes ITA's core competencies. These skills are essential to ensure the success of ITA's new post-reorganization mission. Skill gaps and additional skills are currently being identified to ensure ITA is properly equipped with newly identified capabilities to advance its new program functions. At present, ITA requires all of the skills listed below:

- In-depth knowledge of international and domestic trade laws and regulations, economics, and commercial diplomacy;
- Understanding of foreign trade practices, trade programs and policies;
- Regulatory economic analysis;
- Research and analytical skills to help evaluate U.S. industry conditions, domestic and overseas market/industry trends, and U.S. and foreign government policies impacting U.S. businesses;
- Skills to manage the development of trade policy impacting the competitiveness of domestic industry;
- Country, regional and/or industry-sector expertise;
- Specialized knowledge and experience in export marketing, trade mechanics and promotion;
- In-depth knowledge of trade distorting practices related to production aberrations and non-tariff barriers;
- Understanding of key trade issue areas such as intellectual property rights, non-tariff trade barriers, international standards;
- Knowledge of key U.S. Government positions for country/sector specific bilateral, multilateral, and plurilateral trade negotiations;
- Information technology skills -- to deliver services to clients, stakeholders and oversight authorities; to identify, analyze, and manage information and information enterprise architecture; and to interface with technology to improve productivity and client service;
- Leadership skills -- to lead and manage ITA's missions and programs;
- Customer service skills -- to improve delivery of products and services to customers and, where possible, assess appropriate fees; and
- Project management skills -- to lead and manage projects and contracted work.



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**Performance Goal 1: Strengthen U.S. Industries**

**Corresponding DOC Strategic Goal and Objective:**

*DOC Strategic Goal 1:* Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers

**DOC General Goal 1/Objective 1.1:** *Enhance economic growth for all Americans by developing partnerships with private sector and nongovernmental organizations*

**Rationale for ITA Performance Goal 1:**

As the ITA reorganized in FY 2004 in accordance with P.L. 108-199, greater focus was given on the U.S. manufacturing sector. Strengthening the U.S. manufacturing sector is a top priority for the President. The FY 2005 performance goal "Increase Trade Opportunities for U.S. Firms to Advance the U.S. International Commercial and Strategic Interest" has been redrafted to reflect the expanded goal to "Strengthen U.S. Industries." This performance goal expresses ITA's work activities that support U.S. manufacturers and service sectors.

The Manufacturing and Services (MAS) program in ITA is dedicated to strengthening the global competitiveness of U.S. industry, expanding its market access and increasing exports with a special focus on U.S. manufacturers. MAS has undertaken steps to foster an environment where U.S. industries can compete in the global markets by becoming an advocate for manufacturing in the Executive branch and coordinating efforts at all levels of government in support of manufacturing. The driving force behind these efforts is that good jobs need strong businesses. MAS consults with U.S. industry on challenges and opportunities, and combines industries' input with analysis to develop policy recommendations to promote expansion of U.S. industries exports. It sets strategic priorities for trade policy. Through analysis of trends in productivity, growth employment, and developments such as outsourcing and the importance of a global supply chain on U.S. industries' competitiveness, MAS ensures that U.S. industries priorities are represented in market access negotiations. MAS advances policies and strategies that ameliorate the negative impacts of proposed domestic rules and regulations, stimulate innovation and investment, enhance economic growth, and retain jobs in U.S. industries.



*"The Bush Administration's manufacturing report recommended key pieces of legislation that are critical to ensuring that American companies succeed at home and abroad," Evans said. "The House Republican Leadership jobs legislative agenda will eliminate destructive policies so that American jobs, the manufacturing industry and the economy will grow."*

*Secretary Evans Hails House Leaders Jobs Agenda  
April 27, 2004*

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**Measure 1a: Assessment of Trade and Economic Analysis**

**Explanation of Measure:** ITA has identified an approach to measure the trade and economic analysis process and work activities performed by ITA employees. This measure directly ties to the work performed by ITA employees in strengthening U.S. industries. ITA employees conduct trade and economic analysis and assess the domestic and international cost competitiveness of American industry. They evaluate the impact of domestic and international economic policy on U.S. competitiveness. Specific activities within this measure include: developing, updating and maintaining data; accessing and extracting data from ITA systems; preparing analytical reports; responding to ad hoc internal and external customer inquiries; interacting and coordinating analysis within ITA and across agencies; enabling data utilization and knowledge sharing by the trade community; and developing internal data and analytical resources, tools and knowledge. The measurement framework is based on a series of surveys that will be used to assess whether ITA customers (stakeholders) believe that trade and economic analysis was performed on the "right things" done in the "right way" to achieve the "right results". The index scale will range from 0 to 100. One hundred would represent a "perfect" score. Survey data will be weighted into this 0-100 "index" scoring system.

**FY 2006 Target:**

Target consists of an estimated index score of 70. Data requirements and survey mechanisms to collect the data for the score will be implemented in FY 2005. ITA will begin to collect the feedback necessary to compile the actual index score. Target values may require adjustment in the FY 2007 Annual Performance Plan once baseline results for the index have been obtained.

**Measure 1b: Customer Perception of Ease of Access to Export and Trade Information and Data**

**Explanation of Measure:** ITA continues to enhance its product and service delivery to U.S. exporters. The measure assesses ITA customers' perception that export and trade information and data may be obtained via ITA web sites, database applications, export assistance centers, and other personal interactions with ITA personnel, in a timely and efficient manner. By monitoring ITA's performance in this regard, ITA hopes to increase the timeliness and efficiency of service delivery to U.S. businesses and improve the effectiveness of the provision of information and data for persons with disabilities. ITA believes that all customers should be able to obtain export and trade information and data quickly, accurately, and on first contact from courteous employees.

**FY 2006 Target:**

The FY 2006 target of 74 percent satisfied is based on survey data obtained from an ITA-wide survey conducted in FY 2003. ITA plans to conduct a customer satisfaction survey in FY 2005 to measure its progress in customer satisfaction. The FY 2006 target will be adjusted accordingly once the customer survey results are analyzed.

**Program Evaluations:**

The President has made manufacturing in America a top national priority. To help identify the challenges facing the American manufacturing sector, ITA participated in over 20 public roundtables. ITA also analyzed official data that helped gauge the health of the manufacturing sector and produced a report that provides an overview of the domestic and international environment facing American manufacturing, highlights the expressed view of manufacturers regarding the challenges they face, and advances policy recommendations to help ensure that government is creating the conditions necessary for U.S. manufacturers to maximize their competitiveness. ITA is taking steps to implement the recommendations that will strengthen and/or maintain industry's competitiveness and help American manufacturers compete and win in the 21st century.

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**Crosscutting Activities:**

**Intra-Department of Commerce**

- U.S. Patent and Trademark Office--provides support to ITA during international negotiations on intellectual property rights and advises ITA on patent and trademark issues.

**Other Government Agencies**

- U.S. Customs and Border Protection--Customs ensures the prompt and accurate implementation of duty collection based on ITA's decisions on antidumping or countervailing duty cases.
- Federal Aviation Administration--The Federal Aviation Administration advises ITA on strategies to address foreign regulatory barriers and security standards for transportation.
- Department of State--The Department of State's economic officers assist with market research and compliance projects in countries where the CS does not maintain or has deployed minimal commercial staff.
- Trade Promotion Coordinating Committee--TPCC coordinates implementation of trade finance and trade promotion programs of the 19 TPCC member agencies.

**Government/Private Sector**

The President's export council, chaired by the Secretary of Commerce, advises the President on trade policy issues. Its members include 28 chief executive officers of private-sector companies, officials of other agencies (Commerce, State, Treasury, Labor, Agriculture, Small Business Administration, Export-Import Bank, and U.S. Trade Representative), and 10 Congressional representatives. The Industry Consultations Program, which consists of 22 trade advisory committees, provides a mechanism for the U.S. business community to provide input to the government on trade policy issues.

**External Factors and Mitigation Strategies**

All trade is subject to sharp changes in economic performance in markets around the world; changes in trade policy in foreign nations; expansion of markets just starting to open; technological advances; and large-scale, unexpected capital movement. ITA staff identifies these changes and adopt policies that continue to promote expanding overseas markets for U.S. firms and workers.

ITA will analyze the impact of other nations' trade policies on U.S. firms. The passage of Trade Promotion Authority offered new challenges and opportunities for the United States to open foreign markets. ITA will focus on Free Trade Agreements and the World Trade Organization, a labor-intensive component of the U.S. negotiating agenda. ITA will provide complex industry and economic analysis, conduct and support the negotiations and measure the impact of the trade agreements. ITA will also work closely with foreign governments and regulatory officials in the developing world to devise strategies to address regulatory barriers, head off potentially harmful regulations, and help shape regulations and standards that facilitate business and improve the quality of life.

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**Performance Goal 2: Expand the U.S. Exporter Base**

**Corresponding DOC Strategic Goal:**

*DOC Strategic Goal 1:* Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers

**DOC General Goal 1/Objective 1.1:** *Enhance economic growth for all Americans by developing partnerships with private sector and non governmental organizations*

**Rationale for ITA Performance Goal 2:**

The health of the American economy depends on the America's small and medium-sized enterprises (SMEs). The CS program's mandate is to create an environment in which all U.S. firms, including SMEs, can flourish. In order to achieve this, the CS seeks to increase export opportunity awareness among U.S. companies by identifying potential exporters who need assistance, leveraging electronic and traditional media, centralizing relationships with customers, and developing alliances and partnerships to deliver export assistance. The CS operates a TIC that provides a single point of customer contact for all government export promotion programs; runs the AC that supports U.S. companies bidding on major foreign contracts; and coordinates U.S. Government export promotion and assistance programs through the TPCC. ITA's unique global network of trade professionals located in over 250 offices covering 80 countries and 47 states, plus Puerto Rico, capitalizes on high export areas identified by trade patterns and facilitates aggressive outreach to traditionally under-served rural and minority communities.

The CS helps U.S. companies take advantage of world market conditions to find new buyers around the world. A growing list of free trade agreements provides price and market access benefits. ITA offers four ways to help U.S. firms grow international sales by 1) providing world-class market research, 2) organizing trade events that promote product or service to qualified overseas buyers, 3) arranging introduction to qualified buyers and distributors, and 4) offering counseling through every step of the export process.



On April 8, the Kentucky Export Assistance Centers and Kentucky District Export Council (DEC) hosted the third in their continuing series of "Business Leadership Forums on International Trade Policy" featuring face-to-face dialogues between local businesses and Kentucky Congressional Representatives. Louisville USEAC Director John Autin joined Congressional Representative Ron Lewis in presenting an Export Achievement Certificate to Trace Die Cast, Inc., a USEAC client, which was founded in 1988, but moved decisively into exporting just 30 months ago. Trace is now selling to Canada, Mexico, the United Kingdom and Brazil, with exports totaling more than \$10 million.

Photo (L to R): Lowell Guthrie, Founder and CEO of Trace Die Cast Company; John Autin, Director/ Louisville USEAC; Congressional Representative Ron Lewis (Kentucky - 2nd District)

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**Program Increases/Decreases:**

**Measure 2a: Percentage of Undertaken Advocacy Actions Completed Successfully**

**Explanation of Measure:**

This performance measure captures information about the effectiveness of the CS' advocacy efforts by measuring the percentage of successful advocacy awards made to U.S. firms or interests during a fiscal year. ITA's AC helps U.S. exporters win foreign government procurement contracts, and each contract creates and retains U.S. jobs over the life of each successful advocacy project. Many of these projects provide secondary suppliers with contracts. These suppliers are frequently SMEs. The AC advances trade promotion and deal making to support three basic U.S. firm needs: (1) access to new markets, (2) entry to markets, and (3) expansion of export activities.

**FY 2006 Target**

Based on historical data trends, the FY 2006 target will remain 12% to 15% range.

**Measure 2b: Number of U.S. Exporters Entering a New Market—Long-Term Measure**

**FY 2005 Target:**

The target has been adjusted from a 6,200 to 6,300 range to 4,760 to 5,500 range reflecting current U.S. export trends attributable to uncertainties associated with global conditions and exporter expectations.

**Explanation of Measure:** This performance measure helps to assess the CS' success bringing in U.S. exporters who have exported into a new overseas market. It measures the CS' effectiveness in promoting trade. The CS records and reports on the number of U.S. exporters entering new markets that transact actual verifiable export sales, which include: shipment of goods or delivery of services; signing of legally binding agreements, including agent or distributor, representation, joint venture, strategic alliance, licensing, and franchising agreements; and signing of contracts with future sales expected for the first time.

**FY 2006 Target:**

The FY 2006 target is set from a 4,760 to 5,500 range of U.S. exporters entering a new market. This target predicts that the CS will help 31,600 total U.S. exporters entering a new market over a period of six years, 2001 through 2006.

**Measure 2c: Number of U.S. Firms Exporting for the First Time—Long-term Measure**

**Explanation of Measure:** The CS focuses on SMEs that are export-ready. Export-ready firms are those with competitive products or services and are firms that already possess a level of financial and managerial strength that should enable them to export. The CS will record and report on the number of U.S. firms exporting for the first time that transact an actual verifiable export sale, which includes: shipment of goods or delivery of services; signing of a legally binding agreement, including agent or distributor, representation, joint venture, strategic alliance, licensing, and franchising agreements; or signing of a contract with future sales expected for the first time.

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**FY 2005 Target:**

The annual target is adjusted from an 851 to 941 range to a 700 to 850 range as a more realistic range for reaching a long-term goal.

**FY 2006 Target:**

The FY 2006 target is set from 700 to 850 of U.S. firms exporting for the first time. This target will help the CS meet a long-term goal of 4,400 U.S. firms to begin exporting over a period of six years (from 2001 to 2007) from a baseline of 400,000 SMEs that currently do not export.

**Measure 2d: Number of Export Transactions made as a Result of ITA Involvement—Long-term Measure**

**Explanation of Measure:** This is a performance measure that captures information on the number of export transactions executed by U.S. firms that resulted directly from CS' counseling, matchmaking, research, information products, or other export promotion activities. An export transaction occurs when the CS: facilitates an actual verifiable export sale, a shipment of goods or delivery of services; helps a client identify and sign with an agent or distributor or sign a contract that ensures the expectation of future sales, where there is a direct link between the assistance provided and the resulting outcome; and helps a U.S. firm avoid harm or loss, for example, by helping it obtain payment or resolve some other kind of trade dispute.

**FY 2005 Target:**

Target has been adjusted from a 13,000 to 15,000 range to an 11,385 to 13,500 range. The range reflects the impact of budgetary rescissions and the expected impact of higher prices of products and services.

**FY 2006 Target:**

The FY 2006 target is set at 11,385 to 13,500 range of export transactions made as a result of CS involvement.

**Measure 2e: Percentage of CS Fee Funded Programs—Long-term Measure**

**Explanation of Measure:** In the FY 2005 Budget Year (BY), ITA undertook a PART review of the CS. As a result of the review, ITA has developed a long-term measure to capture information on the CS' fee funding progress. ITA has determined that by 2007, three percent of the CS programs will be fee funded. ITA has undertaken an extensive effort to collect and supplement base program operations by revenues obtained from fees. ITA anticipates collecting \$13 Million in fees during FY 2006.

**FY 2006 Target:**

The FY 2006 target is set at three percent.

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**Program Evaluations:**

One of the inspections conducted in FY 2004 by the Office of Inspector General (OIG) was of the Philadelphia USEAC Network in February 2004. The review focused on management oversight, as well as the programmatic and financial operations of the USEACs that were part of the Philadelphia network during fiscal year 2003. OIG was pleased to report that the USEACs appear to be doing a good job of providing export assistance to U.S. companies and collaborating with federal, state and local trade partners to leverage trade resources. Recommendations such as enhanced controls for the verification of performance data to strengthen the management and operations of the Philadelphia USEAC Network have been reviewed and are being implemented.

**Cross-cutting Activities:**

**Intra-Department of Commerce**

- Office of General Counsel--to work together on guidance for interpreting existing agreements, defining the rights of U.S. firms and workers under U.S. and international trade law, and in negotiations for proposed FTA's and for future bilateral or multilateral agreements.

**Other Government Agencies**

- Small Business Administration, Export-Import Bank, State and Local Government Agencies, and Local Chambers of Commerce--to share clients and provide complementary counseling services.
- Department of Energy, Department of Transportation, and Department of Education--to provide industry expertise for ITA trade events.
- Department of Defense and U.S. Air Force--The U.S. Air Force provides industry expertise for ITA trade events involving aircraft sales (for example, the Paris Air Show).
- Department of State--the Department of State's economic officers assist with market research projects in countries where the CS does not maintain staff.
- Department of Health and Human Services--ITA works closely with HHS on helping U.S. manufacturers lower health care costs.
- Department of Labor--ITA works with the Department of Labor on worker training and employment.
- Environmental Protection Agency--ITA works with the Agency to lower burden of regulations on the U.S. industry.
- Department of Agriculture --The Department of Agriculture provides grant assistance for CS export counseling in rural areas.
- Bureau of Indian Affairs in the Department of the Interior--The Bureau of Indian Affairs provides industry expertise for ITA tourism development efforts.
- Trade Promotion Coordinating Committee--TPCC coordinates the implementation of trade finance and trade promotion programs of the 19 TPCC-member agencies.

**Government/Private Sector**

District Export Councils (DECs)-- DECs are councils of leaders from the local business community, appointed by the Secretary of Commerce, whose knowledge of international business provides a source of professional advice and support for local firms and the local ITA export assistance centers. Currently there are 57 DECs composed of more than 1,500 members. DEC members provide experienced professional advice and guidance to exporting firms.

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**External Factors and Mitigation Strategies:**

ITA's success in achieving this goal depends upon domestic and international economic conditions. Economic shocks in foreign markets, and exchange rate fluctuations, can affect U.S. exports and demand for U.S. products. Availability of resources for new initiatives is subject to Congressional approval. The cooperation of other TPCC-member agencies affects the level of services provided to SMEs.

ITA has developed and is utilizing Internet web services to assist exporters. For example, Export.gov and BuyUSA.com are sites that enable SMEs to have low-cost access to online information on overseas markets. Web based export services available through the U.S. Government serve as one approach as one approach to minimize external factors. ITA's commercial officers stationed in over 250 offices throughout the United States and in 80 countries, provide key information to the U.S. business community on best prospects for U.S. exporters in various countries. Through domestic offices located in 47 states, plus Puerto Rico, ITA trade specialists work directly with U.S. businesses to tailor innovative solutions to their market and exporting needs. ITA partners with state commerce departments and economic development agencies to ensure that American exporters receive the best services and support that both federal agencies and states have to offer.



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**Performance Goal 3: Ensure Fair Competition in International Trade**

**Corresponding DOC Strategic Goal:**

*DOC Strategic Goal 1:* Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers

**DOC General Goal 1/Objective 1.2:** *Advance responsible economic growth and trade while protecting American Security.*

**Rationale for ITA Performance Goal 3:**

U.S. industries are entitled to the benefits of trade agreements negotiated by the United States. They are also entitled to the aggressive investigation of unfair trade practices that undercut those agreements. Two program units in ITA, IA and MAC, are committed to ensuring that the U.S. firms receive those benefits and obtain prompt relief from unfair trade practices.

IA identifies and monitors import surges created by imports that are sold in the United States at less than fair market value, foreign governments subsidy practices, and other harmful import trends. It defends American industry against injurious trade practices by administering the antidumping (AD) and countervailing duty (CVD) laws of the United States. IA expedites investigations when warranted by import surges and foreign subsidy practices, defends unfair trade practices before the World Trade Organization, and coordinates the Department of Commerce's role in the Administration's steel strategy. IA's Unfair Trade Practices Team confronts unfair foreign competition by monitoring economic data from U.S. global competitors and vigorously investigates evidence of unfair subsidization and production distortions. IA's China Compliance office devotes more resources to China cases and issues unique to non-market economies (NME), such as intellectual property rights violations affecting the U.S. textile industry.

MAC tracks crucial market access and compliance problems to ensure timely engagement and resolution. Cases are classified as information requests, compliance (violation of a multilateral or bilateral trade agreement), noncompliance market access (market barriers other than compliance problems preventing or limiting a U.S. firm or industry from market entry or expansion), or commercial disputes (a U.S. company encountering problems with an existing transaction or venture). MAC's Investigations and Compliance unit takes new and proactive measures to ensure that our trading partners honor their commitments. Staffed with experts in intellectual property rights, investigations, and intelligence, this office works closely with the USTR and the USPTO to investigate and resolve violations of market-distorting practices.



“The tool that we have to press China to reform its labor standards is the designation of China as a market economy under the U.S. trade laws. As Secretary of Commerce, I’m charged with determining whether or not China meets the definition of a market economy. We all know that obtaining market economy status is a high priority for the Chinese leadership. Without this status, China is subject to more antidumping cases with higher duties on their imports.”

*Statement from Commerce Secretary Donald I. Evans on America's economic relationship with China, April 28, 2004*

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**Measure 3a: Percentage of AD/CVD Cases Completed on Time**

**Explanation of Measure:** The percentage of AD/CVD cases completed on time is a reflection of the vigilance of IA staff to complete its casework within the statutory timeframe. Domestic industry generates AD/CVD cases, and timeliness of case activity is a critical factor for delivering customer satisfaction. Timeliness of casework is also essential for upholding the integrity of the AD/CVD laws as a credible and fair legal mechanism to address unfair trade actions by foreign interests. The stated target reflects management's prioritization of adherence to statutory requirements. ITA must always complete these cases within the limits set forth in law.

Domestic products covered by these AD/CVD investigations and reviews are critical to U.S. industries. The timely completion of these cases may have a direct correlation with the ability of petitioning U.S. firms to remain viable when a firm may be subjected to unfair trading practices. Ensuring expedient completion of cases offers firms the best timeframe for determining if they are being injured by an unfair trading practice.

**FY 2006 TARGET**

The FY 2006 target of 100 percent is based on the data maintained by IA. The planned target reflects the percentage of antidumping/countervailing duty cases to be completed by the unit.

**Measure 3b: Number of Market Access and Compliance Cases Initiated**

**Explanation of Measure:** ITA faces new demands as the international trade environment changes from year to year: new barriers are erected, the role of international organizations and alliances change and other foreign regulatory measures are implemented that impact U.S. exports. This performance measure assesses the extent of ITA's efforts to monitor trade agreements, identify and initiate market access and compliance cases on behalf of U.S. businesses, and work to their resolution. Market access cases arise from complaints received by ITA from U.S. companies experiencing overseas barriers to U.S. exports, which are not covered by trade agreements. Compliance cases rise from complaints received by ITA from U.S. companies regarding failures by foreign governments to implement trade agreements negotiated by the U.S. and through monitoring efforts by ITA compliance officers.

**FY 2006 TARGET**

The FY 2006 target of 150 to 160 cases initiated is based on the actual number of cases initiated during FY 2004. FY 2004 performance trends point toward a lower number of case initiations by FY 2006 as the number of complaints filed by U.S. businesses encountering access problems to export markets has declined. ITA maintained a range of 160 to 170 cases for FY 2005, but believe case numbers will begin to decrease by FY 2006. ITA is taking steps to develop more effective outreach mechanisms to ensure U.S. businesses are aware of trade compliance support services. It is important to note that the complexity of cases has increased requiring more time to evaluate each case before action can take place.

**Measure 3c: Number of Market Access and Compliance Cases Concluded**

**Explanation of Measure:** This performance measure addresses ITA's efforts in obtaining market access for U.S. exporters and achieve foreign government compliance with trade agreements. The number of market access and compliance cases concluded is based on a number of cases processed by ITA where no further action by ITA is warranted—the case is successfully resolved; the complaint was groundless, i.e., no violation; industry decides not to pursue the complaint; the case

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is referred to USTR for consideration for formal dispute settlement resolution; or the problem cannot be resolved despite ITA efforts. Market access cases arise from complaints received by ITA from U.S. companies experiencing overseas barriers to U.S. exports that are not covered by trade agreements. Compliance cases arise from complaints received by ITA from U.S. companies regarding failures by foreign governments to implement specific terms in trade agreements negotiated by the U.S. and through monitoring efforts by ITA compliance officers.

**FY 2006 TARGET**

The FY 2006 target of 80 to 90 cases concluded is based on the actual number of cases concluded during FY 2004. FY 2004 performance trends point toward a lower activity by FY 2006 as targets are affected by the number of complaints filed by U.S. businesses encountering access problems to export markets. The complexities of cases will have increased by FY 2006, requiring more time before a case can be concluded because actions to conclude remaining cases will be impacted by many external factors including foreign policy implications and ability to work with other governments. These factors are predicted to impede progress of concluding some cases and the timeframes are drawn out.

**Program Evaluations:**

In FY 2004, the General Accounting Office initiated a review of administrative procedures, policy, and outcomes related to specific U.S. trade remedy actions used to protect domestic producers against injurious increases or surges of Chinese imports. Once the study is completed, ITA will review findings and take appropriate actions.

**Crosscutting Activities:**

**Intra-Department of Commerce**

- Office of General Counsel--to work together on guidance for interpreting existing agreements.

**Other Government Agencies**

- United States Trade Representative—ITA works with the USTR to develop strategies for solving market access disputes and in major trade negotiations.
- International Trade Commission--ITA conducts an AD/CVD investigation and the International Trade Commission concurrently conducts the industry injury investigation. If both ITA's and the International Trade Commission's investigations result in affirmative determination, then ITA issues an AD/CVD order to the U.S. Customs Service, which results in a tariff rate adjustment.
- U.S. Customs and Border Protection (CBP)--because the AD/CVD law requires collection of offsetting duties at the time merchandise enters the country, ITA communicates regularly with the CBP to ensure the prompt and accurate implementation of ITA's decisions. The CBP then collects cash deposits and final duty assessments. ITA responds to inquiries from the CBP headquarters and port offices regarding the scope and potential evasion of AD/CVD orders, as well as other enforcement concerns.
- Treasury Department--to monitor subsidy-related commitments contained in the International Monetary Fund's stabilization packages.
- Department of State--in AD/CVD proceedings, ITA verifies information provided by foreign governments and companies in those countries. ITA works closely with the Department of State to obtain country clearances, arrange meetings, make necessary trip arrangements, and obtain pertinent information on subsidy enforcement issues. ITA works on a daily basis with U.S. embassies abroad and State Department economic officers and the Department of Commerce's CS.
- Department of Justice--ITA, in conjunction with the OGC, works with the Department of Justice's attorneys on pending AD/CVD litigation before the Court of International Trade and the Court of Appeals for the Federal Circuit.

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**Government/Private Sector**

ITA works with U.S. small and medium-sized firms and state or local governments wherever possible in order to enable U.S. companies to take full advantage of export opportunities.

**External Factors and Mitigation Strategies**

Economic or currency upheavals in foreign markets can adversely affect demand for U.S. exports; changes in trade policy by foreign nations; expansion of markets just starting to open, such as that of China; and technological advances and large-scale, unexpected capital movement. ITA staff has identified and will continue to identify these changes and adopt policies that ensure fair treatment for U.S. firms and workers in overseas markets.

ITA will address the impact of other nations' trade policies. Specifically, ITA will expand our analytical infrastructure to support timely and accurate assessments of (1) the impact on U.S. industries of the growth of regional trade pacts and (2) the impact of major competitors exporting their discriminatory technical regulations to third markets in the developing world. ITA will develop strategies to support bilateral and multilateral trade negotiations that prevent the adoption of discriminatory international standards and regulations against U.S. products. ITA will also work closely with foreign governments and regulatory officials in the developing world to devise strategies to address regulatory barriers, head off potentially harmful regulations, and help shape good regulations and standards.

ITA has established an Investigations and Compliance Unit to track, detect, and confront unfair competition before it injures an industry in the United States. Many of the legal remedies available to counter unfair trade practices are costly, particularly for small and medium-sized manufacturers. ITA's goal is to focus on those trading practices that are likely to have the biggest impact on our manufacturers and ensure that they are eliminated, rather than leave these small and medium-sized manufacturers in the United States with costly trade litigation. The new Investigations and Compliance Unit will track, detect and confront unfair competition by monitoring economic data from our global competitors and vigorously investigate evidence of unfair subsidization and production distortions.

**Performance goals and performance measures no longer displayed in the APP:**

The number of performance goals decreased from five in FY 2005 to three in FY 2006. The ITA reorganization during FY 2004 has streamlined its performance management because ITA now operates under three major agency-specific goals. The three major agency-specific goals are more closely aligned with changes to ITA's mission. The work associated with the goals no longer reported on "customer and stakeholder satisfaction" and "helping U.S. businesses take advantage of global e-commerce" will continue to be measured. Activities and results associated with these goals will be incorporated into the three new agency-specific goals.

The goals and supporting measures listed on the following page will no longer be displayed in the Annual Performance Plans (APP). However, ITA will continue to monitor several of these measures internally.

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**ITA Goal: Improve Customer and Stakeholder Satisfaction**

Supporting performance measures:

- Customer Satisfaction with ITA's Products and Services
- Level of Awareness of ITA Products and Services
- Number of U.S. Exporter Activity Undertaken per Customer Surveyed
- Number of Customers Acquired through Proactive ITA Efforts

**ITA Goal: Improve the Competitive Advantage through Global E-Commerce**

Supporting performance measures:

- Number of New Subscribers Using Buy-USA.com E-Services
- Customer Perception of Portal Ease of Use
- Percentage of ITA's Significant Products and Services Provided Electronically to External Customers

**Discontinued Performance Measures:**

As part of ITA's effort to improve its performance management, the performance measures below will be discontinued and no longer collected after FY04. Reasons for discontinuance are described below:

- **Number of New or Enhanced ITA partnerships with Public and Private Sector Entities to Promote U.S. Exports** - The measure was discontinued because measuring the partnership build rate from an established baseline was not a critical result and obtaining the information was difficult and unreliable. (**Performance Goal 1: Strengthen U.S. Industries**)
- **Dollar Exports in Targeted Products and Markets** - The measure was discontinued because it measured a "macro-economic" trend that was not an effective indicator of ITA's involvement. (**Performance Goal 1: Strengthen U.S. Industries**)
- **Dollar Value of Completed Advocacies (U.S. Export Content)** - The measure was discontinued as a part of ITA's effort to improve measures. ITA has determined that "dollar value" data is less valid because it is influenced by the dollar exchange rate, a significant external factor. (**Performance Goal 2: Expand the U.S. Exporter Base**)

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Results and targets for the for discontinued measures are exhibited by ITA performance goal on the table below:

Discontinued Measure Name (By Performance Goal)	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Target	FY 2006 Target
<b>Performance Goal 1: Strengthen U.S. Industries</b>						
Number of New or Enhanced ITA partnerships with Public and Private Sector Entities to Promote U.S. Exports	New	Not Implemented	88	45	Discontinued	Discontinued
Dollar Exports in Targeted Products and Markets	New	\$166.3 B	\$166.3 B	\$179 B	Discontinued	Discontinued
<b>Performance Goal 2: Expand the U.S. Exporter Base</b>						
Dollar Value of Completed Advocacies (U.S. Export Content)	New	\$8.64 B	\$5.9 B	\$6.5 B	Discontinued	Discontinued
Percentage of ITA's Significant Products and Services Provided Electronically to External Customers. <sup>8</sup>		Not Implemented	82%	85%	Discontinued	Discontinued

<sup>8</sup> This measure was a success. It is unlikely that the measure will change as ITA has already achieved results that are comparable to best in business practices.

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**ITA DATA VALIDATION AND VERIFICATION**

ITA is using Panorama Business Views (PBViews), a network-based performance management data reporting system utilizing software to fully integrate the performance management approach into ITA's day-to-day operations and annual planning cycle. Every performance measure has a designated measure owner who gathers data and validates collected information; maintains individual measure documentation; leads cross-organizational coordination of data collection; performs quality control, including error checking and elimination of duplicates; and acts as program unit point of contact. Individual program unit managers are held accountable for the quality of the data that their staff collects and the timeliness with which the data is input into the performance management system, PBViews. Every quarter, the ITA Strategic Planning Leadership Team composed of senior ITA line managers reviews the reports published on PBViews for data integrity and accomplishments, and recommends corrective actions as necessary. This peer review approach also serves as a validation process of whether data are appropriate for the performance measures.

<b>PERFORMANCE MEASURE</b>	<b>DATA SOURCE</b>	<b>FREQUENCY</b>	<b>DATA STORAGE</b>	<b>INTERNAL CONTROL PROCEDURES</b>	<b>DATA LIMITATIONS</b>	<b>ACTIONS TO BE TAKEN</b>
Measure 1a: Trade and Economic Analysis	Survey of Stakeholders	Annually	PBViews	ITA staff will perform analysis to verify statistical results of collected data.	Limitations exist in the level of response to survey.	ITA will gauge performance of the Trade and Economic process through a mid-year internal assessment with stakeholders. Data requirements and methodology will be designed during FY 2005.
Measure 1b: Customer Perception of Ease of Access to Export and Trade Information and Data	ITA customers (U.S. exporters)	Broad survey conducted every two years. However, ITA is currently considering an approach to increase results frequency.	PBViews	ITA staff will perform analysis to verify statistical results of survey data.	Limitations exist in the level of response to survey.	ITA conducts a bi-annual customer satisfaction survey used to populate ITA's customer value performance measures every other year. ITA will adjust the FY 2006 targets once the results of the FY 2005 planned survey are known.

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<b>PERFORMANCE MEASURE</b>	<b>DATA SOURCE</b>	<b>FREQUENCY</b>	<b>DATA STORAGE</b>	<b>INTERNAL CONTROL PROCEDURES</b>	<b>DATA LIMITATIONS</b>	<b>ACTIONS TO BE TAKEN</b>
Measure 2a: Percentage of Undertaken Advocacy Actions Completed Successfully	U.S. companies that benefit from U.S. government advocacy	Annually	PBViews	The Advocacy Center conducts annual verifications with customers to confirm the dollar value of exports generated through the support of U.S. Government effort.	In some cases a host government overturns awards, and the winning U.S. company then loses the project. Quality of data is dependent on client's willingness to provide the data. Some clients elect not to provide information to ITA due to business proprietary concerns. U.S. embassies in some instances do not report all advocacy projects they have worked on in a given fiscal year.	Through a yearly verification study performed by ITA staff, ITA ensures that all completed advocacies are reported and verified in the Advocacy Center database.
Measure 2b: Number of U.S. Exporters Entering a New Market—Long-term Measure	U.S. exporters	Quarterly	Client Management System and PBViews	ITA performs quality control, including error checking and elimination of duplicates, and verifies results through peer review of verifiable documentation.	Data reported is wholly dependent on a client's willingness to provide such information and underreporting is likely.	ITA staff and the Office of Inspector General conduct verification studies. Weaknesses were identified in certain CS Export Assistance Centers internal reporting systems. Steps are being implemented to correct these weaknesses. ITA developed plans to review the collection processes.



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<b>PERFORMANCE MEASURE</b>	<b>DATA SOURCE</b>	<b>FREQUENCY</b>	<b>DATA STORAGE</b>	<b>INTERNAL CONTROL PROCEDURES</b>	<b>DATA LIMITATIONS</b>	<b>ACTIONS TO BE TAKEN</b>
Measure 2c: Number of U.S. Firms Exporting for the First Time—Long-term Measure	U.S. firms	Quarterly	Client Management System and PBViews	ITA performs quality control, including error checking and elimination of duplicates, and verifies results through peer review of verifiable documentation.	Data reported is wholly dependent on a client's willingness to provide such information and underreporting is likely.	Verification studies are conducted by ITA staff and by the Office of Inspector General. Office of Inspector General (OIG) identified weaknesses in certain CS Export Assistance Centers internal reporting systems. Steps are being implemented to correct these weaknesses. ITA developed plans to review the collection processes.
Measure 2d: Number of Export Transactions Made as a Result of ITA Involvement—Long-term Measure	U.S. exporters	Quarterly	Client Management System and PBViews	ITA performs quality control, including error checking and elimination of duplicates, and verifies results through peer review of verifiable documentation.	Data reported is wholly dependent on a client's willingness to provide such information and underreporting is likely.	Verification studies are conducted by ITA staff and by the Office of Inspector General. OIG identified weaknesses in certain CS Export Assistance Centers internal reporting systems. Steps are being implemented to corrected these weaknesses. ITA developed plans to review the collection processes.

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<b>PERFORMANCE MEASURE</b>	<b>DATA SOURCE</b>	<b>FREQUENCY</b>	<b>DATA STORAGE</b>	<b>INTERNAL CONTROL PROCEDURES</b>	<b>DATA LIMITATIONS</b>	<b>ACTIONS TO BE TAKEN</b>
Measure 2e: Percentage of CS Fee Funded Programs — Long-term measure	ITA accounting system	Annually	Document Direct, ITA accounting system	Quarterly controls conducted by DOC and are reported to OMB	Financial coding errors.	ITA is planning to implement an Activity Based Cost (ABC) Accounting and Management System to provide ITA with financial information allowing for more precise management and planning of resources, as well as, a better understanding of ITA's performance and commitment to priority activities. ITA is currently assessing the best approach to address fees.
Measure 3a: Percentage of AD/CVD Cases Completed on Time	IA cases completed in accordance with the statutory deadline	Quarterly	Data from the AD/CVD Case Management System is stored in the PBViews.	Each case is supported by final determinations, including Federal Register notices.	None.	None.
Measure 3b: Number of Market Access and Compliance Cases Initiated	Petitions from U.S. firms encountering trade barriers and compliance by foreign governments with U.S. negotiated international trade agreements	Quarterly	Data from the ITA compliance activity database maintained by the Trade Compliance Center (TCC) is stored in the PBViews.	MAC ensures system integrity and performs quality control, including error checking, elimination of duplicate cases reported, and, through peer review, verification of documentation.	A number of factors, including U.S. business cooperation, global trade trends, political developments, and the extent to which foreign governments create barriers or act inconsistently with trade obligations (an exogenous factor) will impact the actual numbers.	OIG identified errors in case data reported. ITA has taken steps to ensure that internal procedures report data accurately.

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<b>PERFORMANCE MEASURE</b>	<b>DATA SOURCE</b>	<b>FREQUENCY</b>	<b>DATA STORAGE</b>	<b>INTERNAL CONTROL PROCEDURES</b>	<b>DATA LIMITATIONS</b>	<b>ACTIONS TO BE TAKEN</b>
Measure 3c: Number of Market Access and Compliance Cases Concluded	ITA Compliance and Market Access Management System database, which contains data on U.S. firms encountering foreign trade barriers	Quarterly	Data from the ITA Compliance and Market Access Case Management System is stored in the PBViews database.	Records support each case and many of the cases have been highlighted in the Commerce Secretary's Monthly Compliance Case Report. MAC ensures the integrity of the ITA-wide Compliance and Market Access Case Management System. The Compliance and Market Access Case Management System is updated daily. Performance data is monitored and certified internally.	Number of cases "concluded" depends on the accurate tracking of case assignment and case disposal.	OIG identified errors in case data reported. ITA has taken steps to ensure that internal procedures report data accurately.

**Minority Business Development Agency**  
**FY 2006 Annual Performance Plan**

**MBDA's Mission and Goal**

MBDA's mission is to achieve entrepreneurial parity for MBEs by actively promoting their ability to grow and to compete in the global economy. MBDA's goal is to **"Increase Access to the Marketplace and Financing for Minority-Owned Businesses"**. MBDA was established to address the special demands and barriers experienced by minority-owned firms and entrepreneurs for the purpose of gaining full access and participation in the free enterprise system. MBDA will continue to open doors to access financial capital and procurement contracts that will allow MBEs to grow, increase MBE gross receipts, create job opportunities within the minority community, and utilize strategic partnerships to leverage resources.

**Priorities/Management Challenges**

Minority businesses are a key component of U.S. economic prosperity and could hold the promise of global expansion through their cultural, racial, and ethnic diversity. This diversity puts the U.S. at a competitive advantage, enabling MBEs to work strategically to effectively pursue opportunities in the global economy. The Nation may not sustain ongoing economic growth unless it utilizes all of its internal talents.

The United States' population demographics and minority-owned businesses have recently shown growth rates in both numbers of firms and gross receipts that substantially exceeded those of non-minority firms. Minority firms are under-represented in the overall business community when the number of firms, employees, and gross receipts are compared with minority population percentages. MBDA recognizes "regional clusters of innovation" throughout the country. New tools and services are needed to assist MBEs to pursue the opportunities that drive regional innovation. In addition, there are environmental factors that create challenges and opportunities for MBEs to compete in the entrepreneurial and global economy. These include the downsizing of the corporate supply chain and the bundling of government contracts requiring that businesses be larger to compete.

A new paradigm for minority business development requires that the public and private sectors expand their present focus from outreach, certification, and dollars spent to support MBEs in their ability to achieve gross revenue, capacity, and industry diversification. In short, minority business development services must be designed to create sustainable business values while supplying the critical need for access to the capital and financing necessary to grow and expand businesses.

MBDA will develop a more industry-focused, data-driven technical assistance approach to educate minority business owners about the tools essential for becoming first or second tier suppliers to corporate America and the federal government in the new procurement environment. Sustainable value will translate into entrepreneurial parity and strategic growth through increased gross receipts, number of employees, size (gross receipts) and scale (capacity) of firms, and industry diversification associated with MBEs, consistent with the survey of minority-owned business enterprises data.

### **Unit Cost Measures**

In FY 2006 MBDA has no unit cost measures. However, the agency has embraced several efficiency performance measures that will help the agency to determine a methodology by which unit cost measures can be obtained.

### **PART Assessment**

MBDA has redefined its performance measures to directly impact the long term goal of entrepreneurial parity for minority business enterprises as it relates to increases in employment, gross receipts and customer satisfaction measures for minority businesses. MBDA has revised its strategic plan to more clearly identify the agency's clientele as defined by the Strategic Growth Policy. Staff and funded projects currently have a Verification Policy that is in effect and monitored by the Office of Performance and Program Evaluation. With assistance from the Federal Consulting Group, MBDA currently has outcome-oriented performance measures that will support the Agency's performance goal and in turn support the Department's Strategic Goal of "Providing the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers and Consumers." In addition, both the MBDC and MBOC programs have been restructured to support the Strategic Growth Policy that will be fully operational in FY 2006.

**FY 2006 Program Changes**  
(Dollars in Thousands)

In FY 2006 MBDA will maintain its focus on achieving entrepreneurial parity for the minority business community and continue to concentrate on producing more innovative ways to empower minority business enterprises. The agency will leverage its resources to provide high quality, narrowly focused business development services for minority business enterprises resulting in positive economic impacts. While businesses of all size categories are important, the national minority business community needs to focus on becoming "growth firms" that can compete in an era of contract bundling and strategic partnering. MBDA will focus on these firms to achieve entrepreneurial parity.

As a means to promote entrepreneurial parity and wealth creation MBDA will use \$500,000 to expand the Asian Americans and Pacific Islanders (AAPI) Commission. This Commission in conjunction with the AAPI Office will conduct trade activities and business development in response to the President's initiative on trade promotion for Asian Americans and Pacific Islanders. The Commission will also foster the growth of minority business enterprises in the global marketplace through the expansion of MBDA's client base and the development of contracts and financials for a more diverse population.

In FY 2006 MBDA will also use \$203,000 to enhance the delivery of data to MBEs. With use of an electronic information center the agency will expand its capabilities to disseminate and analyze statistical data. Additionally this program will focus on the delivery of alternative data resources from both the public and private sector.

	<b>Base</b>	<b>Increase/Decrease</b>
Asian American and Pacific Islander Commission	\$500	\$+500
Information Center/Data Delivery	\$220	\$+203

### Target and Performance Summary

<b>Performance Goal: To increase access to the marketplace and financing for minority-owned businesses.</b>	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Target</b>	<b>FY 2006 Target</b>
Total Number of all Clients Receiving Services	New	New	7,228	29,387	30,000	30,050
Dollar Value of Contract Awards Obtained	\$1.6B	\$1.3B	\$.7B	\$.95B	\$0.8B	\$0.9B
Dollar Value of Financial Awards Obtained	\$.6B	\$.4B	\$.4B	\$.6B	\$.45B	\$.5B
Number of New Job Opportunities	New	New	New	New	1,800	1,900
Percent Increase in Client Gross Receipts	New	New	New	New	5%	6%
Percent Increase in Customer Satisfaction Index	New	New	New	New	5%	5%
Number of National and Regional Strategic Partnerships	New	6	8	210	200	200

### Resource Requirements Summary

	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Estimate</b>	<b>FY 2006 Base</b>	<b>Increase/Decrease</b>	<b>FY 2006 Request</b>
Total Funding	27.9	28.3	29.0	28.7	30.0	30.5	0.7	31.2
Direct	27.6	28.2	28.9	28.5	29.5	30.0	0.7	30.7
Reimbursable	0.3	0.1	0.1	0.6	0.5	0.5	0	0.5
IT Funding	1.7	2.0	2.0	1.5	2.0	2.0	0	2.5
FTE	90	92	92	92	120	120	0	120

**Minority Business Development Agency Performance Goal:** To Increase Access to the Marketplace and Financing for Minority-Owned Businesses.

**Department of Commerce Strategic Goal:** Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers and Consumers.

**Department of Commerce Objective:** Enhance Economic Growth for All Americans By Developing Partnerships With Private Sector and Non-Government Organizations.

**Rationale:**

MBDA benchmarks its success by utilizing the entrepreneurial parity methodology. Parity is defined as reaching proportionality between the minority population and the percentage share of business development measures such as number of firms, gross receipts, and employment. This methodology records the progress made by minority business enterprises in achieving parity. Practical measures of business success include the dollar value of contracts and financial transactions awarded to minority business enterprises as a result of MBDA activities as well as job created and gross receipts. These performance measures are indicators of a minority business enterprise's ability to grow, create jobs, and increase gross receipts, thereby achieving entrepreneurial parity.

**Program Increases/Decreases:**

<b>Program Initiative</b>	<b>Funding Request</b>	<b>Anticipated Impact</b>	<b>Location in the Budget</b>
Asian American and Pacific Islander Commission	\$500	Strengthen activities of the AAPI Commission and working group while advancing business to business growth	Page 36
Information Center/Data Delivery	\$203	Enhance the dissemination and analysis of statistical data	Page 46



## **Explanation of Each Performance Measure**

### ***Total Number of Clients receiving services***

This measure consolidate all clients served by its staff, funded network (MBDCs, NABDCs, MBOCs) and its on-line Portal (business) tools including the Phoenix Opportunity contract matching system.

#### **FY 2005 Target**

The target for FY 2005 was increase to reflect the actual number of clients that received services in FY 2004. The level of performance reported in FY 2004 is expected to continue in FY 2005.

#### **FY 2006 Target**

In FY 2006 MBDA projects that the number of clients receiving services will increase slightly above the target for FY 2005. This increase is projected to be a reflection of the additional clients who will receive services from the enhancement of the services provided by MBDA.

### ***Dollar Value of contracts awards obtained***

The dollar value of contracts awarded to minority business enterprises is an indicator that will measure MBDA's impact on the Nation's economy. This measure represents the cumulative dollar value of approved and verified contract awards obtained for clients served by MBDA funded projects, agency staff, and on-line tools.

#### **FY 2005 Target**

In FY 2004 MBDA exceeded its target for the dollar value of contracts awards obtained. However, in FY 2005 the target will remain the same as that of FY 2004 during the implementation of revisions to both the MBDC and MBOC programs.

#### **FY 2006 Target**

The target for contract awards obtained in FY 2006 is an increase from the FY 2005 target. MBDA projects that the dollar value of contracts will increase due to the completion of revisions to both the MBDC and MBOC programs.

***Dollar value of financial awards obtained***

This represents the cumulative dollar value of approved and verified financial packages for clients served by MBDA funded projects and Agency staff that have an award date during the fiscal year.

**FY 2005 Target**

MBDA's target for FY 2005 is increased to reflect the actual obtained in FY 2004 and the continued implementation of the agency's Strategic Growth Policy.

**FY 2006 Target**

In FY 2006 MBDA projects that the dollar value of financial awards will continue to increase as the agency continues to use its staff, electronic tools and network of funded centers to reach a larger segment of the minority business community.

***Number of new job opportunities created***

The growth in the numbers of MBE employees is one of the entrepreneurial parity components that will benchmark MBDA's long-term success. This measure focuses specifically on the number of jobs created in minority business enterprises as a result of services provided by MBDA's funded projects and staff.

**FY 2005 Target**

FY 2005 is the first year of reporting for this measure, therefore the target for FY 2005 is based on historical data obtained from job creation activities of FY 2004 and prior years.

**FY 2006 Target**

The target for FY 2006 is a projection based on actual activities of FY 2004 and estimates for FY 2005.

***Percent increase in Client Gross receipts***

MBDA measures increases in MBE gross receipts to determine the extent to which entrepreneurial parity is being reached. This measure will focus specifically on the increase to minority business enterprise gross receipts as a result of services provided by MBDA's funded projects and staff.

#### FY 2005 Target

This will be a new measure for FY 2005. However target projections for the measure are based on performance data collected in FY 2004. MBDA projects a 5% increase in the percent increase in client gross receipts in FY 2005.

#### FY 2006 Target

A 6% increase in client gross receipts is projected for FY 2006. This projection is anticipated due to the completion of revised MBDC and MBOC programs, and the enhancements of the AAPI program and the Information Center/Data Delivery initiatives during FY 2006.

#### ***Percent increase in Customer Satisfaction Index***

MBDA has worked with the Federal Consulting Group and the University of Michigan to establish a baseline for the American Customer Satisfaction Index using an established model to survey MBDA's programs and customer relations. MBDA expects to improve this index and complete additional surveys.

#### FY 2005 Target

In FY 2005 MBDA anticipates a 5% increase in the agency's customer satisfaction index base which was established in FY 2004.

#### FY 2006 Target

In FY 2006 MBDA anticipates that the projected percent increase in the Customer Satisfaction Index for the agency will be the same as that of FY2005. The target for this measure may be adjusted after actual performance data is collected in FY 2005.

#### ***Number of national and regional partnerships***

Strategic partnerships play an important role in the leveraging of resources. MBDA will monitor the number, growth, wealth, and empowerment enhanced through national, regional, and local partnerships established by the agency and funded network that will impact the status of the minority business community.

#### FY 2005 Target

The target for FY 2005 is an increase above the target of FY 2004 of 150. The increase in the FY 2005 target is based on the actual number of national and regional partnerships that were reported in FY 2004.

#### FY 2006 Target

MBDA will continue in FY 2006 to leverage its resources through the creation of national and regional partnership. However it is projected that the number of national and regional partnerships in FY 2006 will remain the same as that of FY 2005.

#### **Changes in measures for FY 2006**

In order to comply with Departmental guidelines, MBDA reviewed its proposed performance measures for FY 2006 and removed the following:

- Number of Contract awards obtained
- Number of Financial awards obtained
- Number of Employee training hours

In reviewing these measures it was agreed that they represent outputs rather than outcomes. MBDA will continue to track these activities internally.

#### **Program Evaluations**

MBDA will continue to review each performance measure and complete program evaluations that will analyze the success of all of its programs and internal operations. MBDA will benchmark the effectiveness of Agency programs to decrease the unit costs for business development services. Improvements can be made in program monitoring, grant packaging, staff brokering services, reporting systems, training, advocacy and marketing. The Office of Performance and Program Evaluation will be evaluating a variety of tactical measures used to improve operations.

#### **Cross-cutting Activities:**

##### **Intra-Department of Commerce:**

MBDA continues to engage in cooperative efforts with several Departmental organizations. MBDA will utilize the resources offered by the Department of Commerce to maintain effective operations and by doing the following:

- Acquire best practices concerning financial processes in cooperation with the National Institute of Standards and Technology (NIST).
- Develop an automated procurement and contracting system with the National Oceanic and Atmospheric Administration (NOAA).
- Ensure effective human capital initiatives through the International Trade Administration (ITA), which serves as the human resource office for MBDA.
- Continue our alliance with the ITA to identify qualified minority vendor firms that can participate in trade missions to obtain global opportunities and receive the necessary information and technical assistance from ITA export assistance centers.
- Include minority business enterprise in new and emerging technology and innovation programs offered by NOAA and NIST ventures such as manufacturing extension centers and aquaculture business.
- Work with the Census Bureau to maintain current data and demographic information that can be used for marketing research and expand the survey of minority business to an annual collection.

#### **Other Government Agencies:**

MBDA will reach out to other Federal agencies, such as:

- The Office of Personnel Management to stay current with the latest and most effective programs for enhancing human capital.
- The U.S. Department of Agriculture and the U.S. Department of Treasury to provide information regarding the latest and best training programs for budget, debt management, and finance.
- Export-Import Bank to include minority business in trade initiatives that provide access to export financing and global markets.
- Offices of Small and Disadvantaged Business Utilization (OSDBUs) to work closely with agency representatives to identify contracts and government programs that can service minority business and to respond to MBDA's requests to participate in trade fairs and procurement conferences.
- United States Agency for International Development (USAID) to educate the minority business and the African business communities on two-way trade between MBEs and sub-Saharan African businesses.
- MBDA has always had a working relationship with the Small Business Administration (SBA) to share resources and support the needs of local communities in promoting business ownership. MBDA and SBA work together to cosponsor the Annual Minority Enterprise Development (MED) Week conference.

### **Government/ Private Sector Partnerships:**

Private sector corporations contribute sponsorships to finance local and national conferences to benefit minority businesses such as the annual Minority Business Development Week (MED Week) conference. Likewise, other local governments and communities assist with MBDA events to promote procurement opportunities, social capital/networking, and organizational alliances. These stakeholders also:

- Participate in local workshops and training seminars on issues of importance to the minority business community.
- Distribute information about business opportunities.
- Sponsor booths to exhibit products and services at trade fairs.
- Receive Congressional and Presidential recognition for significant achievements.

### **External Factors and Mitigation Strategies**

By FY 2005, more than 45% percent of MBDA's workforce will be eligible for retirement. This could lead to a significant exodus of skills and institutional knowledge. MBDA will respond to this potential situation by engaging in an extensive training and recruitment program focusing in the areas of needed expertise. MBDA, being a business program must respond to economic downturns and still provide needed services. The continued use of strategic partnerships with public and private sector organizations will help to leverage limited resources.

Business-to-business and business-to-world-market economies require updated E-commerce technologies in order to partner with other larger firms. There are other practices that often deny minority firms access to the marketplace. MBDA is mitigating these factors into its market-focused information technology programs and internet portal that will offer solutions and assistance electronically.

MBDA has relied upon the 1997 Survey of Minority-Owned Business Enterprise (SMOBE) that does not have the most current and comprehensive minority business data.<sup>1</sup> New results for the Survey of Business Owners and Self-Employed Persons (SBO) will be

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<sup>1</sup> The Survey of Business Owners and Self-Employed Persons (SBO) provides statistics that describe the composition of U.S. businesses by gender, race and ethnicity. This survey as previously conducted as the 1997 Economic Census Surveys of Minority- and Women-Owned Business Enterprises (SMOBE/SWOBE).

released by Census in 2005. MBDA will be reviewing new data and looking at how it can use this information as a tool to build a foundation for research and add value to minority business communities.

### Data Validation and Verification

<b>Performance Measure</b>	<b>Data Source</b>	<b>Frequency</b>	<b>Data Storage</b>	<b>Internal Control Procedures</b>	<b>Data Limitations</b>	<b>Actions to be taken</b>
Total number of all Clients Receiving assistance	Secured Internet transmission to Program Performance system	Semi-annual reports	Oracle platform	Source Verification by Regional Project managers	Data Integrity will depend on implementation of agency verification policy	Review quarterly by OPPE staff
Dollar Value of Contract awards Obtained	Secured Internet transmission to Program Performance system	Semi-annual reports	Oracle platform	Source Verification by Regional Project managers	Data Integrity will depend on implementation of agency verification policy	Review quarterly by OPPE staff
Dollar Value of Financial Awards Obtained	Secured Internet transmission to Program Performance system	Semi-annual reports	Oracle platform	Source Verification by Regional Project managers	Data Integrity will depend on implementation of agency verification policy	Review quarterly by OPPE staff
Number of new job Opportunities created	Secured Internet transmission to Program Performance system	Semi-annual reports	Oracle platform	Source Verification by Regional Project managers	Data Integrity will depend on implementation of agency verification policy	Review quarterly by OPPE staff
Percent Increase in Client Gross Receipts	Secured Internet transmission to Program Performance system	Semi-annual reports	Oracle platform	Source Verification by Regional Project managers	Data Integrity will depend on implementation of agency verification policy	Review quarterly by OPPE staff
Percent Increase in the Customer Satisfaction Index	Federal Consulting Group Confidential	Two year follow-up Survey	Established Model for benchmark	Client Performance system database for Agency Programs	Data Integrity will depend on implementation of agency verification	Review quarterly by OPPE staff



	Survey				policy	
Number of National and Regional Partnerships	Memorandum of Understanding (MOU) or agreements	Collect real-time and report quarterly through Chief Counsel.	Automated spreadsheet and database running on an Oracle platform.	Source Verification by National and Regional managers	Data Integrity will depend on implementation of agency verification policy	Review quarterly by OPPE staff

## **NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION** **FY 2006 ANNUAL PERFORMANCE PLAN**

The National Oceanic and Atmospheric Administration (NOAA) is a future-minded environmental science agency whose mission is to understand and predict changes in the Earth's environment and conserve and manage coastal and marine resources to meet the Nation's economic, social, and environmental needs.

Success in a global economy is linked not only in the ability to respond or react to events but to anticipate or forecast them. Moreover, understanding ocean and atmosphere is essential to sustaining the United States' environmental and economic health. As an agency, NOAA aims to become the global leader for integrated management of the oceans and the atmosphere. From satellite imagery to tornado warnings, navigational charts to fishery stock assessments, hurricane tracking to El Niño and harmful algal bloom predictions, severe weather forecasts to coastal zone management – every day NOAA's science, service and stewardship are essential to the lives of millions of people in the United States. For example, lives, safety and businesses depend on reliable weather and climate forecasts to minimize disruption in economic activity and everyday life. Accurate predictions of severe weather safeguard both lives and economic structure of communities. A deeper understanding of long-term climate and environmental trends can impact daily activities from the strategic planting of crops to better management of water and energy resources. Coastal communities, representing over thirty percent of the U.S. gross domestic product, depend heavily on sustaining healthy marine habitats and a robust ocean ecosystem.

NOAA's science-based management approach provides a solid foundation for economic growth and a healthy economy. New priorities for global observation systems, international cooperation, and homeland security will improve NOAA's delivery and effectiveness of services for all of its mission goals. Ultimately, NOAA's success will be measured in the quality of information, service, and benefits provided to customers – the American public.

### **Priorities/Management Challenges**

The 21<sup>st</sup> century poses complex challenges for NOAA. As the new century unfolds, new priorities for NOAA action are emerging in the areas of climate change, freshwater supply, ecosystem management, and homeland security. Every aspect of NOAA's mission – ranging from managing coastal and marine resources to predicting changes in the Earth's environment – faces a new urgency to address intensifying national needs related to the economy, the environment, and public safety.

In FY 2003, NOAA updated its Strategic Plan to address global emerging trends and to guide NOAA business processes to address those trends. Significant reports such as the Preliminary Report of the U.S. Commission on Ocean Policy and the Strategic Plan for the U.S. Climate Change Science Program cite growing needs with respect to the oceans, coasts, and response to climate changes. Recommendations in such reports were used to form the

revised NOAA Strategic Plan, setting a framework for addressing the needs of the Nation today and tomorrow. The Strategic Plan responds to the President's Management Agenda for a citizen-centered, results-driven organization that serves every American every day.

In FY 2004 NOAA restructured its Strategic Plan to 1. Retain the four existing goals identified in FY 2003 but re-classify them as NOAA's "mission goals" and 2. Add one goal and classify it as NOAA's "mission support goal." This restructured Strategic Plan sets an agenda to:

Four Mission Goals --

- Protect, restore, and manage the use of coastal and ocean resources through an ecosystem approach to management.
- Understand climate variability and change to enhance society's ability to plan and respond.
- Serve society's needs for weather and water information.
- Support the Nation's commerce with information for safe, efficient, and environmentally sound transportation.

One Mission Support Goal --

- Provide critical support for NOAA's mission.

The Plan's elevation in FY 2003 of ecosystem-based management and climate science to high-priority goals is especially noteworthy to meet the challenges of the 21<sup>st</sup> century. In recent years, extreme drought and flooding conditions in large regions of the Nation combine to make improved water resources prediction an urgent requirement for NOAA's future weather and climate mission. The Plan's emphasis on the Nation's needs for expanded commerce and economic development directly relates to the Administration's focus on a healthy and growing economy.

The Strategic Plan guides all NOAA's management decisions and provides a consistent framework for Line Office and cross-organizational plans, initiatives, and performance measures to be implemented. Through this revised plan, NOAA employees and contractors have a better understanding of their role in meeting NOAA's strategic goal.

### **Unit Cost Measures**

The NOAA performance measures for this report relate to the scientific work conducted within the agency. Because of the technical and complex nature of NOAA activities and the impact of biological and other natural conditions, unit cost measures are currently not used in this report. However, NOAA is currently reviewing its existing performance measures and developing (if needed) new and more relevant measures.

## **Program Assessment Rating Tool (PART)**

### **FY 06 PART Programs: Climate Program and Protected Areas**

The NOAA Climate Program was rated “Moderately Effective” as a result of the Office of Management and Budget (OMB) PART for FY06. The assessment found that the program is relatively strong and has undertaken steps to improve program management and focus on results. Additional findings included: 1) NOAA Climate coordinates with other federal agencies through the Climate Change Science Program; 2) Deficiencies in the management of NOAA’s laboratory activities as identified by the NOAA Research Review Team; 3) Need to better integrate performance into budget decisions; and 4) Program has appropriate long-term goals and annual measures which demonstrate progress. In response to these findings, NOAA is developing an action plan for implementation of the recommendations, including evaluating options for consolidating research laboratories and other management changes recommended by the NOAA Research Review Team, as well as implementing a database for tracking performance and linking it to the budget.

The NOAA Protected Areas program includes the National Marine Sanctuaries Program (NMSP) and the Marine Protected Areas Center (MPA Center). The PART applied by OMB gave the NMSP and MPA Center the highest possible rating for their defined purpose and management. Further, the NMSP and the MPA Center scored very well on the planning systems section of the PART. Scores for the results and accountability section resulted in the "adequate" rating overall for Protected Areas program. The PART assessment noted that more integration among the programs within the larger coastal and marine management arena would be an improvement. The assessment also noted the importance of the NMSP's requirement to address site-specific natural and cultural resource protection issues through public processes. In response to these findings, the NMSP and MPA Center will ensure that targets and time frames for performance are ambitious.

### **Status on implementation of recommendations of previous PART Programs**

NOAA is on track to meet the recommendations made on previous PART reviewed programs. NOAA has developed a suite of proposed outcome-oriented measures in response to recommendations regarding the Coastal Zone Management Program and National Estuarine Research Reserve System. In addition, eight states are participating in a pilot effort to assess data sources and refine the proposed coastal management measures for implementation. Regarding the Nautical Mapping and Charting Program, NOAA has implemented an interagency agreement with the United States Merchant Marine Academy to look at data to support clear and meaningful linkages between long-term performance measures and annual goals.

In response to recommendations regarding NMFS regulatory programs, NOAA has implemented management and organizational changes including: replacement of the performance measures for the Protected Species Program; merger of the Planning and Budget Formulation Divisions of the Management and Budget Office; improvement of the efficiency and effectiveness of regulatory operations; decreased policy vulnerability to legal challenges; and reduced regulatory burden on the affected public. Regarding the Pacific Coastal Salmon Recovery Fund, NOAA has

developed performance indicators and collected data to develop baseline information to set performance targets to demonstrate results from the Fund. Final measures and their targets will be available March 30, 2005.

**FY 2006 Program Increases**

Program increases are listed under each Performance Goal (see relevant section).

## Targets and Performance Summary

### Performance Goal for Ecosystems: Protect, restore, and manage the use of coastal and ocean resources through an ecosystem approach to management

Measure	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Target	FY 2006 Target	Comment
Number of Overfished Major Stocks of Fish	46	45	44	43	42	42	The FY 2003 actual was incorrectly reported in the Department of Commerce FY 2004 Performance and Accountability Report (PAR). The FY 04 Actual is a projection; actual available 5/31/05.
Number of Major Stocks with an "Unknown" Stock Status	120	88	94	85	81	77	The FY 04 Actual is a projection; actual available 5/31/05.
Number of protected species designated as threatened, endangered or depleted with stable or increasing population levels	New	17	18	18	20	22	This is a new measure for FY 2006. FY 2002 – 2005 actuals and targets provided for informational purposes.
Number of stocks of protected species with adequate population assessments	New	New	New	45	55	65	This is a new measure for FY 2006. FY 2002 – 2005 actuals and targets provided for informational purposes.
Number of Habitat Acres Restored (Annual/Cumulative)	1,520	4,300/ 5,820	5,200/ 11,020	5,563/ 16,583	4,500/ 21,083	4,575/ 25,658	In the FY 04 PAR, the FY 04 actual was reported as a projection; the actual is reported here.

**See discussion on page xlvi for background on the following measures:**

<b>Measures Under Development</b>	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Target</b>	<b>FY 2006 Target</b>	<b>Comment</b>
<i>Percentage of coastal and marine ecosystems with improved ecosystem health</i> Proxy: Percentage of shallow coral reef ecosystems with improved condition	New	New	New	New	78 percent of states/territories in the National Coral Reef Monitoring Program have implemented a nationally coordinated, long-term monitoring and assessment system. (Complete system implementation by FY 2009).	78 percent of states/territories in the National Coral Reef Monitoring Program have implemented a nationally coordinated, long-term monitoring and assessment system. (Complete system implementation by FY 2009).	FY 05 data is provided for informational purposes. Proxy is measure to be assessed in FY 06.
<i>Percentage of Coastal and Marine Ecosystems Adequately Characterized for Management</i> Proxy: Percentage of Coastal and Marine Protected Area Sites Adequately Characterized	New	New	New	55%	65%	74%	FY 04 and 05 data are provided for informational purposes. Proxy is measure to be assessed in FY 06.
Cumulative Number of Coastal and Marine Ecosystem Forecasting Capabilities Developed and Used for Management	New	New	New	1	1	1	FY 04 and 05 data are provided for informational purposes.
Capacity Building for Ecosystem Management: cumulative number of tools and technologies that improve ecosystem management	New	New	New	New	TBD	TBD	
Cumulative Number of Coastal and Marine Habitat Acres Restored and/or Designated or Acquired for Long-term Protection	New	New	New	15,807	12,969	245,828	This would expand the current acres restored measure listed in the previous table. FY 04 and 05 data are provided for informational purposes.

**Performance Goal for Climate: Understand climate variability and change to enhance society's ability to plan and respond**

<b>Measure</b>	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Target</b>	<b>FY 2006 Target</b>	<b>Comment</b>
U.S. Temperature Forecasts (Cumulative Skill Score Computed Over the Regions Where Predictions are Made)	20	18	17	17	18	18	
Reduce the Uncertainty in the Magnitude of the North American (NA) Carbon Uptake	New	Identified Five Pilot Carbon Profiling Sites and four New Oceanic Carbon Tracks	Established five pilot atmospheric profiling sites. Established one oceanic carbon track; identified two additional oceanic carbon tracks	Reduce Uncertainty of Atmospheric Estimates of NA Carbon Uptake to +/- 0.5 Gt. Carbon per Year	Reduce Uncertainty of Atmospheric Estimates of NA Carbon Uptake to +/- 0.48 Gt. Carbon per Year	Reduce Uncertainty of Atmospheric Estimates of NA Carbon Uptake to +/- 0.4 Gt. Carbon per Year	This performance measure has been reworded to reflect North America and not just the United States.
Reduce the Uncertainty in Model Simulations of the Influence of Aerosols on Climate	New	New	New	New	New	Establish 15% improvement (baseline: 2001 climate change assessment) in uncertainty in model simulations of how North	This is a new measure for FY 2006.



						American aerosols influence climate	
Determine the National Explained Variance (%) for Temperature and Precipitation for the Contiguous United States using USCRN Stations	New	Captured more than 85% of the Annual National Temperature Trend and more than 55% of the Annual National Precipitation Trend for the Contiguous U.S.	Captured more than 95% of the Annual National Temperature Trend and captured 84% of the Annual National Precipitation Trend for the Contiguous U.S.	Captured more than 96% of the Annual National Temperature Trend and more than 90% of the National Annual Precipitation Trend for the Contiguous U.S.	Capture 96.7% of the Annual National Temperature Trend and 90% of the Annual National Precipitation Trend for the Contiguous U.S	Capture 97% of the Annual National Temperature Trend and 91.2% of the Annual National Precipitation Trend for the Contiguous U.S	The FY 2002 actual of 55% was incorrectly reported in the Department of Commerce FY 2004 Performance and Accountability Report.
Reduce the Error in Global Measurement of Sea Surface Temperature	New	New	New	New	New	0.4 C	This is a new measure for FY 2006.
Improve Society's Ability to Plan and Respond to Climate Variability and Change Using NOAA Climate Products and Information	New	New	New	New	New	32 risk assessments / evaluations communicated to decision makers	This is a new measure for FY 2006.

**Performance Goal for Weather and Water: Serve society's needs for weather and water information**

Measure		FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Target	FY 2006 Target	Comment
Lead Time (Minutes), Accuracy (%), and False Alarm Rate (FAR, %) for Severe Weather Warnings Tornadoes	Lead Time	10	12	13	12	13	14	Preliminary FY 2004 actual
	Accuracy	67%	76%	79%	75%	73%	76%	Preliminary FY 2004 actual
	FAR	73%	73%	76%	75%	73%	72%	Preliminary FY 2004 actual. In the Department of Commerce FY 2004 Performance and Accountability Report (PAR), the FY 01 actual was incorrectly reported.
Lead Time (Min) and Accuracy (%) for Severe Weather Warnings for Flash Floods	Lead Time	46	52	41	47	48	48	In the FY 2004 PAR, the FY 04 actual was reported as a projection; the actual is reported here.
	Accuracy	86%	89%	89%	89%	89%	90%	In the FY 04 PAR, the FY 04 actual was reported as a projection; the actual is reported here.
Hurricane Forecast Track Error (48 Hour)	Nautical Miles	New	122	107	94	128	128	In the FY 04 PAR, the FY 04 actual was reported as a projection; the actual is reported here.
Accuracy (%) (Threat Score) of Day 1 Precipitation Forecasts		New	30	29	29	27	28	In the FY 04 PAR, the FY 03 actual was incorrectly reported.

Lead Time (Hours) and Accuracy (%) for Winter Storm Warnings	Lead Time	13	13	14	15	15	15	In the FY 04 PAR, the FY 04 actual was reported as a projection; the actual is reported here.
	Accuracy	90%	89%	90%	91%	90%	90%	In the FY 04 PAR, the FY 04 actual was reported as a projection; the actual is reported here.
Cumulative Percentage of U.S. Shoreline and Inland Areas that Have Improved Ability to Reduce Coastal Hazard Impacts		8%	8%	17%	17%	28%	32%	

**Performance Goal for Commerce and Transportation: Support the Nation’s commerce with information for safe, efficient, and environmentally sound transportation**

<b>Measure</b>	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Target</b>	<b>FY 2006 Target</b>	<b>Comment</b>
Reduce the Hydrographic Survey Backlog Within Navigationally Significant Areas (square nautical miles surveyed per year)	2,963	1,514	1,762	2,070	2,700	3,500	
Percentage of U.S. counties rated as enabled or substantially enabled with accurate positioning capacity	New	New	New	25%	28%	33%	This is a new measure for FY 2006.
Accuracy (%) and False Alarm Rate (FAR) (%) of Forecasts of Ceiling and Visibility (3miles/1000 ft.) (Aviation Forecasts):							In the FY 04 PAR, the FY 04 actual was reported as a projection; the actual is reported here.
Accuracy (%)	New	45%	48%	45%	46%	48%	
FAR (%)	New	71%	64%	65%	68%	68%	
Accuracy (%) of Forecast for Winds and Waves (Marine Forecasts)							
Wind Speed	New	52%	57%	57%	57%	60%	
Wave Height	New	68%	71%	67%	67%	70%	

**Performance Goal for Mission Support: Provide critical support for NOAA's mission**

There are no GPRA measures for the Mission Support goal since the activities of this goal support the outcomes of the Mission goals. NOAA is developing new and improving existing internal management performance measures for the Mission Support Goal.

<b>Measure</b>	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Target</b>	<b>FY 2005 Target</b>	<b>FY 2006 Target</b>
N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

**Resource Requirements Summary**  
**(\$ in Millions)**

<b>Performance Goal for Ecosystems: Protect, restore, and manage the use of coastal and ocean resources through an ecosystem approach to management</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Enacted</b>	<b>FY 2006 Base</b>	<b>Increase/Decrease</b>	<b>FY 2006 Request</b>
Operations, Research, Facilities					
National Ocean Service	331.0	364.2	226.3	5.9	232.2
National Marine Fisheries Service	632.1	632.1	570.8	52.7	623.5
NOAA Research	164.9	146.4	113.9	4.1	118.1
National Weather Service	0	0	0	0	0
NESDIS	10.7	16.8	17.4	0	17.4
Program Planning and Integration	0	0	0	0	0
Program Support	0	0	0	0	0
Procurement, Acquisition, and Construction	10.4	59.0	0	0	0
Other-Discretionary and Mandatory	114.9	117.1	106.4	0	106.4
Total	1,182.3	1,378.5	1,034.8	62.8	1,097.5
IT Funding	2.6	2.7	2.7	.2	2.9
FTE	3,611	3,484	3,435	43	3,478

Note: Funding amounts reflect direct obligations

**Resource Requirements Summary**  
**(\$ in Millions)**

<b>Performance Goal for Climate: Understand climate variability and change to enhance society's ability to plan and respond</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Enacted</b>	<b>FY 2006 Base</b>	<b>Increase/Decrease</b>	<b>FY 2006 Request</b>
Operations, Research, and Facilities					
National Ocean Service	0	0	0	0	0
National Marine Fisheries Service	1.4	1.5	1.5	.5	2.0
NOAA Research	168.4	173.8	156.2	18.0	174.3
National Weather Service	15.4	17.6	21.5	.2	21.6
NESDIS	51.0	54.1	31.0	1	32.0
Program Planning and Integration	0	0	0	0	0
Program Support	0	3.5	3.5	0	3.5
Procurement, Acquisition, and Construction	3.2	6.4	6.5	0	6.5
Other-Discretionary and Mandatory	0	0	0	0	0
<b>Total</b>	<b>239.5</b>	<b>256.9</b>	<b>220.3</b>	<b>19.7</b>	<b>239.9</b>
IT Funding	60.8	79.7	79.7	-1	79.6
FTE	603	602	601	11	612

Note: Funding amounts reflect direct obligations

**Resource Requirements Summary**  
**(\$ in Millions)**

<b>Performance Goal for Weather and Water: Serve society's needs for weather and water information</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Enacted</b>	<b>FY 2006 Base</b>	<b>Increase/Decrease</b>	<b>FY 2006 Request</b>
Operations, Research, and Facilities					
National Ocean Service	31.4	28.5	9.6	.4	10.1
National Marine Fisheries Service	0	0	0	0	0
NOAA Research	71.0	65.4	51.2	1.9	53.1
National Weather Service	695.0	671.9	680.1	19.7	699.8
NESDIS	2.7	9.3	5.6	1.1	6.7
Program Planning and Integration	0	0	0	0	0
Program Support	0	.6	.6	0	.6
Procurement, Acquisition, and Construction	83.6	76.6	77.1	11.2	88.3
Other-Discretionary and Mandatory	0	0	0	0	0
<b>Total</b>	<b>883.6</b>	<b>852.3</b>	<b>824.3</b>	<b>34.3</b>	<b>858.6</b>
IT Funding	289.1	286.1	286.1	-9.3	276.8
FTE	4,760	4,655	4,652	0	4,652

Note: Funding amounts reflect direct obligations



**Resource Requirements Summary**  
**(\$ in Millions)**

<b>Performance Goal for Commerce and Transportation: Support the Nation's commerce with information for safe, efficient, and environmentally sound transportation</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Enacted</b>	<b>FY 2006 Base</b>	<b>Increase/Decrease</b>	<b>FY 2006 Request</b>
Operations, Research, Facilities					
National Ocean Service	152.1	141.6	126.0	18.6	144.7
National Marine Fisheries Service	0	0	0	0	0
NOAA Research	0	0	0	0	0
National Weather Service	12.9	14.4	14.9	1.1	16.0
NESDIS	27.1	8.6	8.8	.1	8.9
Program Planning and Integration	0	0	0	0	0
Program Support	0	0	0	0	0
Procurement, Acquisition, and Construction	0	0	0	0	0
Other-Discretionary and Mandatory	0	0	0	0	0
Total	192.2	164.7	149.6	20.0	169.6
IT Funding	11.9	11.9	11.9	.6	12.5
FTE	716	751	755	5	760

Note: Funding amounts reflect direct obligations

**Resource Requirements Summary**  
**(\$ in Millions)**

<b>Performance Goal for Mission Support: Provide critical support for NOAA's mission</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Enacted</b>	<b>FY 2006 Base</b>	<b>Increase/Decrease</b>	<b>FY 2006 Request</b>
Operations, Research, Facilities					
National Ocean Service	0	6.9	7.0	.3	7.3
National Marine Fisheries Service	0	0	0	0	0
NOAA Research	1.8	18.5	16.3	0	16.3
National Weather Service	1.5	0	7.4	0	7.4
NESDIS	58.4	87.2	86.8	2.2	89.0
Program Planning and Integration	2.0	2.5	2.0	0	2
Program Support	304.6	361.1	308.2	29.6	337.8
Procurement, Acquisition, and Construction	920.0	900.0	798.5	73.7	872.2
Other-Discretionary and Mandatory	17.2	17.6	18.5	0	18.5
<b>Total</b>	<b>1,304.5</b>	<b>1,393.8</b>	<b>1,244.7</b>	<b>105.8</b>	<b>1,350.5</b>
IT Funding	108.0	110.7	110.7	8.7	119.5
FTE	2,178	2,437	2,515	1	2,516

Note: Funding amounts reflect direct obligations

**Resource Requirement Summary  
(\$ in Millions)**

	FY 2004	FY 2005	FY 2006
Grand Total	Actual	Enacted	Request
<b>Operations, Research, and Facilities</b>			
National Ocean Service	514.5	541.2	394.2
National Marine Fisheries Service	633.5	676.5	625.5
NOAA Research	406.0	404.1	361.7
National Weather Service	724.8	703.9	744.8
NESDIS	149.9	176.1	154.0
Program Planning and Integration	1.9	2.5	2.0
Program Support	304.6	365.2	342.0
<b>Procurement, Acquisition, and Construction</b>			
National Ocean Service	128.3	127.1	14.5
National Marine Fisheries Service	32.1	31.0	2.0
NOAA Research	32.2	9.7	10.5
National Weather Service	102.2	79.1	94.4
NESDIS	663.9	731.4	809.9
Program Support	58.4	63.9	35.7
<b>Other Accounts</b>			
<b>Discretionary</b>			
National Ocean Service	0	0	0
National Marine Fisheries Service	2.9	90.1	89.6

**Resource Requirement Summary**  
**(\$ in Millions)**  
**(Continued)**

	FY 2004	FY 2005	FY 2006
	Actual	Estimate	Request
<b>Mandatory</b>			
National Ocean Service	7.3	1.0	6.0
National Marine Fisheries Service	23.2	26.0	10.8
Program Support	16.3	17.6	18.5
Direct	3,904.3	4,046.3	3,716.1
Reimbursable	209.2	209.2	209.2
Total Funding	4,113.5	4,255.5	3,925.3
IT Funding*	472.4	491.1	491.3
<b>FTE</b>			
Direct	11,868	11,929	12,018
Reimbursable	713	849	815
Total	12,581	12,778	12,833

\*IT funding included in total funding.

Notes:

Funding amounts reflect direct obligations.

Other Accounts/Mandatory Program Support is a breakout of the NOAA Commissioned Officers Retirement Account.

**Performance Goal for Ecosystems: Protect, restore, and manage the use of coastal and ocean resources through an ecosystem approach to management**

**DOC Strategic Goal 3: Observe, protect, and manage the earth’s resources to promote environmental stewardship**

**General Goal/Objective 3.2: Enhance the conservation and management of coastal and marine resources to meet America’s economic, social and environmental needs**

Coastal areas are among the most developed in the Nation, with over half of our population lives on less than one-fifth of the land in the contiguous United States. Coastal counties, including those along the Great Lakes, are growing three times faster than counties elsewhere, adding more than 3,600 people a day to their populations. Coastal and marine waters support over 28 million jobs, and provide a tourism destination for 180 million Americans a year. The value added to the national economy is over \$115 billion. The amount added annually to the national economy by the commercial and recreational fishing industry alone is over \$48 billion annually, with an additional \$6 billion in direct and indirect economic impacts from aquaculture. With its Exclusive Economic Zone of 3.4 million square miles, the U.S. manages the largest marine territory of any nation in the world. Within this context, NOAA works with its partners to achieve a balance between the use and protection of these resources to ensure their sustainability, health, and vitality for the benefit of this and future generations and their optimal contribution to the Nation’s economy and society.

NOAA has a unique mandate from Congress to be a lead Federal agency in protecting, managing and restoring these marine resources. To meet this mandate, our scientists, specialists, and external partners contribute a world-class expertise in oceanography, marine ecology, marine archeology, fisheries management, conservation biology, natural resource management, and risk assessment. To achieve balance among ecological environmental and social influences, we have adopted an ecosystem approach to management. We recognize that the transition to an ecosystem approach must be incremental and collaborative. In pursuing this approach, we strive to integrate the concerns, priorities, and expertise of all citizens and sectors in the management of coastal and marine resources.

Until ecosystem approaches are fully adopted, NOAA will continue to manage on a more narrowly focused species- and site-specific basis. However, NOAA will be improving the science, management, and regulatory processes to implement a more comprehensive ecosystem approach that will allow better management decisions for the Nation’s ocean, coastal, and Great Lakes resources.

<b>Program Initiative</b>	<b>FTE</b>	<b>Funding Request</b>	<b>Anticipated Impact</b>
Expand Stock Assessments- Improve Data Collection	8	\$4,597,000	Address long-standing shortfalls in fisheries science, fishery monitoring, and fisheries data management capabilities.
Fish Statistics-Economics	7	\$4,400,000	Enhance economic and socio-cultural data collection programs, data which is

and Social Science Research			necessary to estimate both the market and non-market benefits society derives from living marine resources, and for assessing the human impacts from and responses to management decisions.
Observers/Training	2	\$1,469,000	Increase observer coverage by approximately 604 additional sea days. This level of funding will also enable NOAA to fully meet sampling design objectives in three currently observed fisheries and initiate coverage in two additional fisheries to obtain preliminary estimates of catch and bycatch rates. This information will allow development and implementation of a statistically valid sampling design in these fisheries within three to five years.
Conservation and Management Base - Vessel Buyback	0	\$440,000	Funds will help NOAA to reduce Atlantic pelagic long-line swordfish fishery vessels. NOAA plans to partner with the fishing industry to plan and conduct a voluntary permit buyback program in the commercial sector of the Atlantic Highly Migratory Species (HMS) pelagic and bottom longline fisheries. This reduction will help achieve an appropriate balance between resource availability and harvesting capacity in this fishery, reduce conflicts with recreational user groups targeting these resources, and reduce bycatch of important species like blue and white marlin and endangered sea turtles.
Regulatory Streamlining:	7	\$595,000	Improve quality and timeliness of regulatory processes and policy development for Fishery Management Program. Also reduce the time required to review and process rules and regulations, increase public participation, and generate long-term savings to government.
Regional Councils	0	\$1,305,000	Allow the Regional Fishery Management Councils to analyze a greater range of alternatives when developing new Fishery Management Plans or amendments to current plans to reduce levels of overfishing and overcapacity while taking into consideration the impacts of proposed actions on other components of the marine ecosystem.
Science and Technology: Ocean Sound Research	2	\$1,100,000	Better understand the effects of ocean sound on protected marine species. Allow the development of cost effective mitigation measures to help prevent the decline of marine protected species.
Protected Resources Stock Assessments and Mortality Estimation	5	\$1,172,000	The request will increase the number and quality of stock surveys and assessments on which to base regulatory decisions. These assessments provide timely, reliable, and precise estimates of distribution, abundance, and mortality estimates for listed species. Imprecise estimates increase the probability that species will be misclassified under the ESA or MMPA; resulting in increased risk to the species, delay of recovery, and

			additional mitigation measures that pose significant economic losses to the regulated community. NMFS is required to evaluate the status of listed species annually for MMPA listings and every five years for ESA listings, and to reclassify the affected listing as appropriate following these status reviews.
Protected Species Proactive Conservation	1	\$2,550,000	Reduce the risk of extinction for two species by reducing threats to the species through on-the-ground conservation actions or development of management agreements.
Minimizing Impacts to Protected Species While Enhancing Public Service	3	\$1,000,000	Develop take reduction plans for marine mammals which should reduce their interactions with other fisheries. Reduce fishery interactions coupled with improved ESA section 7 consultation and permitting will lead to stable or increasing populations of protected species.
Recovery Plan Development and Implementation	0	\$750,000	Increased capacity to plan for and implement recovery actions for ESA-listed species. These efforts will have a direct impact on addressing threats to species survival and will lead to stable or increasing population trends.
Great Lakes Habitat Restoration	3	\$1,500,000	Establish a Great Lakes Habitat Restoration Program, emphasizing protection and restoration of NOAA trust resources at the watershed scale within the Great Lakes Areas of Concern. Provide technical support to assist in the prevention of invasive species and limiting the spread of established invasive species, harmful algal bloom, etc.
Aquatic Invasive Species Program	0	\$2,502,000	Protect coastal aquatic resources from the serious and increasing challenges of invasive species.
NCCOS – Expand and Improve Coastal Monitoring, Assessments, and Forecasts, Science in Support of Coastal Zone Management.	3	\$700,000	Enhance the quality and quantity of ecosystem data collected in support of coastal resource conservation and management activities. Develop new ecological forecast capabilities and increase efforts to transfer technology to coastal resource managers.
NCCOS – Improve Protected Areas Research, Education, and Outreach	1	\$400,000	Expand scientific research in protected areas. Will also accelerate efforts to provide more comprehensive support to the National Marine Sanctuaries Program and the National Estuarine Reserve System for better management too meet goals of each protected area due to a broader scientific foundation.
NCCOS – Strengthen the Assessment of Stressors in Chesapeake Bay	0	\$500,000	Provide more information on the types of stressors impacting Chesapeake Bay in order to support stronger linkages to marine diseases found in commercial and recreational species of importance to the Bay.

NCCOS – Center for Coastal Environmental Health and Biomolecular Research	0	\$500,000	Develop a better understanding of the effects of different land use practices on the health of the Bay’s resources, particularly on the incidence of disease in commercially important species in the Bay.
NCCOS – Increase the Understanding of Harmful Algal Bloom	0	\$500,000	Increase the understanding of the processes that control the reproduction and growth of harmful algal blooms.
Coral Reef Program – local action strategy	0	\$1,500,000	Increase will be used to augment state and territory grants for the implementation of Local Action Strategy (LAS) projects. Implementing LAS projects will significantly reduce specific threats to valuable U.S. coral reefs. It will also leverage non-NOAA resources for additional on-the-ground actions.
National Estuarine Research Reserve System	0	\$575,000	Funding will provide equipment and staffing support for physical and biological monitoring to implement the NERRS System Wide Monitoring Program.
CZM Program Administration	1	\$220,000	To support NOAA staff to work with a new reserve in Texas and the associated travel, equipment, training, rent and supply costs. In addition, the increase will cover printing of revised reserve system information to include the new reserve, and contractual funds to update reserve system plans and performance measures for facilities, land acquisition, research and education to cover the addition of the Texas reserve.
Pacific salmon	0	\$200,000	Also part of the FCRP. The goal is to measure changes in habitat capacity, and establish a linkage between habitat attributes and fish distribution, and tracking population growth rate and habitat trends.
Restorations of FY 2005 program funds		\$36,355,000	This increase will restore funds requested in FY 2005 to several programs that carry out base operations.

**Measure 1a: Number of Overfished Major Stocks of Fish**

**Explanation of Measure**

The purpose of this measure is to focus on the number of major stocks that were listed as overfished in the 2000 Report to Congress on the Status of Fisheries that have not yet been rebuilt to sustainable levels. A major stock is defined as a stock that yields annual catches of more than 200 thousand pounds (90.7 metric tons). In 2000, there were 287 major stocks, of which 56 were listed as overfished. The original baseline of 56 was changed to 46 because 10 of the 56 stocks were later reclassified as not being overfished as defined in the Fisheries Management Plan.



The goal for this measure is to reduce the number of overfished stocks from a FY 2000 baseline of 46 to 32 by 2009. The term overfishing means that the harvest rate is above a prescribed threshold. Overfished means the biomass of a given fishery's stock is below a prescribed threshold. Overfished stocks are defined in the Fisheries Management Plan.

The National Marine Fisheries Service (NMFS) is providing some financial assistance, such as disaster relief programs, to alleviate some of the hardship confronting fishermen during the course of rebuilding fisheries stocks.

### **FY 2005 and FY 2006 Targets**

There are a wide range of actions and activities that will be taken in order for NOAA Fisheries to meet the FY 2005–FY 2006 targets. The measure 'Number of Overfished Major Stocks of Fish' gauges whether the NOAA Fisheries Management Program is on the right track. The desired outcome of the program is to manage Federal fisheries for sustainability at maximum levels. To accomplish this, and meet the FY 2005–FY 2006 targets, NOAA Fisheries will: approve the fisheries management actions recommended by the Regional Fishery Management Councils, approve proposed management programs and implement the required Federal regulations. These actions require many sub-activities in order to be accomplished, such as: drafting and reviewing regulations; reviewing the biological, economic, and social analysis; overseeing the NEPA analysis and review; supervising the general review and approval process implementing regulatory requirements.

### **Measure 1b: Number of Major Stocks with an “Unknown” Stock Status**

#### **Explanation of Measure**

The purpose of this measure is to focus on the number of overfished major stocks for which the population status is known. There are 909 stocks overall (as reported in the Annual Report to Congress), of which 641 have a population status of either unknown or undefined. Currently, the population status of 161 major stocks is known. The measure addresses reducing the number of stocks with an unknown population status. The goal for this measure is to reduce the number of major stocks with an unknown status to no more than 69 by FY 2009.

Not all unknown stocks are of equal importance; parameters such as the value and quantity of catches or known role in the ecosystem as key predators or prey determine a stock's level of importance. This measure takes into account the outcome of investments in staff and data acquisition, such as charter and research vessel days-at-sea and stock assessment methodological research.

### **FY 2005 and 2006 Targets**

The target “Reduce Number of Major Stocks with an ‘Unknown’ Stock Status” is to move four major fish stocks from “unknown” status to “known” status annually. Therefore, there will be eight fewer major stocks with “unknown” status by the end of FY2006. The status of a major

fish stock is considered “known” when the requirements are fulfilled for Tier 2 of the Marine Fish Stock Assessment Improvement Plan, “Elevate Stock Assessment to New National Standards of Excellence.” These requirements are fulfilled when data collection and assessment models for major species are upgraded to achieve Level 3 Assessments, which comprise analytical models in which ages or species are integrated.

**Measure 1c: Number of Protected Species Designated as Threatened or Endangered under the Endangered Species Act, or as Depleted under the Marine Mammal Protection Act, with Stable or Increasing Population Levels**

**Explanation of Measure**

This is a new measure. The Protected Species Management program has revised all performance measures for the program to better reflect actual performance of the program as well as to allow better tracking and reporting of performance measures. The revised performance measures reflect a focus on protected species and the conservation and recovery of protected species through assessments, planning and actions. This measure tracks progress at achieving partial recovery of endangered, threatened or depleted protected species under the jurisdiction of the National Marine Fisheries Service from a baseline of 66 species established as of January 1, 2004. Protected species are defined as all marine mammal stocks (except walruses, polar bears, and manatees) and those domestic non-marine mammal species listed as threatened or endangered under the Endangered Species Act that are under the jurisdiction of the National Marine Fisheries Service. Marine Mammal species can be listed as “depleted” under the Marine Mammal Protection Act.

Recovery of threatened, endangered, or depleted protected species is very slow and can take decades. While it may not be possible to “recover or de-list” a species in a one or two year time frame, progress can be made to stabilize or increase the species. For some, it is trying to stop a steep decline (right whales, stellar sea lions); for others it is trying to increase their numbers/abundance (Ridley turtles). NOAA’s protected species management efforts are focused on halting declines and conserving species while still allowing human activities to continue.

**FY 2005 and FY 2006 Targets**

In FY 2006, NOAA will make specific investments in minimizing impacts to protected species, improving recovery planning and implementing recovery actions, and implementing recovery with states, tribes and local entities. Strategies to accomplish this performance measure include enforcing existing conservation measures; conducting priority research as identified in species recovery plans; developing partnerships with states and others to implement conservation programs; and building the tools and technology to improve the effectiveness of conservation actions. Improved protected species stock assessments and improved understanding of the effects of ocean noise will help the Protected Species Management program to make informed management decisions, leading to increased protection for species, while allowing human activities to continue.

## **Measure 1d: Number of stocks of protected species with adequate population assessments**

### **Explanation of Measure**

This is a new measure. The Protected Species Management program has revised all performance measures for the program to better reflect actual performance of the program as well as to allow better tracking and reporting of performance measures. The revised performance measures reflect a focus on protected species and the conservation and recovery of those species through assessments, planning and actions. This measure gauges efforts to improve the quality and quantity of information used in assessing the status of individual stocks of protected species. While some protected species are listed as large units under the ESA, they are managed at the stock and population level and this level is the best way to gather information on status and trends. As of the end of FY2003 only 52 of 229 stocks have adequate assessment frequency and quality that provides information on demography, abundance, habitat use, food habits, or anthropogenic impacts (Tier II).

### **FY 2005 and FY 2006 Targets**

In FY 2006, NOAA will make specific investments in improved protected species stock assessments. NOAA Fisheries is in the process of finalizing a stock assessment improvement plan for marine mammals and sea turtles that outlines the resource needs to achieve the FY2006-2010 performance targets. The goal of the program is to achieve adequate assessments for all protected species stocks by 2010.

## **Measure 1e: Number of Habitat Acres Restored (Annual/Cumulative)**

### **Explanation of Measure**

NOAA restores habitat areas lost or degraded as a result of development and other human activities, as well as specific pollution incidents and sources. Activities are geared toward NOAA trust resources found across the marine environment and supportive of anadromous fish species. The intent of this measure is to summarize or project the geographic area over which ecosystem function has been or will be improved as the direct result of habitat restoration efforts.

### **FY 2005 and FY 2006 Targets**

NMFS participates in a variety of regional and national programs to restore NOAA trust resources and meet the FY 2005 - FY 2006 targets. On a national basis, NMFS directs restoration planning, implementation and monitoring for the Community-based Restoration Program, a program of modest grants for local, partnership-based restoration activities. Over 100 such projects will be funded in FY 2005 and FY 2006. NMFS serves as the Department of Commerce representative to the Coastal Wetlands Planning, Protection and Restoration Act Task Force, through which the agency undertakes large-scale habitat restoration and protection projects in coastal Louisiana. NMFS serves as the primary source of restoration expertise for the NOAA Damage

Assessment and Restoration Program. Working with staff from the National Ocean Service and the NOAA General Counsel's Office, NMFS experts address large-scale oil spills, releases of toxic compounds, and ship groundings to obtain monetary compensation from responsible parties and apply funds to restore or replace injured resources.

### **Development of Crosscutting Ecosystem Performance Goal Measures**

Through implementation of NOAA's mandates and responsibilities, NOAA has realized the importance of integrating its efforts and adopting an approach that incorporates ecosystem-based principles and practices. In response, in FY 2003, NOAA elevated the importance of an ecosystem approach to management in the NOAA Strategic Plan. The Plan states that NOAA will target its resources to "build healthy and productive coastal and marine ecosystems that will benefit society and engage the public so they can serve as stewards of these ecosystems." Because an ecosystem approach is evolving across NOAA and other Federal agencies, NOAA recognizes that implementing this approach must be incremental and collaborative.

An expected long-term outcome for NOAA's ecosystem approach to management is engendering healthier ecosystems. Many NOAA activities are dedicated to achieving this outcome. To gauge NOAA's progress toward this outcome, NOAA is developing a long-term outcome measure, *coastal and marine ecosystems with improved ecosystem health*. Although NOAA is not currently in a position to comprehensively assess the health of coastal and marine ecosystems, NOAA can assess various indicators. For example, NOAA has made significant progress in its ability to monitor the health of shallow coral reef ecosystems, a smaller, nested ecosystem. (All ecosystems are composed of smaller, nested ecosystems.) NOAA will use the measure of shallow coral reef health, i.e., percentage of shallow coral reef ecosystems with improved condition, as a proxy for the larger ecosystem health measure to illustrate what NOAA is planning to accomplish on the larger ecosystem scale and to demonstrate the progress it is making in one type of ecosystem.

NOAA has identified four intermediate outcomes that contribute to realizing this long-term goal. The four intermediate outcomes build on foundational elements of NOAA's enterprise and should culminate in improved coastal and marine ecosystem health. They are characterization of coastal and marine ecosystems; ecosystem capacity building development, transfer, and use; ecosystem forecasting; and habitat protection and restoration. Achieving these intermediate outcomes will require more integration and major crosscutting activities and will evolve over time as NOAA's capabilities to support an ecosystem approach to management matures. To maximize results for American society, NOAA will continue to focus resources and partnership enterprises on priority coastal and marine ecosystems with the greatest needs or under the greatest threats.

Each of the four intermediate outcomes would be tracked by a performance measure. What follows are descriptions of these measures. These new performance measures when fully implemented will give NOAA an end-to-end analysis of performance. These measures are representative of NOAA's plans to date for measuring ecosystem performance. They are included in the *Annual Performance Plan* to alert stakeholders to NOAA's serious commitment to the health and productivity of coastal and marine ecosystems. These measures are interconnected and designed to track NOAA's performance in achieving the greatest impact on ecosystem health for priority coastal and marine resources.

*Ecosystem characterizations* (scientifically-based information on their location, size, and biological, chemical, and physical characteristics) provide foundational information on current ecosystem health and provide data for many coastal and marine management tools including forecasts, assessments, and management plans. These characterizations are essential to understand the history, current state, and future condition of the ecosystems NOAA works in. Ultimately, ecosystem characterizations will allow NOAA to address a broad set of management issues across multiple habitat types to document change, forecast affects of environmental stressors, and evaluate management response.

*Ecosystem forecasting* will enable managers of coastal and marine resources to predict future ecosystem status and health to understand potential impact of stressors to those resources.

*Ecosystems capacity building* provides information, knowledge, and expertise (intermediate analysis and targeting of resources) to support coastal and marine managers and other users of NOAA's products and services. This measure will help guide decision-making by NOAA and across other agencies and programs involved in ecosystem approaches to management. This measure dovetails with performance measures for forecasting and characterization, in that each of these activities can only be successful if transferred and used by others.

*Habitat restoration and long-term protection* maintains or restores habitats that provide critical ecosystem functions, as well as many other societal or economic benefits, to improve overall ecosystem health. These other activities (forecasting, characterization, etc.) impact NOAA's success at restoring and protecting habitat that ultimately improves ecosystem health.

## **Measures under Development**

**Measure 1f-i: Percentage of coastal and marine ecosystems with improved ecosystem health (as demonstrated by a suite of indicators of ecosystem health)**

**Proxy: Percentage of shallow coral reef ecosystems with improved condition**

The key outcome of NOAA's Ecosystem Goal is "Healthy and productive ocean, coastal, and Great Lakes ecosystems that benefit society". NOAA works to achieve this goal through the execution of numerous legislative mandates, which convey public trust responsibilities to NOAA for the nation's coastal and marine resources. NOAA, other Federal, state, and local government agencies, the private sector, nongovernmental groups and the public influence the desired outcome. To gauge progress toward achieving this goal, NOAA is developing a new performance measure that indicates whether ecosystem health is improving in each of the large ecosystems or subecosystems within its purview.

However, much work remains to implement this measure. For example, NOAA has begun to delineate coastal and marine ecosystems at their largest scale. NOAA will continue to develop this regional framework, and in consultation with key stakeholders, to identify subecosystems

(encompassing coastal watersheds and marine waters). Concurrently, NOAA will be developing indicators of ecosystem health in those regions. Until the ecosystems are defined and a set of indicators of ecosystem health has been identified, proxies will be required to monitor NOAA's results.

In the short to medium term, NOAA has two options for placeholder measures to track progress toward impacting the ecosystem health outcome. NOAA can potentially utilize the *Coastal Condition Report*, a U.S. Environmental Protection Agency report (produced with assistance from NOAA) that tracks the health of coastal regions using a series of indicators. However, these indicators are not compiled and reported on annually. This Report's data could serve as an interim measure of ecosystem health, reported periodically rather than annually. As a preferred option, NOAA is also helping strengthen monitoring and assessment of coral reef ecosystems and is working with many partners to assess the condition of U.S. coral reef ecosystems through biennial reports. This is one example of the type of assessment NOAA will develop in the future for a variety of marine and coastal ecosystems, and could serve as a place-holder for a larger "ecosystem health" measure until the new measure indicators, baselines, and targets are defined on the larger scale for overall ecosystem health.

NOAA works with many Federal, state, territory, and other partners to conduct observations, assess information, and track the health of shallow coral reef ecosystems in three main categories: water quality, habitat condition, and living marine resources. NOAA receives annual monitoring reports from U.S. states and territories with coral reefs detailing trends in water quality, habitat condition, and living marine resources. If two or more of the parameters are showing a significant improvement, the coral reef region is considered to have "improved condition." The Coral Reef Conservation Program is currently validating the criteria for a "significant improvement" with regional experts and expects agreement by the end of FY 2005.

### **FY 2007 and Beyond Targets**

For the coral reef ecosystem indicator measure, the 2004 baseline is zero. Given the relatively short (three years) period of time for National Coral Reef Monitoring Program, none of the coral reef regions are showing improvement at this time. For the coral reef ecosystem indicator measure, targets include: 25% of coral reef regions improving by 2010; 50% of coral reef regions improving by 2012; and 75% of coral reef regions improving by 2014.

### **Measure 1f-ii: Percentage of Coastal and Marine Ecosystems Adequately Characterized for Management**

#### **Proxy: Percentage of coastal and marine protected area sites adequately characterized**

Sound management of coastal and marine ecosystems requires scientifically-based information on their location, size, and biological, chemical, and physical characteristics. NOAA characterizes ecosystems on many scales to inform managers and users of coastal and marine resources.

Because ecosystems are dynamic, characterizations must be done both short- and long-term. In addition, characterizations can assist management decisions for a small or large geographic area. NOAA will prioritize what and when to characterize based on major needs of governments and stakeholders managing the coastal zone, protected areas, or NOAA trust resources (essential fish habitat, National Marine Sanctuaries, National Estuarine Research Reserves, and coral reef ecosystems). NOAA and partners will identify key parameters for characterizing and tracking their health.

However, much work remains to implement this measure. The components of an adequate ecosystem characterization will vary by ecosystem. Characterization of an ecosystem will likely be measured as uncharacterized (undefined), substantially characterized (with defined location, size, and physical characteristics), and adequately characterized (builds upon substantially characterized with biological and chemical characteristics).

In the short to medium term, NOAA has two options for placeholder measures to track progress toward completing ecosystem characterizations. NOAA has adequately characterized all U.S. coral reef ecosystems — NOAA could report this baseline information as a way of demonstrating progress in one component of the larger ecosystem. NOAA also characterizes coastal and marine areas that it manages for long-term protection. NOAA can report its progress in characterizing these sites as another component of the larger ecosystem.

### **FY 2007 and Beyond Targets**

By the end of FY 2004, NOAA adequately characterized all U.S. coral reef ecosystems. The measure “Percentage of coastal and marine protected area sites adequately characterized” tracks the progress of 13 National Marine Sanctuaries and 26 National Estuarine Research Reserves in completing monitoring and assessment to characterize the sites for ongoing management and long-term protection.

Under the current schema, by 2011, 50% of sites will have been adequately characterized. As NOAA refines its definition of an adequate ecosystem characterization for management, these targets will evolve.

### **Measure 1f-iii: Capacity Building for Ecosystem Management: Cumulative number of tools and technologies that improve ecosystem management**

NOAA develops and transfers its products and services and those of other stakeholders (e.g. EPA) to improve the capacity of decision makers and the public for coastal and marine ecosystem management. These products and services are intended to provide information, tools, and technologies by Federal, state, local and tribal authorities and other users whose actions impact coastal and marine ecosystems (e.g., private industry and the public). NOAA builds capacity through technical assistance, education, training, and outreach based on assessments of the users’ highest needs. This measure tracks whether NOAA activities are producing increased capacity for ecosystem management. NOAA plans to employ evaluations and surveys to assess usefulness of these products and services.

## **FY 2007 and Beyond Targets**

NOAA will develop indicators, baseline, and targets for this measure during FY 2005.

### **Measure 1f-iv: Cumulative Number of Coastal and Marine Ecosystem Forecasting Capabilities Developed and Used for Management**

NOAA is developing ecosystem forecasting models on several scales to help resource managers and other users (governmental and nongovernmental organizations and the private sector) protect coastal, marine, and human health; restore degraded environments and ecosystem functioning; and sustain living marine resources (managed fisheries and protected species). Managers will routinely use NOAA forecasts of ecosystem status and health to understand potential impact of stressors (e.g., climate change, pollution, and invasive species). Using field and laboratory studies, data, and models predicting environmental conditions under different scenarios, these forecasts will provide managers a prediction of how no management action or different actions will impact the ecosystem.

This measure tracks whether NOAA's forecasts are being used for management. It counts the cumulative number of ecosystem health forecast capabilities as they become operational. For example, Harmful Algal Blooms (HAB) forecasts in the Gulf of Mexico and Gulf of Maine would be counted as two forecast capabilities. Similarly, forecasts on HABs, pink shrimp harvest, and hypoxia in the Gulf of Mexico would be counted as three forecast capabilities in a single ecosystem. NOAA develops forecast capabilities based on the highest needs of managers and other users. NOAA will use evaluations and surveys to assess whether managers and other users have employed NOAA forecasts in management decisions.

## **FY 2007 and Beyond Targets**

By the end of FY 2004, the capability to forecast HABs in the Gulf of Mexico was complete. Under the current schema, by 2011, five NOAA ecosystem forecast capabilities are affecting management decisions. The ultimate goal is for resource managers to use NOAA's forecasts routinely.



**Measure 1f-v: Cumulative Number of Coastal and Marine Habitat Acres Restored and/or Designated or Acquired for Long-term Protection.**

(Note: This is a proposed expansion of the current GPRA measure *Number of acres restored*.)

Serious habitat degradation is evident throughout the nation's coastal and marine areas. Current threats to these habitats include contaminants, invasive species, and coastal urbanization. Habitat restoration and long-term protection are critically needed to help to reverse this trend. As a natural resource trustee and under legislative mandates, NOAA protects and restores key habitats that provide critical ecosystem functions that support the health of endangered or threatened species, essential fish habitat, as well as provide a number of other societal or economic benefits. NOAA maintains the health of coastal and marine habitats by designating and managing important areas for long-term conservation and as providing support to state and local governments to protect additional key habitats by purchasing land from willing sellers. NOAA also increases effectiveness of habitat restoration efforts by conducting damage assessments, providing solutions for protective environmental cleanup, partnering with other stakeholders, and providing technical assistance for community-based habitat restorations.

This measure has two indicators, 1) number of acres restored and 2) number of acres designated or acquired for long-term protection. These indicators describe distinct actions by NOAA to maintain or improve ecological functions.

- The *restored* indicator, an existing GPRA measure, tracks the number of restored habitat acres that had been lost or degraded as a result of development and other human activities, including pollution. The *restored* acres are the actual number of acres restored in a fiscal year.
- The *long-term protection* indicator tracks the number of acres designated for long-term protection by NOAA or by state partners, such as through the National Marine Sanctuary Program (NMSP) and National Estuarine Research Reserve System (NERRS), natural resource damage settlements, or acres acquired with NOAA funds by state or local government agencies from willing sellers for long-term protection of important coastal habitats. The protected acres are the actual number of acres protected in a fiscal year.

Since this measure does not capture all of NOAA's activities to protect habitats, NOAA is exploring how to further expand it to encompass them. (If the measure cannot be expanded to accomplish this, and it currently appears unlikely, then another approach to measure habitat protection will be implemented; NOAA is targeting FY 2007 to implement such a measure.) The measure does not track NOAA's proactive efforts to educate landowners and inform decision-makers about reducing the number of proposals that degrade or destroy habitat or its reactive efforts to comment on permits requesting development in areas that would have adverse effects on marine and coastal ecosystems.

**FY 2007 and Beyond Targets**

The goal for the restored indicator is about 4,500 acres each year. The cumulative total represents acres restored starting from a baseline of FY 2001. The goal for the long-term protection indicator is more variable, as the yearly target can vary from hundreds to thousands of acres each

year. For example, the initial habitat designation or acquisition for a new reserve or sanctuary may be in the range of hundreds of thousands of acres. The cumulative total represents acres designated or acquired to date for the National Estuarine Research Reserve System, National Marine Sanctuaries Program, and Coastal and Estuarine Land Conservation Program.

**Discontinued Measures**

\* Actual is available May 2005.

**Measure: Increase in Number of Threatened Species with Lowered Risk of Extinction**

	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
Target	2	2	5	5	6	No target
Actual	2	7	7	*		
Met/Not Met	Met	Met	Met			

**Measure: Number of Commercial Fisheries that Have Insignificant Marine Mammal Mortality**

	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
Target	2	6	6	8	8	No target
Actual	2	3	5	*		
Met/Not Met	Met	Not Met	Not Met			

**Measure: Increase in Number of Endangered Species with Lowered Risk of Extinction**

	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
Target	3	6	6	6	7	No target
Actual	3	5	5	*		
Met/Not Met	Met	Not Met	Not Met			

**Measure: Percentage of Plans to Rebuild Overfished Major Stocks to Sustainable Levels**

	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
Target	New	94%	96%	90%	98%	98%
Actual	93%	90%	90%	*		
Met/Not Met	-	Not Met	Not Met			

**Explanation of Discontinued Measures**

The first and third of the measures listed above are being replaced because NMFS does not have sufficient resources to determine the risk of extinction of endangered and threatened species with a frequency sufficient for the measures to meaningfully represent program performance. Determination of the risk of extinction involves many different factors that are examined collectively only during a full status review. Such reviews are carried out infrequently, often at five-year intervals or more, due to resource and data limitations. As a result, the measures showed little movement from year to year, and therefore did not reflect ongoing successful conservation efforts or increases in population levels. The new measure 1d, which replaces these measures, focuses on population status only rather than risk of extinction. Because this is measurable on an annual basis, it should be more sensitive to year-to-year changes, and as such is a more accurate reflection of program performance.

The second measure listed above is being discontinued because it focuses on management actions rather than on the effects of those actions on species. The new measure 1e is more outcome-oriented and is thus a better reflection of the program’s performance. It will also be easier to track on an annual basis. The fourth measure is being discontinued because it too focuses on management actions rather than on the effects of those actions on stocks. NMFS will continue to track this measure on an annual basis but not for the purposes of the Annual Performance Plan and the Performance and Accountability Report.

**Program Evaluation**

Virtually every aspect of National Marine Fisheries Service’s fisheries science program is peer reviewed, either internally within NMFS or outside the agency by, for example, the National Academy of Sciences or the National Science Foundation. NMFS also relies on extensive informal networks of university partnerships and laboratories throughout the Nation. Moreover, reviews often occur by opposing parties’ scientists in the court system when fisheries management decisions are litigated.

Evaluation efforts include peer reviews of proposals, internal and external reviews of programs, and quarterly reviews of NMFS’ overall performance in protected species recovery. Constituent input is an important part of the evaluation process and is solicited regularly through constituent workshops.

NOAA's goal to sustain healthy coasts is the product of more than 25 years of experience helping to understand and manage coastal resources so that their ecological and economic productivity can be fully realized and sustained. Evaluation efforts exist at a variety of levels, from peer reviews of proposals and evaluations of individual projects, to internal and external reviews of entire programs and quarterly reviews of NOAA's overall performance in coastal stewardship areas. Constituent input is an important part of the evaluation process and is solicited regularly through constituent workshops.

### **Cross-cutting Activities**

#### **Intra-Department of Commerce**

The National Marine Fisheries Service will focus on reducing overfishing and overcapitalization of U.S. fishery resources by improving stock assessment and prediction, improving essential fisheries habitat, and reducing fishing pressure, including downsizing of fishing fleets. The Department of Commerce, enlisting the support of key bureaus such as the Economic Development Administration, the Minority Business Development Agency, and the National Institute of Standards and Technology, will play a key role in mitigating the impact of these critical resource conservation decisions in the transition to economically sustainable communities.

#### **Other Government Agencies**

The Department of Commerce will enlist the support of other federal agencies, such as USDA, the Small Business Administration, and the U.S. Department of Labor, to mitigate the effect of resource conservation decisions.

Over the past year, NMFS has developed innovative partnerships with the states of Maine, Washington, Oregon, and California to promote the recovery of listed and at-risk salmon and steelhead species.

NOAA has leveraged its resources through a variety of effective international, interagency, state, local, private sector, and other partnerships to develop world-class coastal stewardship capabilities. These partnerships are essential to effectively integrate coastal science, assessment, monitoring, education, and management activities.

NOAA provides technical and scientific assistance to a variety of partners involved in protection, monitoring, and restoration of coastal resources. For example, NOAA provides critical information to the U.S. Coast Guard to help the Coast Guard respond to approximately 70 serious oil and chemical spills every year. NOAA also works closely with other agencies, Department of Commerce bureaus, states, local governments, and industry on important cross-cutting activities such as reducing the risks and impacts of natural hazards, protecting and restoring essential fish habitats, reducing runoff pollution, forecasting and preventing harmful algal blooms, and exploring the deep ocean and new uses of the ocean's rich biodiversity.

## **External Factors and Mitigation Strategies**

Various external factors may affect NMFS' ability to reach its targets. The impact of climate, biological, and other natural conditions affect NMFS' efforts to recover protected species and maintain the status of healthy species. In addition, many of NOAA's coastal stewardship activities depend on contributions from multiple partners, particularly states, territories, and other federal agencies. The failure of one or more of these partners to fulfill their cooperative contributions could have very serious consequences on overall efforts. Further, the effect of national and/or local economic conditions may affect NOAA's ability to reach certain targets. Research may identify opportunities to pursue mitigating strategies in some cases.

**Performance Goal for Climate: Understand climate variability and change to enhance society’s ability to plan and respond**

**DOC Strategic Goal 3: Observe, protect, and manage the earth’s resources to promote environmental stewardship**

**General Goal/Objective 3.1: Advance understanding and predict changes in the Earth’s environment to meet America’s economic, social, and environmental needs**

Society exists in a highly variable climate system, with conditions changing over the span of seasons, years, decades, or even longer. Weather and climate-sensitive industries account for about 25% of the nation’s gross domestic product (GDP), or about \$2.7 trillion.

Seasonal and interannual variations in climate, like El Niño, led to economic impacts on the order of \$25 billion for 1997-98, with property losses of over \$2.5 billion and crop losses approaching \$2.0 billion. Given such stresses as population growth, drought, and increasing demand for fresh water, and emerging infectious diseases, it is essential for NOAA to provide reliable observations, forecasts, and assessments of climate, water, and ecosystems to enhance decision makers’ ability to minimize climate risks. This information will support decisions regarding community planning, public policy, business management, homeland security, natural resource and water planning, and public health preparedness. In the U.S. agricultural sector alone, better forecasts can be worth over \$300 million in avoided losses annually.

To enable society to better respond to changing climate conditions, NOAA, working with national and international partners, will employ an end-to-end system comprised of integrated observations of key atmospheric, oceanic, and terrestrial variables; a scientific understanding of past climate variations and present atmospheric, oceanic, and land-surface processes that influence climate; application of this improved understanding to create more reliable climate predictions on all time scales; and service delivery methods that continuously assess and respond to user needs with the most reliable information possible.

These activities will accelerate the development of a structure and process for improving the relevance of climate science to assist decision-makers in their development of national, regional and sectoral adaptation responses (actions to reduce vulnerability, seize opportunities, and enhance resilience) to variability and long-term changes in the climate, particularly for industry, natural resource and water managers, community planners, and public health professionals.

<b>Program Initiative</b>	<b>FTE</b>	<b>Funding Request</b>	<b>Anticipated Impact</b>
Climate Observations and Services	11	\$7,441,000	Ensure continuation of the climate observing networks and long-term climate records that are essential to today’s climate research and further the development of operational climate products and services, providing the foundation for NOAA’s participation in the interagency U.S. Climate Change Science Program.

Aerosols, Clouds, and Climate Change: Observations and Predictions	0	\$2,078,000	Develop a better predictive understanding of how aerosols (airborne fine particles) influence climate by their interaction with clouds, a key gap in the current scientific understanding of one of the major factors that affects climate
Ocean Observations for Climate	0	\$3,515,000	55% completion of the global ocean observing system for climate, responding to the long-term observational requirements of the operational forecast centers, international research programs, and major scientific assessments
Tropical Buoy Expansion	0	\$3,200,000	Enhance the overall capability of the Tropical Atmosphere Ocean (TAO) and Pilot Research Moored Array in the Tropical Atlantic (PIRATA) arrays in order to accurately document the state of the ocean climatic conditions and improve seasonal forecasting capability in a cost-effective manner.
Explaining Climate Conditions to Improve Predictions	0	\$2,000,000	Enhance climate prediction capabilities to enable regional and national decision makers and resource managers to better plan for impacts of climate extremes, variability, and change.
Regional Integrated Sciences and Assessments Program	0	\$800,000	Contribute significantly to addressing key information gaps that affect decision-makers' use of climate information to improve NOAA's climate service capacity.
Restorations of FY 2005 program funds	0	\$1,615,000	This increase will restore funds requested in FY 2005 to several programs that carry out base operations.

## Measure 2a: U.S. Temperature Forecasts (Cumulative Skill Score Computed Over the Regions Where Predictions are Made)

### Explanation of Measure

The Heidke Skill Score (HSS) is one of several accepted standards of forecasting in the scientific community. It is calculated as follows:

Heidke skill score:  $S = ((c-e)/(t-e)) \times 100$

where  $c$  = number of stations correct

and  $e$  = number of stations correct by chance =  $(1/3) \times$  total number of stations in a 3 equal class system

and  $t$  = number of stations, total

$S$  is approximately equal to one-half of the correlation between forecast and observations.

Accurate measures of temperature are critical to many sectors of the national economy, including agriculture and energy utilities. This measure compares actual observed temperatures with forecasted temperatures from areas around the country. For those areas of the United States where a temperature forecast (warmer than usual, cooler than normal, near-normal) is made, this score measures how much better the prediction is than the

random chance of being correct. Areas where no forecast for surface temperature is made (i.e., areas designated as “equal chance” on the Climate Prediction Center (CPC) seasonal forecast maps) are not included in the computation of HSS.

The HSS is a function of both whether or not a forecast is verified and whether or not a prediction is made, but does not reward when the forecast is verified by chance. Skill score is based on a scale of -50 to +100. If forecasters match a random prediction, the skill score is zero. Anything above zero shows positive skill in forecasting. Given the difficulty of making advance temperature and precipitation forecasts for specific locations, a skill score of 20 is considered quite good and means the forecast was correct in almost 50% of the locations forecasted. Forecasts will likely be better in El Niño years than in non-El Niño years. Reported skill score is a cumulative average over past 48 consecutive 3-month seasons. For example, skill score of 18 reported at the end of FY 2002 is the HSS averaged over 48 surface temperature forecasts from October 1998 to September 2002. Prior to FY 2001, the Heidke skill score reported by NOAA was averaged only over the past 36 seasons. A decision to change to an average over 48 seasons was based on following considerations: (1) A longer average reduces the influence of natural unpredictable variability on the skill score, and (2) a cumulative average over 4 years tends to better capture transitions from El Niño to neutral, and then to La Niña conditions. After the definition for the reported scores was changed in FY 2001, NOAA recomputed the skill scores for FY 1999 and FY 2000, and these numbers, based on 48-season cumulative average, appear in the Table above. Temperatures across the United States will be measured using NOAA’s cooperative network maintained by volunteers across the nation. Temperature data will be collected and analyzed by NOAA.

The FY 2006 target reflects higher skill scores from previous high scoring seasons dropping out from the 48-month average forecasts. Beyond FY 2006, a gradual increase in performance skill score is expected due to improvements in modeling and research activities.

### **FY 2005 and 2006 Targets**

Specifically, the National Weather Service implemented a new Climate Forecast Model in FY 2004 that is expected to yield benefits in the late 2005 or early 2006 time period. Long term plans include the development of a Climate Test Bed, which will accelerate the transition of research improvements to operational climate prediction, and the North American Monsoon Experiment (NAME). NAME is focused at improving warm-season predictions. NWS is also working with the research communities to develop and propose new and improved GPRA skill measures for seasonal outlooks.

### **Measure 2b: Reduce the uncertainty in the magnitude of the North American carbon uptake**

#### **Explanation of Measure**

The annual targets have been modified to represent more realistic estimates of progress. The performance measure has also been revised to better reflect the metric.



By 2008, NOAA will reduce the uncertainty of atmospheric estimates of the North American carbon uptake by half to +/- 0.3 Gt C per year, assuming a full network of 36 stations has been established and monitored. Beginning in 2004, a standard set of 4-5 inverse models is being used to determine the uncertainty in the North American carbon uptake as the number of carbon dioxide profiling sites is increased.

Carbon dioxide is the most important of the greenhouse gases that are undergoing changes in abundance in the atmosphere due to human activity. On average, about one half of all the carbon dioxide emitted by human activity is taken up by the oceans and the terrestrial biosphere (trees, plants, and soils). These reservoirs of carbon are known as carbon “sinks.” However, the variation in the uptake from year to year is very large and not understood. A large portion of the variability thought to be related to the terrestrial biosphere in the Northern Hemisphere, and quite likely North America itself. NOAA needs to understand the source of this variability if it is to provide scientific guidance to policymakers who are concerned with managing emissions and sequestration of carbon dioxide. This can only be done by making regional-scale measurements of the vertical profile of carbon dioxide across the U.S. which, combined with improved transport models, can be used to determine carbon dioxide sources and sinks on a regional (about 600 mile) scale. This will provide a powerful tool to gauge the effectiveness of carbon management and enhanced sequestration efforts.

Research supporting this measure also ensures a long-term climate observing system that provides an observational foundation to evaluate climate variability and change, and provides the mechanism to support policy and management decisions related to climate variability and change at national and regional scales.

### **FY 2005 and 2006 Targets**

One key activity for FY2005 and FY 2006 will be to continue expansion of the North American observing network of tall tower and aircraft profiling sites. An intensive interagency field campaign in the north-central United States is also planned during the summer of 2005 to reconcile estimates of regional carbon sources and sinks calculated from atmospheric measurements, with direct estimates utilizing field measurements, land-based carbon inventories, regional geographic information, and remote sensing. The campaign also seeks to attribute sources and sinks of carbon dioxide to ecosystem processes and human activities within the region. This field campaign will lead to reduced uncertainty in the magnitude and the mechanisms of the North American terrestrial carbon sink.

### **Measure 2c: Reduce the uncertainty in model simulations of the influence of aerosols on climate (new)**

#### **Explanation of Measure**

The near-term goal. *By 2006, NOAA observational and theoretical research will reduce the uncertainty in the simulated influence of North American aerosols on climate by 15%.* The baseline for comparison will be the level of uncertainty reflected in the 2001 climate-change assessment of the Intergovernmental Panel on Climate Change (IPCC), which was prepared by the worldwide scientific community. The meeting of the 15% measure will be judged by the findings of the forthcoming 2006/7 IPCC assessment, which will update the understanding of climate change.

The longer-term goal. By 2010, *NOAA observational and theoretical research will reduce the uncertainty in the simulated influence of global aerosols on climate by 40%*. The baseline for comparison will again be the high level of uncertainty reflected in the 2001 climate-change assessment of the IPCC, prepared by the worldwide scientific community. The meeting of this longer-term 40% measure will be judged by the findings of forthcoming IPCC assessments, further updating the understanding of climate change.

Background on the science. Aerosols are liquid or solid particles suspended in the atmosphere. They force changes in the climate system by (i) directly absorbing and scattering of radiation from the sun and (ii) by changing the way clouds reflect back solar rays. While greenhouse gases warm the atmosphere, aerosols and clouds can both counteract greenhouse gases by cooling the atmosphere, or, under different conditions, can both heat the atmosphere? The role of aerosols, clouds, and climate is deemed to be the biggest single uncertainty in the prediction of how human activities influence climate change (IPCC, 2001).

NOAA research plan and annual performance measures. To meet the 2006 goal, NOAA has designed a four-step research program. It is complete with annual measures of success of each year's step, plus an overall evaluation of how all four steps contribute to the 2006 goal. *Plan.* (1) The multi-stepped plan began in 2002, scoping out the information needs associated with the climate influence of North American aerosols. (2) In 2003, instruments were developed to fill the North American observational gaps. (3) In 2004, the improved measurement capabilities will be used to take a two-month, field-study "snapshot" of how well models simulate these "real-world" aerosols and their climate impact. (3) In 2005, monitoring of the seasonal changes of the aerosols and their climate impact will begin in two key North American regions. (4) Lastly, in 2006, using all of the data, NOAA will evaluate the percentage improvement in model simulation of the role of North American aerosols on climate. *Annual Performance Measures.* Annual targets quantitatively score the success of each of the individual research tasks in preceding years. Success in each of these preceding steps is necessary for success in meeting the 15% reduction of uncertainty associated with the 2006 goal.

Outcome and payoffs. The desired outcome is an improved science-vetted set of options for changing the impact of North American aerosols on climate, which can be considered by governments, the private sector, e.g., transportation and energy production, and the public. Reductions in the uncertainties surrounding aerosols relate directly to the confidence with which model simulations can support policy decisions on the climate issue. Furthermore, since aerosols are also a human-health, air quality issue, there is the opportunity to quantify "win-win" opportunities of how decisions made to improve air quality may also contribute to reduce the forcing of climate change.

### **FY 2005 and FY 2006 Targets**

While 2006 will be the first year this measure is presented in this report, progress toward this near-term goal is already being tracked at the program level. A series of annual research activities from instrument development in FY2003, to field process studies and long-term monitoring of aerosol distributions in FY2004 and FY2005, will be utilized to achieve the FY2006 goal and further enhance our understanding of how aerosols affect climate.

## **Measure 2d: Determine the National Explained Variance (%) for Temperature and Precipitation for the Contiguous United States using USCRN Stations**

### **Explanation of Measure**

This measure is designed to address the significant shortcomings in past and present observing systems by capturing 98% of the long-term changes in the national annual average surface air temperature and 95% of the long-term changes in the national annual average precipitation throughout the contiguous U.S. using the U.S. Climate Reference Network (USCRN).

Inadequacies in the present observing system increase the level of uncertainty when government and business decision-makers consider long-range strategic policies and plans. The U.S. Climate Reference Network (USCRN), a benchmark climate-observing network, will provide the nation with long-term (50 to 100 years) high quality climate observations and records with minimal time-dependent biases affecting the interpretation of decadal to centennial climate variability and change. Deployment of the U.S. Climate Reference Network is continuing, with stations added over the next several years. NOAA will deploy instrument suites in a combination of single and nearby paired sites.

Due to funding limitations, the original full national network implementation plan has been scaled back to ~110 stations deployed across the contiguous U.S., capturing long-term temperature and precipitation trends only at the national level across the lower 48 states. The adjusted network distribution provides for the life cycle high performance operations and maintenance of the commissioned stations while maintaining the quality of the data at the highest possible level, given the current and future state of available technologies. The smaller sized network will not be able to achieve the level of monitoring and evaluation of climate variations and trends originally intended at the regional scale.

The USCRN will strengthen the existing climate record through determination of transfer functions between these stations and the instrumentation and stations of other observing networks. This will increase assurance of long-term and bias-free national and global monitoring, including higher-precision, higher-confidence validation of NOAA's space-based (satellite) measurements and monitoring capabilities.

### **FY 2005 and FY 2006 Targets**

The deployment of new stations will be suspended as of the end of calendar year (CY) 2004 and available funds will be directed at the operations and maintenance (O&M) of commissioned observing stations, due to reduced funding levels in FY 2005. All other USCRN related activities, such as developing instrument transfer functions and station normals, will be suspended during FY 2005. The percent national explained variance for the annual average surface air temperature will remain at the current FY 2004 level of 96.7% and for precipitation at 90%. Provided funding enacted at the FY 2006 requested level, the target completion date will be extended from FY 2007 to FY 2009 for completing the deployment of the remainder of the currently planned network of stations across the lower 48 states. In addition, quality control technique improvements will be delayed, and incomplete instrument

transfer functions will prevent improvements in the quality and value of other NOAA observations from in situ and remote (satellite based) observing systems, as related to climate monitoring and evaluation of present, past, and future climate variation and change.

### **Measure 2e: Reduce the error in global measurement of sea surface temperature**

#### **Explanation of Measure**

NOAA proposes a new measure to document progress in accurately measuring the global sea surface temperature. The unit of measure is potential satellite bias error (in degrees Celsius) of global sea surface temperature. The long-term goal is to reduce the error to 0.2 °C by FY2008.

The sea surface, covering over 70% of the Earth surface, has a tremendous influence on global climate. It is where the atmosphere “sees” the ocean, i.e. where heat is transferred either to or from the atmosphere. Elevated sea surface temperature in the tropical Pacific is a dominant characteristic of the El Niño phenomenon, and predictive climate models for El Niño must have an accurate sea surface temperature to produce accurate results. Since this temperature is measured by buoys, ships and satellites, this performance measure is one indicator of the effectiveness of our integrated ocean observing system.

This performance measure will reflect how improvements in ocean observations will decrease the uncertainty in global sea surface temperature measurements, which will ultimately play a role in calculations of the ocean-atmosphere exchange of heat and the heat storage in the global ocean. More accurate estimates of sea surface temperature and ocean heat content will improve the ability to respond to changes in the climate system.

#### **FY 2005 and FY 2006 Targets**

The integrated ocean climate observing system is ~45% complete in 2004. Current limitations in accurate measurements of global sea surface temperature include insufficient observing platforms in the global ocean. FY2005 and FY2006 will be dedicated to further expanding the global ocean observing network to 55%, working toward global coverage and the long-term goal of reduced error in the global measurement of sea surface temperature.

### **Measure 2f: Improve society's ability to plan and respond to climate variability and change using NOAA climate products and information**

#### **Explanation of Measure**

NOAA proposes a new measure to document our success in working directly with stakeholders to develop and enhance a suite of climate data, monitoring, and prediction products that are valuable to our customers and stakeholders. The unit of measure is: number of risk and impact assessments/evaluations published and communicated to decision makers.

NOAA currently provides state of the art science and discovery information products to a range of decision makers, from water resource managers and regional forecast offices, to national and international assessments, such as the U.S. Climate Change Science Program (CCSP) and the Intergovernmental Panel on Climate Change (IPCC). These information summaries highlight important deliverables such as reducing uncertainty in climate forcing models (e.g. carbon sources and sinks, effects of aerosols on climate), as well as in seasonal, interannual, and decadal climate forecasts. These deliverables form the basis of NOAA’s emerging climate products and services. NOAA requires stakeholder input and feedback for product development and improvement. These interactions are facilitated by interdisciplinary research, bridging the gap between research and decision makers. By increasing the interactions between NOAA and the users of climate information, NOAA will ensure that climate products and services are reaching the key decision maker sectors.

**FY 2005 and FY 2006 Targets**

NOAA is planning on continuing the development of prototype decision support tools and the broadening of decision support partnerships through extramural research grants and enhancements to the already successful Regional Integrated Sciences and Assessments program. The NOAA Climate Transition Program is also being newly implemented in FY2005. This flexible program will focus on the successful transfer of experimental research and information products into operational settings.

**Discontinued Measures**

**Measure: New Climate Observations Introduced**

	<b>FY 2000</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>2006</b>
Target	New	120	174	275	412	1014	
Actual	New	132	192	282	529		
Met/Not Met	New	Met	Met	Met	Met		

This measure is not an outcome measure and only focuses on a very narrow objective of the NOAA Climate Program. NOAA is replacing this measure with a broader, outcome oriented performance measure that focuses on multiple observational efforts within the program. Regarding the “actual” number for FY 2003, the funding for additional floats was not received until mid FY 2004. The number of floats deployed in FY 2003 (282) was primarily supported using FY 2002 funds.

**Measure: Assess and Model Carbon Sources and Sinks Globally**

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY2006</b>
Target	Establish Three New Global Background Sites as Part of the Global Flask Network	Complete a Working Prototype of a Coupled Carbon-climate Model	Develop Carbon Climate Scenarios for Input to Assessment	Improve Measurements of North Atlantic and North Pacific Ocean Basin Carbon Dioxide Fluxes to Within +/-0.1 Petagrams Carbon/year	
Actual	Established Three New Global Background Sites as Part of the Global Flask Network	Completed a model that can look at effects of climate change on particular carbon sinks with feedback to the atmosphere	Scenarios Developed for Input to IPCC		
Met/Not Met	Met	Met	Met		

This measure has not used a consistent metric in the past. Demonstrable progress on an annual basis will be difficult to assess with slower expansion of the observing network.

**Program Evaluation**

The NOAA Scientific Advisory Board (SAB), made up completely of private sector, university, and other Federal agency scientists, conducts periodic reviews of the activities of the Office of Oceanic and Atmospheric Research Laboratories and Joint Institutes. The SAB also provides guidance on NOAA’s Climate Program. A number of NOAA line offices participate in the activities that support climate research. The National Environmental Satellite, Data, and Information Service (NESDIS) holds management performance reviews several times a year. NWS conducts reviews of the National Centers for Environmental Prediction (NCEP). In addition, programs are evaluated by the National Science Foundation and the National Research Council. NOAA holds annual constituent workshops at which NOAA’s seasonal climate forecast efforts are discussed with the community of seasonal-to-

interannual climate forecast users, and input is solicited to shape future efforts. NOAA's Office of Global Programs, funded in OAR's Climate and Global Change research line item, receives review from international science agencies, universities, and private sector scientists.

### **Cross-cutting Activities**

#### **Intra-Department of Commerce**

In partnership with the Technology Administration and the International Trade Administration within the Department of Commerce, other federal agencies, the private sector, and academia, NOAA is providing the foundation the United States will depend upon to lead new emerging global industries in economically and environmentally sustainable ways.

#### **Other Government Agencies**

NOAA works with a wide variety of partners in the area of climate forecasts, including other federal agencies (for example, the Federal Emergency Management Agency and the U.S. Agency for International Development), state and local agencies (for instance, state departments of environmental protection and emergency preparedness managers), academia, foreign government agencies, and international organizations. In preparing for the 1997–98 El Niño, NOAA worked closely with the Federal Emergency Management Agency and state and local officials, greatly improving public preparedness for the severe weather resulting from El Niño.

In 2003, the US government formed the Climate Change Science Program (CCSP) to facilitate the creation and application of knowledge of Earth's global environment through research, observations, decision support, and communication. The DOC, partnering with 12 other Federal agencies, leads this nationwide effort (<http://www.climatescience.gov/Library/stratplan2003/default.htm>). At NOAA, climate performance objectives are virtually identical to CCSP goals and are managed by the NOAA Climate Program.

#### **Government/Private Sector**

NOAA depends strongly on universities to help accomplish its science objectives through a network of joint and cooperative institutes and universities. NOAA also funds academic researchers through competitive, peer-reviewed programs, including the Global Climate Change Program.

## **External Factors and Mitigation Strategies**

A major failure of Earth observing and computing infrastructure would impair NOAA's ability to produce climate forecasts. NOAA has been looking for backup outside the organization. For example, the Department of the Navy provides backup to the National Centers for Environmental Prediction mainframe computer.

An unanticipated major increase of the customer base for climate-related products may strain NOAA resources. In such an event, NOAA would prioritize its activities to meet the immediate increase in demand while it looks for alternative ways to meet the needs of all its customers.

Improving our understanding of the natural environment requires advanced infrastructure and therefore continual investment in new technology, such as supercomputers and environmental satellites.

The science of climate change crosses generations and has progressed as a result of evolving technology. Our ability to measure performance is contingent upon many external factors, including the advancement of climate change itself. While the time frame of these processes spans decades and even centuries, the reporting periods extend over years.

Improving our understanding of the natural environment requires advanced infrastructure and therefore continual investment in new technology, such as supercomputers and environmental satellites.



**Performance Goal for Weather and Water: Serve society’s needs for weather and water information**

**DOC Strategic Goal 3: Observe, protect, and manage the earth’s resources to promote environmental stewardship**

**General Goal/Objective 3.1: Advance understanding and predict changes in the Earth’s environment to meet America’s economic, social, and environmental needs**

On average, hurricanes, tornadoes, tsunamis, and other severe weather events cause \$11 billion in damages per year. Weather, including space weather, is directly linked to public safety and about one-third of the U.S. economy (about \$3 trillion) is weather sensitive. With so much at stake, NOAA’s role in observing, forecasting, and warning of environmental events is expanding, while economic sectors and its public are becoming increasingly sophisticated at using NOAA’s weather, air quality, and water information to improve their operational efficiencies and their management of environmental resources, and quality of life.

NOAA is strategically positioned to conduct sound science and provide integrated observations, predictions, and advice for decision makers to manage many aspects of environmental resources—from fresh water to coastal ecosystems and air quality. Bridging weather and climate time scales, NOAA will continue to collect environmental data and issue forecasts and warnings that help protect life and property and enhance the U.S. economy.

NOAA is committed to excellent customer service. NOAA depends on partners in the private sector, academia, and government to help disseminate critical environmental information. NOAA will work even closer with existing partners and will develop new partnerships to achieve greater public and industry satisfaction with weather, air quality and water information. NOAA will expand services to support evolving national needs, including space weather, freshwater and coastal ecosystems, and air quality predictions throughout the Nation.

<b>Program Initiative</b>	<b>FTE</b>	<b>Funding Request</b>	<b>Anticipated Impact</b>
Water Resources Initiative	0	\$4,000,000	With this increase NOAA will provide nationally consistent water and soil condition forecasts via: 1) a national digital database incorporating assimilation of all available hydrometeorological data and observations; 2) a community hydrologic prediction system (CHPS) necessary to advance water prediction science. These activities will improve NOAA’s operational service delivery system by, and will augment NOAA’s capabilities to produce higher resolution water forecasts and information.
Air Quality Forecast Capability	0	\$2,072,000	This increase will accelerate nation wide implementation of ozone Air Quality (AQ) forecasting capability from FY09 to FY07 and deliver an initial particulate matter forecasting capability by FY2011.

Data Assimilation	0	\$1,000,000	This increase will fund focused research, development, and testing of advanced data assimilation algorithms and techniques. Expected improvements include: development of advanced techniques in global and mesoscale atmospheric, ocean and land data assimilation systems, use of new satellite data from NPOESS, the NPOESS Preparatory Project and European operational instruments, and increased use of surface and radar observations for initializing high resolution mesoscale forecasts.
NOAA Weather Radio Expansion and Modernization	0	\$5,650,000	Funds will be used to complete NWR broadcast coverage of all areas in the United States identified as at high risk of severe weather events by establishing 17 new broadcast stations. Additionally, funds will be used to refurbish 400 stations established in the 1970s, eliminating single points of failure and improving network reliability.
Cooperative Observer Network Modernization (COOP)	0	\$3,400,000	Funds will continue the deployment of modernized COOP sites nationwide as NWS implements the “National Cooperative Mesonet”. The proposed COOP Modernization will provide the United States with a network of accurate, near real-time surface weather data (temperature, precipitation, soil moisture) obtained with state-of-the-art measurement, monitoring, and communication equipment.
Aeronomy Laboratory: Texas-2006 Regional Air quality Assessment	0	\$1,700,000	Assessment that will characterize key atmospheric processes that drive air pollution problems in east Texas.
National Centers for Environmental Prediction (NCEP) IT Refreshment	0	\$2,035,000	To provide for the cyclic replacement of information technology infrastructure at the National Centers for Environmental Prediction (NCEP) in order to enable the effective use of increasing volumes of model guidance, imagery and observational data and to comply with IT security requirements and related challenges which are projected to increase through the FY06 – FY07 time frame.

Strengthen U.S. Tsunami Warning Network	0	\$9,500,000	Funds will be used to expand the U.S. tsunami detection, warning and mitigation abilities. This program increase expands the current U.S. Tsunami Warning Program by accelerating activities currently underway as part of NOAA's National Tsunami Hazard Mitigation Program (NTHMP) and by expanding the scope of the NTHMP from the Pacific to the Atlantic and Caribbean. In FY 2006 NOAA will expand the operational hours of its two Tsunami Warning Centers and begin expansion of its current 6-buoy array to that of a 32-buoy array. Finally, FY 2006 funds will be used to accelerate U.S. Coastal community inundation mapping efforts and community-based tsunami mitigation education/awareness and community preparedness activities.
NPOESS Preparatory Project / Data Assimilation	0	\$4,500,000	The requested funding will also allow NOAA to study the communications links necessary to disseminate products and services to the user community and start the development of the product generation and dissemination system in Suitland. This system will include new hardware and software to facilitate the assimilation of NPOESS atmospheric sounding products into the NWS Numerical Prediction Models.
Restorations of FY 2005 program funds	0	\$8,803,000	This increase will restore funds requested in FY 2005 to several programs that carry out base operations.

**Measure 3a: Lead Time (Minutes), Accuracy (%), and False Alarm Rate (FAR, %) of Severe Weather Warnings for Tornadoes**

**Explanation of Measure**

The lead time for a tornado warning is the difference between the time the warning was issued and the time the tornado affected the area for which the warning was issued. The lead times for all tornado occurrences within the continental U.S. are averaged to get this statistic for a given fiscal year. This average includes all warned events with zero lead times and all unwarned events. In FY 2003, the percentage of events with a lead time greater than zero was 73 percent. Accuracy is the percentage of time a tornado actually occurred in an area that was covered by a warning. The difference between the accuracy percentage figure and 100% represents the percentage of events without a warning. The false alarm rate is the percentage of times a tornado warning was issued but no tornado occurrence was verified. The false alarm rate was added as a reportable measure in FY 2000, although it had been collected and used internally previously.

### **FY 2005 and 2006 Targets**

NWS lead time target will gradually increase to 13 minutes by FY 2005 after completion of retrofits of the NEXRAD systems, implementation of new training techniques such as a weather event simulator, and realization of the operational benefits of Advanced Weather Interactive Processing System's five software enhancements. Technological advances and new training techniques have resulted in meeting or exceeding lead time and accuracy goals in recent years. The same training techniques have also led to False Alarm Rate not meeting the goals set in FY 2002, and FY 2003 and FY 2004. National emergency manager and media surveys indicate that they can "tolerate" a higher false alarm rate if it results in longer lead times and increased accuracy. The FY 2005 and 2006 targets have been updated to reflect this. Supplemental coverage from FAA radars and enhanced radar algorithms and scan strategies are being incorporated into AWIPS from FY 2005 through FY 2010 to reduce the false alarm rate. The false alarm rate goals have been revised to reflect the potential of these technological advances.

### **Measure 3b: Lead Time (Minutes) and Accuracy (%) for Severe Weather Warnings for Flash Floods**

#### **Explanation of Measure**

The lead time for a flash flood warning is the difference between the time the warning was issued and the time the flash flood affected the area for which the warning was issued. The lead times for all flash flood occurrences within the continental United States are averaged to get this statistic for a given fiscal year. This average includes all warned events with zero lead times and all unwarned events. In FY 2003, the percentage of events with a lead time greater than zero was 75%. Accuracy is measured by the percentage of times a flash flood actually occurred in an area that was covered by a warning. The difference between the accuracy percentage figure and 100% represents the percentage of events without a warning.

### **FY 2005 and 2006 Targets**

The FY 2005 and 2006 targets for the Flash Flood performance lead time goal have been adjusted based upon performance in FY 2003, FY 2004 and the FY 2005 budget. NWS expects to improve both flash flood lead-time and accuracy over the next several years through the implementation of new Advanced Hydrologic Prediction Service (AHPS) flash flood decision assistance tools. However, the FY 2005 enacted budget will delay the implementation of forecaster-requested enhancements to the operational AHPS Flash Flood Monitoring and Prediction (FFMP) decision assistance tool, which is why the FY 2005 and FY 2006 goals have been revised. Critical flash flood operations related training to field staff will also be delayed in FY 2005, which contributes to the goal revision. The implementation of NEXRAD Open Radar Data Acquisition (ORDA) will occur in FY 2005, and will provide precipitation estimates on a much smaller grid, which will give forecasters many more points to average for the basin rainfall. The larger number of points for averaging the rainfall will deliver more precise precipitation input for forecasting flash floods.

### **Measure 3c: Hurricane Forecast Track Error (48 Hours)**

#### **Explanation of Measure**

The public, emergency managers, government institutions at all levels in this country and abroad, and the private sector use NOAA hurricane and tropical storm track forecasts to make decisions on life and property. This goal measures the difference between the projected location of the center of these storms and the actual location in nautical miles (nm) for the Atlantic Basin. The goal is computed by averaging the differences (errors) for all the 48-hour forecasts occurring during the calendar year. This measure can show significant annual volatility. Projecting the long-term - trend, and basing outyear goals on that trend, is preferred over making large upward or downward changes to the goals each year.

#### **FY 2005 and 2006 Targets**

The average track error is projected to decrease due to improvements in hurricane forecast models, aircraft upgrades, supporting data and computer infrastructure, and by conducting research within the U.S. Weather Research Program (USWRP) that will be transferred to NOAA NWS forecast operations.

### **Measure 3d: Accuracy (%) (Threat Score) of Day 1 Precipitation Forecasts**

#### **Explanation of Measure**

This performance measure tracks the ability of the weather forecasters of NOAA's Hydrometeorological Prediction Center to predict accurately the occurrence of one inch or more of precipitation (rain or the water equivalent of melted snow or ice pellets) twenty-four hours in advance across the contiguous U.S. This measure was originally, "Accuracy of 3-day Forecast of Precipitation." The measure has been revised to reflect a more representative and accurate means of measuring the performance for this strategic goal. Through this measure, the Hydrometeorological Prediction Center (HPC) focuses on relatively heavy amounts of precipitation, usually a half inch or more in a 24-hour period (short-term flood and flash flood warnings), because of the major safety and economic impacts such heavy precipitation can have in producing flooding, alleviating drought, and affecting river navigation.

The HPC of the NOAA NWS began providing quantitative precipitation forecasts (QPFs) in 1961. These forecasts indicate how much precipitation is expected across the United States, not just whether it will rain or snow. HPC forecasters work under the supervisory control of the Senior Branch Forecaster (SBF), who is responsible for the quality and content of all products issued during the shift. The observations of precipitation are collected by the NWS from several thousand locations around the United States for the 24-hour period from 12:00 UTC (Universal Time) one day to 12:00 UTC the next day. The verifying SBF reviews the precipitation observations to ensure there are no noticeable errors or large numbers of missing precipitation data. As required, the SBF corrects observational errors and supplements missing data areas based on radar information.

The HPC began making QPFs through two days into the future in 1965 and through three days in 2000. The HPC has tracked the accuracy of these forecasts very carefully over the years using a metric with the statistical name of “threat score” or equivalently “critical success indicator”. This accuracy metric ranges from 0%, indicating no skill, to 100% for a perfect forecast. In verifying the accuracy of a forecast of 1 inch or more of precipitation for day 1 (the next 24 hours), for example, the HPC first determines everywhere in the U.S. where an inch or more actually fell and was observed by rain gauges. On a given day this occurs only over a very small percentage of the country (although a 1 inch or more precipitation event is significant for the inhabitants of that particular area). The HPC then compares these observed areas of at least 1 inch of precipitation with the forecasted areas of at least 1 inch, counting only those points in the United States where HPC forecasted and observed at least an inch as being an accurate forecast. (These points are called “hits”.) Thus, if HPC forecasts 1 inch to fall at the point representing Washington, DC, and it observed only 3/4" actually had fallen in that specific area, the forecast is then rated as a “miss”, even if an inch of rain was observed to have fallen at the points nearby representing the area of Fairfax City, Virginia, or the area of Upper Marlboro, Maryland. The overall accuracy score for the country for that particular day 1 forecast is then determined by dividing the total number of correctly forecast points (hits) by the total number of points where HPC had either forecast at least 1 inch of liquid precipitation or 1 inch of liquid precipitation had actually occurred. Thus this measure takes into consideration those areas where 1 inch or more of precipitation was correctly forecast, where it was forecasted but did not occur, and where it occurred but had not been forecasted. In summary, to earn a high accuracy score, HPC has to forecast the time, place, and amount of precipitation very well.

Several important points should be noted. First, although the accuracy scores are low with respect to perfection, the accuracy is clearly high enough to be of major utility to America’s decision makers. As indicated by the numerous requests for HPC’s precipitation products, especially in times of hardship, the Federal Emergency Management Agency (FEMA), Army Corps of Engineers, the media, and farmers among others all rely heavily on NOAA forecasts to decide how to proceed.

Secondly, the scores are continuing to improve in accuracy. The metrics from the last 40 years indicate the day 2 forecasts of at least one inch of precipitation in 2003 had more skill than the day 1 forecasts in 1980, and HPC’s day 3 forecasts in 2003 were more accurate than the day 2 forecasts in 1984.

### **FY 2005 and 2006 Targets**

NOAA has an intensive effort internally and with its partners to improve the accuracy of its numerical weather prediction models, as well as enhance the global observing system providing the foundation for observations needed by these models. During the next several years, NOAA will implement the following numerical weather prediction model enhancements aimed at improving heavy precipitation forecasts: enhancements to mesoscale Eta analysis and model physics (2004), increasing global forecast system resolution from 55 km to 45 km (2005), improving short-range ensemble forecasts system from 48 km and 15 members to 18 km and 20 members (2006).

In addition, NOAA delivered and installed an upgrade to its Central Computer System in 2004 which will improve the delivery of products to the field and provide system users with enhanced productivity. Investments will also be made to establish a Hydrometeorological Testbed at the HPC beginning in FY

2006 for the purpose of improving precipitation prediction. This will include assessing scientific breakthroughs and new techniques to identify advanced, real-time, data analysis techniques, numerical forecast models and methods, observational systems, and climate-water-weather linkages that could significantly improve the forecast guidance which are necessary to improving quantitative precipitation forecasts through seven days. The combination of these activities will lead to improvements in Quantitative Precipitation Forecasts over the course of the next decade.

### **Measure 3e: Lead Time (Hours) and Accuracy (%) of Winter Storm Warnings**

#### **Explanation of Measure**

A winter storm warning provides NOAA customers and partners advanced notice of a hazardous winter weather event that endangers life or property, or provides an impediment to commerce. Winter storm warnings are issued for winter weather phenomena like blizzards, ice storms, heavy sleet, and heavy snow. This performance indicator measures the accuracy and advance warning lead time of winter storm events. Improving the accuracy and advance warnings of winter storms enables the public to take the necessary steps to prepare for disruptive winter weather conditions.

#### **FY 2005 and FY 2006 Targets**

The performance indicator measuring the accuracy and advance warning lead time of winter storm events will rise to 90% accuracy and 15 hours lead time in FY 2005 and FY 2006. These advancements will be attributed to improvements in numerical weather prediction, super computer upgrades, the use of ensemble modeling forecasting techniques, and local training initiatives.

### **Measure 3f: Cumulative Percentage of U.S. Shoreline and Inland Areas that Have Improved Ability to Reduce Coastal Hazard Impacts**

#### **Explanation of Measure**

This measure tracks improvements in NOAA's ability to assist coastal areas with estimating the risks of natural hazards in U.S. coastal regions. Activities are underway to develop a coastal risk atlas that will enable communities to evaluate the risk, extent, and severity of natural hazards in coastal areas. The risk atlas will help coastal communities make more effective hazard mitigation decisions to reduce the impacts of hazards to life and property. Currently, many coastal communities make major decisions on land use, infrastructure development, and hazard responses without adequate information about the risks and possible extent of natural hazards in their area. Through the coastal risk atlas, NOS, with other Federal and state agencies, will provide a mechanism for coastal communities to evaluate their risks and vulnerabilities to natural hazards for specific U.S. coastal regions and improve their hazard mitigation planning capabilities.

## **FY 2005 and 2006 Targets**

NOAA began working to expand phase II of the Coastal Risk Atlas to other areas within FEMA Region IV (North Carolina, South Carolina, Georgia, Florida, Alabama, and Mississippi) during FY 2003. This expansion will not result in an increase to the target for FY 2004, but results in an increase in FY 2005. The completion of the expansion in FY 2005 will increase the cumulative total to 26,778 miles of the total shoreline, 97,128, or 28%. This increase will consist of 2,344 mile of shoreline for Georgia and 7,721 miles of shoreline for Louisiana. An evaluation at the end of the phase II expansion will determine the feasibility of continued expansion of the Coastal Risk Atlas beyond FY 2005. If continued expansion is deemed feasible, efforts will focus on adding Oregon and Texas to the Coastal Risk Atlas. This increase will consist of 1,357 of shoreline for Oregon (53 of the total 1,410 miles of shoreline for Oregon has previously been attributed towards this measure in FY 2001) and 3,359 miles of shoreline for Texas.

## **Program Evaluation**

NOAA's vision for FY 2006 is to provide significantly improved short-term warning and forecast products and services that enhance public safety and the economic productivity of the Nation. While it is difficult to see the improvements on an annual basis because of the scientific nature and seasonal variations of weather events, historical trends have shown that NOAA continues to improve the accuracy and advance warning lead time of severe weather hazards.

Program evaluations at NWS Field Offices are conducted annually. Quality control procedures are followed to ensure the highest reliability of gathered data and weather products. The National Academy of Sciences is also involved in program analysis and evaluation processes on a national level.

## **Cross-cutting Activities**

### **Intra-Department of Commerce**

NOAA works closely with the National Institute of Standards and Technology and the Economic Development Administration on the Federal Natural Disaster Reduction initiative, which focuses on reducing the costs of natural disasters, saving lives through improved warnings and forecasts, and providing information to improve resiliency to disaster.

### **Other Government Agencies**

NOAA also works closely with other agencies such as the Federal Emergency Management Agency, the Corps of Engineers, the Bureau of Reclamation, the Department of Defense, as well as state and local governments to complement their meteorological services in the interest of



national security. NOAA works closely with the U.S. Coast Guard to disseminate marine weather warnings and forecasts and works directly with the Federal Aviation Administration on aviation forecasts and with the National Aeronautics and Space Administration on launch forecasts and solar forecast effects.

### **Government/Private Sector**

Weather and climate services are provided to the public and industry through a unique partnership between NOAA and the private meteorological sector. NOAA provides forecasts and warnings for public safety, and the private sector promotes dissemination of forecasts and tailors basic information for business uses.

### **External Factors and Mitigation Strategies**

A number of factors unique to the atmospheric sciences must be considered when reviewing the performance measures for this goal. The primary factor to consider is the natural variation of this goal related to annual fluctuations in meteorological conditions. Another factor concerns the damage to critical equipment (for example, supercomputer fire and satellite outages) that can affect daily operations for extended periods, even though numerous safety measures and backup procedures are in place.

Although the performance measures for this goal may improve, the impact on society may not be obvious because of factors beyond our control. For example, hurricane warnings may become more accurate, but because of the increase in population along the coastlines, the deaths, injuries, and/or damage estimates may increase.

Improving our understanding of the natural environment requires advanced infrastructure and therefore continual investment in new technology such as supercomputers and environmental satellites.

NOAA relies on its partners in the media, private sector, and the state and local emergency management community to disseminate weather warnings.

**Performance Goal for Commerce and Transportation: Support the Nation's commerce with information for safe, efficient, and environmentally sound transportation**

**DOC Strategic Goal 3: Observe, protect, and manage the earth's resources to promote environmental stewardship**

General Goal/Objective 3.2: Enhance the conservation and management of coastal and marine resources to meet America's economic, social and environmental needs

Safe and efficient transportation systems are crucial economic lifelines for the Nation. NOAA's information products and services are essential to the safe and efficient transport of goods and people at sea, in the air, and on land and waterways. More accurate and timely warnings associated with severe weather threats, marine navigation products and services, and improved positioning data can better support the growing commerce on our road, rail and waterways through improvements in transportation safety and just-in-time efficiencies. For example, the U.S. Marine Transportation System (MTS) ships over 95 percent of the tonnage and more than 20 percent by value of foreign trade through America's ports, including 48 percent of the oil needed to meet U.S. energy demands. Waterborne cargo alone contributes more than \$740 billion to the U.S. gross domestic product and creates employment for over 13 million citizens. Every year, 134 million passengers are ferried to work and other destinations on U.S. waterways, along with 5 million cruise ship passengers. Better aviation weather information could significantly reduce the \$4 billion that is lost through economic inefficiencies as a result of weather-related air traffic delays. Improved surface forecasts and specific user warnings would likely reduce the 7,000 weather-related fatalities and 800,000 injuries annually from vehicle crashes.

As U.S. dependence on surface and air transportation grows over the next 20 years with significant increases in the volume of land transportation and the projected doubling of maritime trade, better navigation and weather information will be critical to protect lives, cargo, and the environment. NOAA is committed to improve the accuracy of its marine forecasts, provide advanced electronic navigational charts and real-time oceanographic information, and maintain a precise positioning network that mariners need to navigate with confidence. Consistent, accurate and timely positioning information derived from NOAA's positioning services is critical for air and surface activities such as aircraft landings and improving the safety and efficiency of road and railroad delivery.

NOAA partners in the academic, government, and private sectors are essential to realizing this goal. Improved NOAA information will enable the private weather sector to provide better weather related forecasts and information to their clients for improved efficiencies. NOAA will work with the Federal Aviation Administration and the private sector to reduce the impacts of weather on aviation without compromising safety. Reducing the risk of marine accidents and oil spills, better search and rescue capabilities, and other efficiencies that can be derived from improved navigation and coastal and ocean information and services could be worth over \$300 million annually around the Nation's coasts. NOAA will work with port and coastal communities, and with Federal and state partners, to ensure that port operations and development proceed efficiently and in an environmentally sound manner. On land, improvements in weather information will be used more effectively to reduce the \$42 billion annual economic loss and the 500 million vehicle hour delays attributed to weather-related crashes.

<b>Program Initiative</b>	<b>FTE</b>	<b>Funding Request</b>	<b>Anticipated Impact</b>
Aviation Weather	0	\$1,100,000	This increase will continue a 10-year plan to improve U.S. aviation safety and economic efficiencies by providing state-of-the-art weather observation and forecast products responsive to aviation user needs. Specifically, this increase will allow NOAA to proceed with the acquisition of water vapor sensors.
Mapping and Charting Base - Navigation Response Teams (NRTs)	2	- 0 -	Complete NOAA's effort to provide national coverage for Electronic Navigational Chart validation and regional emergency hydrographic survey response. NRTs provide a critical emergency response role for stakeholder survey requests following natural or man-made disasters.
Mapping and Charting Base – Navigation Data Acquisition and Processing Improvements	1	\$1,000,000	Improve the speed and accuracy of data acquisition, and accelerate the delivery of navigation information to the maritime community for safe, efficient, and environmentally sound transportation.
Mapping and Charting Base – VDatum	2	\$1,500,000	Enable NOAA to transition VDatum from successful demonstration projects in select locations to national scale. VDatum is a revolutionary vertical datum transformation tool which translates geospatial data between vertical reference systems and removes the most serious impediments to data sharing. Continued development of the National VDatum data base will enhance U.S. transportation system by providing more accurate mapping tools at a lower cost to users.
Mapping and Charting – Socioeconomic Analysis	0	\$500,000	Effectively quantify the value and articulate well the extent to which users rely on NOAA services such as navigation products and services; weather information for air, marine, and surface transportation; positioning capabilities; emergency response to oil/chemical spills and natural disasters; and commercial remote sensing licensing.
Tide and Current Data – National Current Program	0	\$1,500,000	Ensure that NOAA's Annual Tidal Current Table predictions are maintained in an accurate status by systematically conducting observations to update potentially dangerous tidal current predictions based on old or insufficient data.
Address Survey Backlog	0	\$10,487,000	Allow NOAA to maintain its planned FY 2006 survey schedule to collect and process approximately 3500 square nautical miles of hydrographic data.
Restorations of FY 2005 program funds	0	\$5,272,000	This increase will restore funds requested in FY 2005 to several programs that carry out base operations.

## **Measure 4a: Reduce the Hydrographic Survey Backlog within Navigationally Significant Areas (square nautical miles surveyed per year)**

### **Explanation of Measure**

NOAA conducts hydrographic surveys to determine the depths and configurations of the bottoms of water bodies, primarily for U.S. waters significant for navigation. This activity includes the detection, location, and identification of wrecks and obstructions with side scan and multi-beam sonar technology and the Global Positioning System (GPS). NOAA uses the data to produce traditional paper, raster and electronic navigational charts for safe and efficient navigation. In addition to the commercial shipping industry, other user communities that benefit include recreational boaters, the commercial fishing industry, port authorities, coastal zone managers, and emergency response planners. Ships traversing our coastal waters rely on charts based on sounding data that are more than 50 years old in many places. NOAA has identified approximately 537,000 square nautical miles of the U.S. Exclusive Economic Zone as navigationally significant and in need of resurvey. Since 1994, NOAA has focused primarily on surveying and reporting its accomplishments in the highest priority areas, many of which carry heavy commercial traffic, are less than 30 meters deep, and change constantly. However, this critical area constitutes only a small portion (8%) of the entire navigationally significant area used by large commercial vessels and recreational boaters. The square nautical miles reported in the table above reflect data collected within all areas designated as navigationally significant. NOAA's surveying activities balance in-house resources with contracts and use the latest full-bottom coverage sounding technologies to survey the nation's coastal areas for navigation. NOAA utilizes private contractors and a vessel time charter to supplement its in-house resources to conduct hydrographic data collection.

Weather, mechanical failure, and level of surveying difficulty are variables for both NOAA and its contractors, and therefore variances from the targets of +/- 50 square nautical miles per vessel are to be expected in a normal field season.

### **FY 2005 and 2006 Targets**

NOAA's FY 2005 target is consistent with reduced capabilities the reactivated NOAA Ship FAIRWEATHER will incur during her first full field season of operations. The ship was delayed in coming out of the shipyard until late summer, 2004, and was only outfitted with two, rather than four hydrographic survey launches. The ship will also utilize a substantial amount of sea days for crew training, equipment and procedural development, and for safety concerns. Additionally, the ship may be involved in an Integrated Ocean Mapping test project in the Bering Sea. Although a great cooperative project for NOAA, the test will utilize sea days that would otherwise be used for the address survey backlog performance measure. The FY 2005 target includes anticipated production of a Time Charter vessel.

The FY 2006 production has been estimated to be 3,500 snm. This number shows increased efficiency of operations and a shift from more time consuming near-shore areas to deeper offshore areas. It is expected that FAIRWEATHER will still be outfitted with two, rather than four, survey launches during the 2006 field season. Production from a Time Charter vessel has been anticipated in 2006. Contracts for hydrographic services will continue to be focused in critical waters on the Alaskan coast and the Gulf of Mexico for FY 2005 and 2006.

## **Measure 4b: Percentage of U.S. counties rated as enabled or substantially enabled with accurate positioning capacity**

### **Explanation of Measure**

This new measure in FY 2006 tracks the progress of NOAA's Geodesy Program in facilitating the capacity of state and local governments and the private sector to utilize accurate positioning information. NOAA will track county level use of its Online Position User service (OPUS) to determine how well state and local governments are enabled with accurate positioning capacity. Assessing state and local government and private sector usage at the county level is the most appropriate geographic unit. County-level assessments offer entire U.S. coverage and an existing infrastructure for addressing spatial issues. Utilizing OPUS is the right indicator for how well a county is enabled with accurate positioning capacity, because its usage requires a high level of positioning sophistication. Further, OPUS is a necessary step in obtaining accurate positions.

The level of capacity varies across the nation. This variation is measured as deficient, sufficiently enabled, and enabled. Deficient capacity to conduct accurate positioning indicates that the county has not demonstrated it has the NOAA-enabled infrastructure, tools, and local capacity needed for accurate positioning. Substantially enabled capacity to conduct accurate positioning indicates county has demonstrated it has the NOAA-enabled infrastructure, tools, and local capacity needed for accurate positioning. Enabled capacity indicates county validated NOAA-enabled infrastructure, tools, and local capacity needed for accurate positioning. This is indicated by having local interaction through, for example, a submitted and accepted OPUS project for inclusion in the NOAA's geodetic database.

### **FY 2005 and FY 2006 Targets**

The capability for OPUS Project submission and other validation methods will be refined in FY 2005. Based on NOAA data to date and consultation with stakeholders, 25 OPUS solutions per county per year is an appropriate threshold value. NOAA has found that surveying projects involving OPUS can be expected to produce 1-3 OPUS solutions over several days as marks are verified or established and 25 OPUS solutions represent 8-25 individual surveying projects. Number of projects shows a sustained activity of use over time. Preliminary discussions concerning this threshold value with the National Association of County Surveyors found that fewer than 25 solutions would not be indicative of consistent OPUS use and indicates a county has not demonstrated local capacity for accurate positioning. The targets for FY 2006 will be 28% of U.S. Counties rated as enabled or substantially enabled.

#### **Measure 4c: Accuracy (%) and False Alarm Rate (FAR) (%) of Forecasts of Ceiling and Visibility (3 Miles/1000 Feet) (Aviation Forecasts)**

##### **Explanation of Measure**

This measure originally covered “1/4 mile/200 feet.” Conditions of a 200-foot ceiling and one quarter mile visibility are components of the FY 2002 and earlier performance measure accuracy and false alarm rate percentages. However, these conditions are rare events. Because of the infrequency of these conditions, the performance measure poorly captured the operational impact of NWS aviation forecasts. The NWS decided that a better criterion of performance is an aviation performance measure based on a 1000-foot ceiling and three miles of visibility for both accuracy and false alarm rate, and is related to Instrument Flight Rules (IFR) conditions.

In accordance with the NWS strategic plan, this measure was added in FY 2000 to reflect a segment of customers that had not been represented in other performance measures. Visibility and cloud ceiling forecasts are critical for the safety of aircraft operations. Accurately forecasting the transition between Visual Flight Rule and IFR conditions significantly improve general and commercial aviation flight planning capabilities, improving both flight safety and efficiencies.

##### **FY 2005 and 2006 Targets**

NWS expects to see continued improvement of aviation forecasts for low ceiling and visibility. This will be accomplished through the implementation of an improved observational sensing strategy, higher resolution forecast models, and improved guidance tools integrated into AWIPS and the Aviation Forecast Preparatory System for our meteorologists to focus on this forecast challenge. In addition, training in low ceiling and visibility forecasting will be received by more NWS meteorologists in FY 2005.

#### **Measure 4d: Accuracy (%) of Forecast for Wind Speed and Wave Height (Marine Forecasts)**

##### **Explanation of Measure**

This measure was originally a “combined accuracy forecast for marine wind and wave.” The measure has been revised to reflect the individual wind speed and wave height components. This performance indicator measures the accuracy of wind and wave forecasts, which are important for marine commerce.

In accordance with the NWS strategic plan, this measure was added in FY 2000 to reflect another segment of customers (marine) that had not been represented in other performance measures. The FY 2005 and FY 2006 goals have been updated to reflect recent performance and reductions in ongoing NWS training, operations, and research funding in the FY 2005 enacted budget. Loss of funding for marine training workshops will directly affect partnering opportunities to bring in marine experts outside NWS and NOAA to help train in marine meteorology. Partnerships

make it possible for NWS to develop cost-effective expansion of the marine observation network and growth in research (i.e. GLERL wave model). Loss of research partnerships and fewer observations will translate into weaker scores.

### **FY 2005 and 2006 Targets**

NWS will continue to improve marine forecast (wind speed and wave height) accuracy through the implementation of higher resolution models, denser observation networks, and expanded training in marine forecasting. More advanced smart tools applied to digital wind data should improve wave height forecasts. NWS partnerships with boating organizations (such as U.S. Power Squadron) have yielded more marine observations that can be displayed as plots on AWIPS. Future releases and upgrades to AWIPS software used by NWS forecasters an implementation of new wave forecast models will help NOAA attain outyear goals. The marine Professional Development Series is underway, with two modules already on-line and two more expected on-line by the end of FY 2005.

### **Program Evaluation**

NOAA's goal to promote safe navigation is evaluated at a variety of levels, from peer reviews of products, papers, and projects, to internal and external reviews of entire programs and quarterly reviews of NOAA's overall performance in navigation products and services. Constituent input is an important part of the evaluation process and is solicited regularly through constituent workshops.

From 1992 to 1996, a number of National Research Council Marine Board studies examined the nautical charting program and its transition into the digital era. NOAA incorporated study recommendations on areas such as reducing the survey backlog, implementing new digital production techniques, and delivering new electronic chart products to the program. The Hydrographic Services Improvements Act of 1998 provided Congress and NOAA an opportunity to evaluate NOAA's capabilities for acquisition and dissemination of hydrographic data, develop standards and formats for hydrographic services, and contract for the acquisition of hydrographic data. NOAA now contracts out over 50 percent of its annual critical area hydrographic survey requirements while maintaining Federal competence and expertise with existing and developing surveying technologies. A 2001 KPMG Consulting cost analysis of survey platform options supported NOAA's concept of a time charter for continuous survey operations. NOAA has contracted for a time charter to test its effectiveness in real-world applications.

In 1998, Congress authorized the Height Modernization study to evaluate the technical, financial, legal, and economic aspects of modernizing the national height system with GPS. The study demonstrated the significant benefits to the Nation in terms of dollars and lives saved associated with GPS technology, and it led to current development of the vertical component of the National Spatial Reference System. In 1999, NOAA completed an assessment of its tidal currents program to develop guidelines for future current surveys to update U.S. reference stations for the Tidal Current Tables. Finally, the September 1999 Report to Congress that assessed the U.S. Marine Transportation System (MTS) further articulated the need for coordinated Federal leadership to achieve the MTS vision of becoming the world's most technologically advanced, safe,

efficient, globally competitive, and environmentally responsible system for moving goods and people. NOAA's navigation safety support functions underwent substantial review to identify opportunities for greater integration among Federal agencies.

### **Cross-cutting Activities**

#### **Intra-Department of Commerce**

In partnership with the Technology Administration and National Telecommunications and Information Administration within the Department of Commerce and other civil agencies from all civil departments, NOAA participates on the Interagency GPS Executive Board, which with the Department of Defense jointly manages the GPS satellite program as a national asset. Now a dual-use system heavily employed by civilian and commercial sectors, GPS is a global information utility that the United States has committed to provide free to the world for use as the international standard for navigation, positioning, and timing.

#### **Other Government Agencies**

NOAA works closely with agencies such as the Department of Transportation, the U.S. Coast Guard, and the U.S. Army Corps of Engineers in support of Marine Transportation System goals and objectives to identify and improve navigation services for maritime commerce while preserving navigation and environmental safety. NOAA and the Department of Transportation also cooperate on the development of the Nationwide Differential GPS System, which employs NOAA's Continuously Operating Reference Stations to enable highly accurate GPS positioning in three dimensions across the nation. This system benefits from a multipurpose cooperative effort among government, academia, and the commercial sector and supports numerous NOAA objectives and activities.

#### **External Factors and Mitigation Strategies**

Weather has a significant impact on the promotion of safe navigation activities. Both in-house and contract hydrographic survey schedules can be affected by adverse weather conditions and equipment failure, as can aerial photography flights scheduled for shoreline photogrammetry. Storm damage frequently renders water-level stations inoperable, affecting surveying capabilities and real-time observations of water levels and currents so critical to safe navigation. Natural disasters such as earthquakes and hurricanes can elevate the need to survey an area because of shoreline changes or obstruction accumulation; man-made impacts such as shifts in shipping patterns, newly regulated shipping lanes, port expansions, or wrecks will also impact NOAA's survey schedule. Finally, in addition to mission activities, NOAA ships and aircraft provide immediate response capabilities for unpredictable events such as search and recovery efforts after the TWA Flight 800 and EgyptAir Flight 990 crashes; damage assessments after major oil spills such as the Exxon Valdez, the Persian Gulf War, and the grounding of the New Carissa off the Oregon coast in 1999; and severe hurricanes. NOAA mitigates these impacts with backup plans for relocating assets to other projects, or by reassessing survey schedules.



**Discontinuation of Measure**

**Measure: Percentage of National Spatial Reference System (NSRS) Completed (Cumulative %)**

	<b>FY 2000</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Target</b>	<b>64%</b>	<b>75%</b>	<b>78%</b>	<b>84%</b>	<b>87%</b>	<b>87%</b>	
<b>Actual</b>	<b>71%</b>	<b>75%</b>	<b>83%</b>	<b>84%</b>	<b>88.2%</b>		
<b>Met/Not Met</b>	<b>Met</b>	<b>Met</b>	<b>Met</b>	<b>Met</b>	<b>Met</b>		

Continued, long-term use of the measure would be inadequate, because it is not readily understood or suitable for measuring outcomes of activities planned for the Geodesy Program. The measure is inflexible to respond to changing user requirements and technological advances. It is inadequate for rolling out to specific geographic areas, so it has no precise set of targets against which to effectively measure the system's expansion.

**Performance Goal for Mission Support: Provide critical support for NOAA’s Mission**

**DOC Strategic Goal 3: Observe, protect, and manage the earth’s resources to promote environmental stewardship**

Strong, effective, and efficient support activities are necessary for us to achieve our Mission Goals. Our facilities, ships, aircraft, environmental satellites, data-processing systems, computing and communication systems, financial and administrative offices, and our approach to management provide the foundation of support for all of our programs. This critical foundation must adapt to evolving mission needs and, therefore, is an integral part of our strategic planning. It also must support US homeland security by providing NOAA services, such as civil alert relays through NOAA Weather Radio and air dispersion forecasts, in response to national emergencies. NOAA ships, aircraft, and environmental satellites are the backbone of the global Earth observing system and provide many critical mission support services. To keep this capability strong and current with our Mission Goals, we will ensure that NOAA has adequate access to safe and efficient ships and aircraft through the use of both NOAA platforms and those of other agency, academic, and commercial partners. We will work with academia and partners in the public and private sectors to ensure that future satellite systems are designed, developed, and operated with the latest technology. In addition, safe and adequate facilities and state-of-the-art information technology are essential to the improvement of NOAA’s operations and service delivery. NOAA’s long-range facility planning and comprehensive maintenance planning are underway with the goal to ensure right-sized, cost-effective, and safe facilities.

To achieve our Mission Goals, we must also commit to organizational excellence through management and leadership across a “corporate” NOAA. We will provide effective administrative, financial, and information technology services that enable us to deliver effective products and services. We will continue to improve the policy, programmatic, and managerial functions that support our Mission Goals. Our administrative and finance programs will ensure effective communication inside and outside NOAA, and efficient management of our assets, business processes, and financial resources.

<b>Program Initiative</b>	<b>FTE</b>	<b>Funding Request</b>	<b>Anticipated Impact</b>
Satellite Command and Control	0	\$1,408,000	Funds will be used for software and engineering support necessary to ensure uninterrupted flow of environmental data from NOAA and non-NOAA satellites, including Jason-2. Funding will also support increases in the rent, security, and above standard operations and maintenance costs associated with the occupancy of the NOAA Satellite Operations Facility (NSOF) in Suitland, Maryland.
Product Processing and Distribution	0	\$400,000	Enable NOAA to process expected increase in the amount of satellite data required to meet NOAA’s mission requirements. Funding will provide additional contractor support for operations, and hardware and software maintenance, and allow NOAA to maintain critical services.

Product, Development, Readiness, and Application	0	\$400,000	Continued development of satellite data applications and products in advance of the next generation instruments on future satellite systems, reducing the time between availability of the data and operational use.
GOES-R Series	0	\$82,978,000	Weather and climate-sensitive industries (directly and indirectly) account for approximately \$3.0 trillion of the U.S. Gross Domestic Product. Tornadoes, hurricanes, floods, and variations in climate can result in loss of economic efficiencies. GOES-R Series satellites alleviate the losses by reducing the uncertainty in long-term climate projections, improving forecasts with longer lead times for warnings of hurricanes, tornadoes, and other severe events, etc.
LANDSAT	0	\$11,000,000	Supports LANDSAT integration..
National Polar-orbiting Operational Environmental Satellite Systems	0	\$16,097,000	Supports the November 2006 launch of the NPOESS Preparatory Project by having the instruments and ground system in place and also to have the first NPOESS satellite (C1) available for launch in FY 2010.
Costs Associated with the Office of General Counsel FTEs	0	\$1,600,000	To fund unanticipated cost growth that has resulted in unfunded full General Counsel FTE within the NOAA Under Secretary and Associate Offices (as opposed to GC staff directly assigned to NOAA Line Offices).
Office of Chief Information Officer (OCIO) – Capital Planning and Investment Control	1	\$1,365,000	This funding increase is part of OCIO’s Security and Information Technology Support Services request which would enable NOAA to address the management of information systems from an enterprise perspective.
Office of Chief Information Officer (OCIO) – NOAA IT Refreshment	0	\$465,000	To provide information technology refreshment to high priority areas in NOAA in conjunction with Commerce IT review board input; specifically, for CAMS and Lan switch replacements.
OCIO – Information Technology Security	0	\$4,050,000	Provide the enterprise level structure needed to efficiently respond to the new IT security architecture requirements.
Office of the Chief Financial Officer (CFO) – End-to-End Resource management System	0	\$1,000,000	Provide an end-to-end formulation and execution capability for the financial management of NOAA’s 41 programs.
CFO - Activity Based Budgeting and Planning	0	\$500,000	Implement Business Management Fund using activity based budgeting and planning. Investing in technology to automate manual processes, and change business practices will reduce redundancies and unnecessary practices.

CAO – Consolidation of Support Centers	0	\$1,500,000	To restructure the Administrative Support centers to more effectively support specific business functions. The costs would include costs associated with severance pay, retirement costs, lump sum leave payments, and relocation costs in some cases.
Facilities – Contractor/Software Costs and Training	0	\$1,000,000	Improved facilities management system.
NOAA Center for Weather and Climate Prediction (NCWCP)	0	\$6,200,000	Funds will finalize the design and implementation of the construction of the NOAA Center for Weather and Climate Prediction (NCWCP). The funding will also be used to initiate critical long lead procurements for data and communications infrastructure that will be installed in the building during construction; for furnishings, fixtures and equipment that must be procured prior to the completion of construction, and for project management tasks supporting technical oversight of the design and construction process and the detailed planning necessary to execute the relocation of critical 24x7 operational systems without interruption of service.
Fisheries Survey Vessel #4	0	\$33,513,000	The requested funding will enable NOAA to exercise an option for the fourth ship on an existing, four-ship contract, thereby retaining current pricing. FSV4 would deploy state-of-the-art acoustic technologies, combined with very quiet radiated noise signatures, to enhance the effectiveness and efficiency of at-sea resource surveys. These capabilities would enable FSV4 to monitor up to nine times more volume of water for the same time and distance traveled by current ships. Enhanced data streams would allow assessment scientists to improve survey designs and ground-truth acoustic surveys using modern trawl gear. FSV4 would support NMFS’ new FETCH Autonomous Underwater Vehicle to extend survey sampling beyond the trackline of the ship.
Facility Maintenance & Repair	0	\$3,983,000	This program includes funds to reduce operating costs for NOAA’s facilities through actively pursuing energy commodities at competitive prices, identifying and implementing energy-savings opportunities and applying renewable-energy technologies and sustainable designs at NOAA-managed facilities.
Restorations of FY 2005 program funds	0	\$16,636,000	This increase will restore funds requested in FY 2005 to several programs that carry out base operations.

There are no GPRA measures for the Mission Support goal since the activities of this goal support the outcomes of the Mission goals. NOAA is developing new and improving existing internal management performance measures for the Mission Support Goal.

## NOAA Data Validation and Verification

NOAA’s Budget Office coordinates an annual review of the performance data to ensure that it is complete and accurate. During this process, significant deviations from projected targets, if any, are discussed with the appropriate NOAA Line Office so that changes or corrections can be made to help meet NOAA’s performance goals. The actual validation process is conducted by individual NOAA Line Offices. The verification aspects depend on individual Line Office. For oceans and fisheries-related measures, stock assessments and reviews (internal, and/or peer) are common. For weather related measures, the verification process is, among other things, through comparison of predicted weather to the actual event. For the climate-related measures, verification is through, among other things, quality control of data. Satellite data are compared with on site data to help validate data accuracy.

Performance Measure	Data Source	Frequency	Data Storage	Internal Control Procedures	Data Limitations	Actions to be Taken
Measure 1a: Number of overfished major stocks of Fish	NOAA’s National Marine Fisheries Service (NMFS) report to Congress, <i>Status of Fisheries of the United States</i>	Annual	NMFS Office of Sustainable Fisheries	Stock assessments and peer reviews (internal and outside the agency)	None	
Measure 1b: Number of major stocks with an “unknown” stock status	NOAA/National Marine Fisheries Service (NMFS), Report to Congress: Status of Fisheries of the United States.	Annual	NOAA/NMFS Office of Sustainable Fisheries	Stock assessments and peer reviews (internal and outside the agency).	None	

Performance Measure	Data Source	Frequency	Data Storage	Internal Control Procedures	Data Limitations	Actions to be Taken
Measure 1c: Number of protected species designated as threatened, endangered, or depleted with stable or increasing population levels	NMFS	Annual	NMFS's Office of Protected Resources	Audits and internal peer review within NOAA and external peer review by regional fishery councils, the National Science Foundation, the National Academy of Science, and other organizations	None	
Measure 1g: Number of stocks of protected species with adequate population assessments	NMFS	Annual	NMFS's Office of Protected Resources	Audits and internal peer review within NOAA and external peer review by regional fishery councils, the National Science Foundation, the National Academy of Science, and other organizations	None	None
Measure 1h: Number of acres of coastal habitat restored (annual/cumulative)	Primary source is NMFS's Office of Habitat Conservation; NOS provides additional input	Annual	NMFS's Habitat Office will collect information, conduct assessments, and store data.	NMFS's Habitat Office will collect quality-controlled data to ensure performance data criteria are being met.	None	None
Measure 2a: U.S. temperature – skill score	Forecast data, observations from U.S. Weather Forecast Offices, and from a cooperative network maintained by volunteers across the nation	Annual	NWS's National Centers for Environmental Prediction	NOAA performs quality assurance analysis of the data (for example, error checking, elimination of duplicates, and interstation comparison) both at the national and U.S. Weather Forecast Office level	Given the difficulty of making advance temperature and precipitation forecasts for specific locations, a skill score of 20 is considered quite good and means the forecast was correct in almost 50% of the locations forecasted. Forecasts will likely be better in	None

Performance Measure	Data Source	Frequency	Data Storage	Internal Control Procedures	Data Limitations	Actions to be Taken
					El Niño years than in non-El Niño years.	
Measure 2b: Reduce the Uncertainty in the Magnitude of the North American Carbon Uptake	NOAA's Global Carbon Cycle Research Program	Annual	Climate Monitoring and Diagnostics Laboratory	Quality assurance and calibration against known standards performed by NOAA	Number of profiling/ocean sites and our ability to incorporate these data into advanced carbon models	None
Measure 2c: Reduce the Uncertainty in Model Simulations of the Influence of Aerosols on Climate	NOAA's Atmospheric Composition and Climate Program	Annual	Aeronomy Laboratory	Quality assurance and comparisons against 2001 international assessments by leading experts in the aerosol-climate community	Number of monitoring sites, process studies, and our ability to include these in global models	None
Measure 2d: Determine the Actual Long-term Changes in Temperature and Precipitation Over the United States	NOAA's National Climatic Data Center	Annual	NOAA's National Climatic Data Center	Monte Carlo simulations based on operation stations	None	None
Measure 2e: Reduce the Error in Global Measurement of Sea Surface Temperature	NOAA's Office of Climate Observations	Annual	Pacific Marine Environmental Laboratory	Quarterly reporting mechanism on uncertainty in sea surface temperature measurements	Number of deployed observing platforms in the global ocean	None
Measure 2f: Improve society's ability to plan and respond to climate variability and change using NOAA climate products and information.	NOAA's Office of Global Programs	Annual	NOAA's Office of Global Programs	Annual assessments of grants awarded and published risk and impact assessment/evaluations communicated to decision makers.	Number of studies assessing societal impacts of climate information on stakeholders	None

Performance Measure	Data Source	Frequency	Data Storage	Internal Control Procedures	Data Limitations	Actions to be Taken
<p>Measure 3a: Lead time (minutes), accuracy (%), and false alarm rate (FAR, %) of severe weather warnings for tornadoes</p>	<p>National Weather Service (NWS) field offices</p>	<p>Monthly</p>	<p>NWS headquarters and the Office of Climate, Water, and Weather Services (OCWWS)</p>	<p>Verification is the process of comparing the predicted weather to the actual event. The process begins with the collection of warnings from every NWS office across the nation. The severe weather event program includes extensive quality control procedures to ensure the highest reliability of each report. The data in each report are entered into a database that contains severe weather warnings where the warnings and events are matched and appropriate statistics are calculated and made available to all echelons of the NWS.</p>	<p>There are limitations of scientific verification in assessing data. The fundamental purpose of scientific verification is to objectively assess program performance through the use of standard statistical analysis. However, a number of factors unique to the atmospheric sciences must be considered to ensure proper interpretation of objectively derived statistics. The primary factor to consider is the natural variation of this performance measure related to annual fluctuations in meteorological conditions associated with severe weather.</p>	<p>Review the storm data from individual events to pinpoint the causes and take corrective actions.</p>



Performance Measure	Data Source	Frequency	Data Storage	Internal Control Procedures	Data Limitations	Actions to be Taken
<p>Measure 3b: Lead Time (Minutes) and Accuracy (%) for Severe Weather Warnings for Flash Floods</p>	<p>National Weather Service (NWS) field offices</p>	<p>Monthly</p>	<p>NWS headquarters and the Office of Climate, Water, and Weather Services (OCWWS)</p>	<p>Verification is the process of comparing the predicted weather to the actual event. The process begins with the collection of warnings from every NWS office across the nation. The severe weather event program includes extensive quality control procedures to ensure the highest reliability of each report. The data in each report are entered into a database that contains severe weather warnings where the warnings and events are matched and appropriate statistics are calculated and made available to all echelons of the NWS.</p>	<p>There are limitations of scientific verification in assessing data. The fundamental purpose of scientific verification is to objectively assess program performance through the use of standard statistical analysis. However, a number of factors unique to the atmospheric sciences must be considered to ensure proper interpretation of objectively derived statistics. The primary factor to consider is the natural variation of this performance measure related to annual fluctuations in meteorological conditions associated with severe weather.</p>	<p>NOAA will continue to collect data while reporting additional measures in the future</p>

Performance Measure	Data Source	Frequency	Data Storage	Internal Control Procedures	Data Limitations	Actions to be Taken
Measure 3c: Hurricane Track Forecasts Error (48 Hours)	NWS/Tropical Prediction Center (TPC)	Annual	TPC	Hurricane storm verification is performed for hurricanes, tropical storms, and tropical depressions regardless of whether these systems are over land or water. The TPC issues track and intensity forecast throughout the life of a hurricane. The actual track and intensity are verified through surface and aircraft measurements. NOAA calculates the average accuracy of the TPC track and intensity forecasts for the Atlantic basin at the end of each hurricane season. Reported errors are for hurricane and tropical storm stages only because of a more limited historical verification record for tropical depressions.	Verification of actual track and intensity versus forecast is very accurate. However, actual annual scores vary up to 20% in some years due to the type and location of the hurricane events. Some types of systems can be more accurately forecasted than others. For example, hurricanes that begin in the northern sections of the hurricane formation zone tend to be much harder to accurately forecast. Out-year measures depend on a stable funding profile and take into account new satellites, improved forecast models, new and continued research activities of the U.S. Weather Research Program (USWRP), and investments in critical observing systems	NOAA will report on the tracking of forecasts at 24, 48 and 72-hour intervals.

Performance Measure	Data Source	Frequency	Data Storage	Internal Control Procedures	Data Limitations	Actions to be Taken
Measure 3d: Accuracy (%) (Threat Score) of day 1 precipitation forecasts	The Hydrometeorological Prediction Center and state agencies	Annual	World Weather Building	<p>The Hydrometeorological Prediction Center has produced Quantitative Precipitation Forecasts since the early 1960s and has kept verification statistics related to the Quantitative Precipitation Forecast program since that time. All data are examined for accuracy and quality control procedures are applied.</p> <p>Verification is the process of comparing the predicted precipitation amounts to the observed amounts over the conterminous U.S.</p>	<p>The 40-year record of performance indicates there can be considerable variation in the performance measure from year to year. This variation is heavily dependent on the variation of weather regimes over the course of a year and from year to year. Scores are usually lower, for example, in years with considerable summertime precipitation not associated with tropical cyclones.</p>	<p>NOAA will implement planned weather observation and numerical modeling improvements along with ongoing research projects.</p>
Measure 3e: Lead Time (Hours) and Accuracy (%) of Winter Storm Warnings						

Performance Measure	Data Source	Frequency	Data Storage	Internal Control Procedures	Data Limitations	Actions to be Taken
<p>Measure 3f: Cumulative percentage of U.S. shoreline and inland areas that have improved ability to reduce coastal hazard impacts</p>					<p>This measure tracks the cumulative percent of shoreline and inland areas with improved ability to reduce the impact of coastal hazards. The types of projects included in the reported results differ from one year to the next; therefore, the potential for counting a portion of the shoreline more than once exists. For example, one year a project may improve an area's ability to reduce the impacts of hurricanes, then another year a separate project may improve the same area's ability to reduce the impacts of another coastal hazard such as inland flooding.</p>	

Performance Measure	Data Source	Frequency	Data Storage	Internal Control Procedures	Data Limitations	Actions to be Taken
Measure 4a: Reduce Hydrographic survey backlog within navigationally significant areas (square nautical miles surveyed per year)	Progress reports on data collected from hydrographic survey platforms	Annual	National Ocean Service will store data and publish nautical charts.	National Ocean Service will apply established verification and validation methods.	Progress in reducing the backlog is measured against a baseline value of 43,000 square miles as determined in 1994. Weather can affect scheduled surveys.	None
Measure 4b: Percentage of U.S. counties rated as enabled or substantially enabled with accurate positioning capacity (Goal: Increase percentage of counties rated as substantially or fully enabled, with the infrastructure, tools, and demonstrated local capacity for accurate positioning, from 25% in 2004 to 90% in 2011).	NOAA's Online Position User Service (OPUS)	Ongoing, Annual Reporting	Automated database at National Ocean Service	NOAA will validate a County's capacity for local positioning through direct coordination with localities, such as OPUS project acceptance by NOAA. By assessing the user needs of county surveyors, counties, and their associations, NOAA will validate that the Geodesy Program is meeting local positioning needs. The new Geodesy GPRA measure will track progress toward these goals.	OPUS Customer data is limited and will be expanded through Paperwork Reduction Act-approved surveys of customers who use the OPUS web site for precision positioning.	Analyze OPUS e-mail domain names to categorize and inventory OPUS users. Validate OPUS web site hits as a measure of use and benefit. Conduct a socio-economic analysis to validate OPUS benefits and who OPUS users are. Develop schema based on census data for scaling counties by area, population, and economic activity. Develop "county-based accurate

Performance Measure	Data Source	Frequency	Data Storage	Internal Control Procedures	Data Limitations	Actions to be Taken
						positioning scorecard” with our partners.
Measure 4c: Accuracy (%) and FAR (%) of Forecasts of Ceiling and Visibility (Aviation Forecasts)	NWS field offices	Daily	NWS headquarters and OCWWS	Verification is the process of comparing the predicted weather with the actual event. The process begins with the collection of forecasts and observations from each NWS office across the nation. The quality-controlled, collated data are transmitted to the National Centers for Environmental Prediction in Camp Springs, Maryland, where the data are stored as computer files. The data files are retrieved by the NWS headquarters’ Office of Science and Technology. Following additional quality control the data are stored on an Office of Science and Technology workstation and used to generate semi-annual statistics on forecast accuracy.	Due to the large volume of data gathered and computed, documentation for this measure cannot be finalized until well into the following fiscal year. Out-year measures depend on a stable funding profile and take into account improved use of the WSR-88D, new satellites, improved forecast models, new and continued research activities of the USWRP, investments in critical observing systems, and implementation of AWIPS.	NOAA will improve and expand its training program work with the National Aeronautics and Space Administration and the Federal Aviation Administration to develop new software tools and forecast techniques.

Performance Measure	Data Source	Frequency	Data Storage	Internal Control Procedures	Data Limitations	Actions to be Taken
Measure 4d: Accuracy (%) of Forecast for Winds and Waves (Marine Forecasts)	NWS field offices	Daily	The NWS and the National Centers for Environmental Prediction's Ocean Modeling Branch	Verification is the process of comparing the predicted weather with the actual event. The process begins with the collection of forecasts and observations from each NWS office across the nation. The quality-controlled, collated data are transmitted to the National Centers for Environmental Prediction, where they are stored as computer files. The data files are retrieved by the NWS, and the National Centers for Environmental Protection's Ocean Modeling Branch. Following additional quality control the data are used to generate quarterly statistics on forecast accuracy.	Due to the large volume of data gathered and computed, documentation for the accuracy of forecast for wind and waves cannot be finalized until well into the following fiscal year. Out-year measures depend on a stable funding profile and take into account improved use of the WSR-88D, new satellites, improved forecast models, new and continued research activities of the USWRP, investments in critical observing systems, and implementation of AWIPS.	NOAA will deploy enhanced versions of AWIPS (Build 5), implement new wave forecast models, and improve communication and dissemination techniques to marine users.

**FY 2006 Annual Performance Plan**  
**National Telecommunications and Information Administration**

The National Telecommunications and Information Administration (NTIA) serves as the President's principal adviser on telecommunications and information policy matters and develops forward looking spectrum policies that ensure efficient and effective spectrum access and use. NTIA manages all spectrum use by Federal government departments and agencies and examines how the radio frequency spectrum is used and managed in the United States. NTIA will work to foster competition and universal service in telecommunications, will promote broadband deployment, will continue to promote the transition of the Internet domain name system to the private sector, and will support the Administration's positions on Internet taxation, ENUM, IPv6, and cybersecurity. NTIA's research laboratory, the Institute for Telecommunication Sciences (ITS), will perform telecommunications research, conduct cooperative research and development with U.S. industry and academia, and provide technical engineering support to NTIA and to other Federal agencies.

NTIA's activities support DOC Strategic Goal 2, Foster Science and Technological Leadership by protecting intellectual-property, enhancing technical standards and advancing measurement science, and General Goal/Objective 2.3, Advance the development of global e-Commerce and enhanced telecommunications and information services. NTIA's functions promote science and technological leadership through basic research in telecommunications technologies, support for U.S. positions in international standard-setting bodies, promotion of advanced telecommunications and information infrastructure development in the United States, improvement of foreign trade opportunities for U.S. telecommunications firms, and facilitation of more efficient and effective use of the radio spectrum. These activities benefit the American public through promoting universal, affordable availability of advanced services. Telecommunications and information technologies support productivity, growth and job creation in most industrial sectors. NTIA's activities will therefore promote U.S. economic success and lead to a new period of economic acceleration and job expansion.

One of NTIA's primary missions is to serve as the President's principal policy advisor on telecommunications and information issues and to serve as the Administration's primary voice on them. NTIA will fulfill this policy-setting role in a number of ways: by preparing and issuing special reports on topics including Internet use and protocols, providing Administration views on actions proposed by the Federal Communications Commission (FCC); seeking requests for public comment on specific issues; and encouraging dialogue with the private sector through sponsorship and participation in conferences, workshops, and other forums



NTIA will continue to examine an array of spectrum management policy issues dealing with innovative approaches to spectrum management and the effectiveness of current processes. This examination will be conducted in tandem with the FCC's proceedings on spectrum management policy, in which NTIA will participate on behalf of the Administration. NTIA also will participate on behalf of the Administration in FCC and Congressional proceedings on telecommunications policies, including the development of appropriate regulatory treatment for broadband services deployment.

NTIA's spectrum management and policy activities promote efficiencies affecting all users of spectrum. The availability of the radio frequency spectrum is key to the development and implementation of innovative telecommunications technologies such as Ultra wideband (UWB) and Third Generation (3G) wireless services. NTIA's activities include (1) identifying and supporting new wireless technologies that promise innovative applications for customers of the federal and private sectors; (2) providing the 56 federal agencies with the spectrum needed to support their missions for national defense, law enforcement and security, air traffic control, national resource management, and other public safety services (3) working with the Administration and Federal agencies to transition 45 MHz of spectrum to the private sector; ; (4) developing plans and policies to use the spectrum effectively; (5) supporting the United States' future spectrum needs globally through participation, in conjunction with State and the FCC, in the International Telecommunication Union to establish approved standards; (6) performing telecommunications research and engineering to improve understanding of radio-wave transmission and thereby improving spectrum utilization and the performance of radio-communications systems; and (7) supporting and implementing the President's Spectrum Management Initiative

NTIA is active on a several Internet related issues, including ICANN reform and continuing Internet privatization of domain name management both domestically and internationally, proposals regarding Internet services and content, and the combination of Internet and telecommunications addressing (ENUM). NTIA will pursue policies promoting international trade in telecommunications products and services, promoting consistent international approaches to telecommunications policies, and improving relations with Western Hemisphere neighbors. All of these activities will require substantial coordination among NTIA's program offices, as well as interagency coordination to develop the Administration's positions

In addition to its policy-related activities, the NTIA supports innovative telecommunications and information technologies through basic research performed at its laboratory, the Institute for Telecommunication Sciences (ITS). ITS performs extensive basic research on quality of digital speech, audio and video compression, and transmission characteristics. This research has the potential to improve both the performance of telecommunications networks and the availability of digital content on the Internet. Basic research at ITS also supports U.S. positions in international standard-setting bodies and NTIA's development of Administration policies related to the introduction of new technologies.

### **Priorities/Management Challenges**

The Presidential Executive Memorandum released in November 2004, directed the Department of Commerce and other Federal agencies to develop a plan and implement recommendations for i) improving policies that affect spectrum use by State and local governments and the private sector, ii) improving the Federal spectrum management process as a whole. NTIA, working with the FCC, the Department of State, and other partners, is a vital component in this Presidential initiative to develop a "Spectrum Policy for the 21<sup>st</sup> Century." It is the top priority for NTIA and a focus of the Administration. In addition, NTIA will support the President's goal of universal, affordable access to broadband technology by the year 2007. NTIA will develop policy proposals and promote opportunities to provide these high-speed information services to all Americans. The challenge for NTIA's management will be to actively engage critical partners in addressing these priorities, including the Congress, FCC, and international bodies

### Unit Cost Measures

NTIA is developing unit cost measures for its “Timeliness of Processing” spectrum assignment requests (Performance measure 1a) for use in FY 2005 and beyond. This measure will provide a means for determining the efficiency and effectiveness of meeting the needs of NTIA’s Federal agency customers for spectrum support in accomplishing their missions.

### PART Assessment

NTIA will evaluate spectrum management and policy analysis and development programs through a PART assessment in FY 2005.

### FY 2006 Program Changes

NTIA’s FY 2006 activities support DOC Strategic Goal 2, Foster Science and Technological Leadership by protecting intellectual-property, enhancing technical standards and advancing measurement science, and General Goal/Objective 2.3, Advance the development of global e-Commerce and enhanced telecommunications and information services. NTIA’s FY 2006 budget request includes funding to maintain ongoing programs that support domestic and international policy development, federal spectrum management, and related research.

	Base		Increase/Decrease	
	FTE	Amount	FTE	Amount
Spectrum Efficiency and Planning -Incentives	1	205,000	3	795,000
International Spectrum Management	2	400,000	1	400,000
Public Telecom Facilities, Planning and Construction	13	21,478,000	(13)	(19,478,000)
ICANN Membership	0	0	0	100,000
Interference Temperature and Radio Noise Research	0	0	3	2,087,000

### Target and Performance Summary

	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Target	FY 2006 Target
<b>Performance Goal 1: Ensure that the allocation of radio spectrum provides the greatest benefit to all people</b>						
Timeliness of Processing	New	New	Fifteen Business Days	< Twelve Business Days	< Twelve Business Days	< Twelve Business Days
Number of frequency bands evaluated to determine possible improvements that could be made to use spectrum more efficiently	New	New	New	New	1	2
Percentage of requests accomplished on line <sup>1</sup>			55%	97%	Discontinued	Discontinued
Completeness and accuracy of agency assignment requests <sup>1</sup>			87%	93%	Discontinued	Discontinued
Customer satisfaction survey on training course <sup>1</sup>			90% satisfactory or better	95% satisfactory or better	Discontinued	Discontinued
<b>Performance Goal 2: Promote the availability and support new sources of advanced telecommunications and information services</b>						
Support new telecom and info technology by advocating Administration views in FCC docket filings and Congressional proceedings	New	New	New	New	5 dockets and proceedings	5 dockets and proceedings
Quality of Basic Research as Reflected in Peer-reviewed Publications	New	New	5 Publications	7 Publications	6 Publications	6 Publications
Level of Technology Transfer Activities Conducted with the Private Sector through the Cooperative Research and Development Agreements	New	New	5 Cooperative Research and Development Agreements	5 Cooperative Research and Development Agreements	3 Cooperative Research and Development Agreements	3 Cooperative Research and Development Agreements
Provide the Policy Framework for Introduction of New Technology <sup>2</sup>	New	New	New spectrum, ICANN reform	Reports, conferences, workshops	Reports, conferences, workshops	Reports, conferences, workshops
Policy Customer Survey	New	New	Postponed	50 customers	Discontinued	Discontinued
Digital Broadcasting Conversion <sup>3</sup>	New	New	79 grants	Discontinued	Discontinued	Discontinued
Timeliness of grant awards <sup>3</sup>	New	New	100%	Discontinued	Discontinued	Discontinued
Percentage of the U.S. covered by public broadcasting signals <sup>3</sup>	New	New	95% TV 90% Radio	Discontinued	Discontinued	Discontinued

1. NTIA has discontinued these measures as the measures did not reflect the outcomes of NTIA activities. Customer satisfaction will continue to be assessed within NTIA, however.
2. For FY 2006, NTIA has combined two performance goals and replaced discontinued measures into the one output measure, advocating Administration views in FCC docket filings and Congressional proceedings.

- Measures associated with grants for digital television conversion, timeliness of grant awards, and public broadcasting coverage have been discontinued as those objectives have been achieved.

**Resource Requirements Summary**

(Dollars in thousands. Funding reflects total obligations)  
 Information Technology (IT)  
 Full Time Equivalent (FTE)

	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actuals</b>	<b>FY 2005 Enacted / Actual</b>	<b>FY 2006 Base</b>	<b>Increase/ Decrease</b>	<b>FY 2006 Request</b>
<b>Performance Goal 1: Ensure that the allocation of radio spectrum provides the greatest benefit to all people</b>								
Salaries and Expenses	\$21,472	\$23,444	\$24,516	\$28,536	\$38,953	\$39,648	\$2,795	\$42,443
<b>Performance Goal 2: Promote the availability and support new sources of advanced telecommunications and information services</b>								
Salaries and Expenses	9,276	9,730	10,015	11,245	29,483	13,936	2,187	16,123
Public Telecom Facilities, Planning, and Construction	44,188	47,592	45,930	26,853	22,187	21,478	(19,478)	2,000
Information Infrastructure Grants	46,206	15,486	17,141	17,810	1,160	0	0	0
<b>Grand Total</b>								
Total Funding <sup>1,2</sup>	121,142	96,252	97,602	84,444	91,783	75,062	(14,496)	60,566
Direct	101,774	77,147	77,355	61,187	40,712	39,546	(16,096)	23,450
Reimbursable <sup>1</sup>	19,368	19,105	20,247	23,257	51,071	35,516	1,600	37,116
IT Funding <sup>3</sup>	5,400	5,400	5,400	5,400	5,400	5,400	0	5,400
FTE	244	244	251	269	295	296	2	298

- Reimbursable funding included in total funding.
- Carryover included in total funding
- IT funding included in total funding

Skill Summary: NTIA employs policy analysts with legal, economics, and technical skills to perform these activities. NTIA does not have a separate budget category for these activities.

**Performance Goal 1: Ensure that the allocation of radio spectrum provides the greatest benefit to all people**

**Corresponding DOC Strategic Goal:**

Strategic Goal 2 Foster Science and Technological Leadership by protecting intellectual-property, enhancing technical standards and advancing measurement science

*General Goal/Objective 2.3, Advance the development of global e-Commerce and enhanced telecommunications and information services*

**Rationale:**

The National Telecommunication and Information Administration's (NTIA's) spectrum management activities and its policy activities support efficient and effective use of spectrum. The availability of radio frequency spectrum is a key to the development and implementation of innovative telecommunications technologies such as Ultra wideband (UWB), Third Generation (3G) wireless and other wireless broadband services

**Program Increases/Decreases:**

<b>Program Initiative</b>	<b>Funding Request</b>	<b>Anticipated Impact</b>	<b>Location in the Budget</b>
Spectrum Efficiency and Planning -Incentives	\$795,000	Development of proposals for greater use of economic mechanisms, such as fees, as spectrum management tools.	Salaries and Expenses, Domestic and International Policies
International Spectrum Management	\$400,000	Prepare for and participate in WRCs and implement results nationally.	Salaries and Expenses, Spectrum Management

**Measure 1a: Timeliness of Processing**

Explanation of Measure: NTIA has made substantial improvements over the years in the time required to process frequency assignment actions requested by the federal agencies. This measure will permit NTIA to continue to track improvements in processing time through implementation of the paperless spectrum initiative. NTIA expects that the target will improve dramatically in FY 2008 and beyond as investments in the paperless spectrum initiative are realized. Improvements in processing time allow NTIA's federal agency customers to more effectively accomplish their missions in ensuring our homeland security, maintaining public safety and the federal transportation infrastructure, and supporting law enforcement.

**Measure 1b: Number of frequency bands evaluated to determine possible improvements that could be made to use spectrum more efficiently**

**FY 2006 Target:** No changes have been made in the current year targets for the timeliness of processing measure from the figures as stated in the

Explanation of Measure: In FY 2004, NTIA completed a spectrum efficiency study on the 162-174 MHz band. The same methodology will be used to evaluate Federal spectrum use on a band by band basis and identify improvements. In FY 2005, NTIA will examine the Federal government land mobile bands, 406-420 and 138-144 MHz. NTIA plans to evaluate all Federal government efficiency and effectiveness. NTIA's methodology will be able to determine how Federal agencies can improve spectrum efficiency by comparing radiocommunication technologies. Spectrum efficiencies gained in Federal government usage can free spectrum for other Federal services or new and innovative communications services by the private sector.

FY 2005 Plan. NTIA expects that targets will improve dramatically in FY 2008 and beyond as investments in the paperless spectrum initiative are realized. The frequency band evaluation measure is new.

**Program Evaluations:**

NTIA management reviewed and assessed policy and program priorities in the development of FY 2005 and 2006 budgets. In FY 2004 and continuing through FY 2005, NTIA will work with other Federal agencies to develop action plans to implement the collective set of recommendations to improve spectrum management policy and planning as part of the Administration's Spectrum Management Initiative. The FY 2006 request also supports recommendations under this Initiative.

**Cross-cutting Activities:**

**Intra-Department of Commerce:**

Technology Administration and National Oceanic and Atmospheric Administration: Participate on the Interagency GPS Executive Board, which with DOD jointly manages the GPS satellite program as a national asset.

NOAA: Represented on NTIA's Interdepartment Radio Advisory Committee, which assists in assigning frequencies to U.S. Government radio stations and in developing and executing policies, programs, procedures, and technical criteria pertaining to the allocation, management, and use of the spectrum.

**Other Government Agencies:**

NTIA authorizes spectrum assignments for 56 federal government agencies to operate radio-communications systems. NTIA works with 23 major spectrum using federal agencies on IRAC to manage frequency assignment requests. NTIA also represents the interests of 33 other agencies on the IRAC. NTIA serves as the manager of federal government spectrum while the Federal Communications Commission (FCC) manages the non-federal spectrum.

FCC: Since spectrum is often shared, NTIA and the FCC regularly engage in coordination of spectrum uses and spectrum policies. Uses of shared frequency bands are coordinated with the FCC.

State Department: In FY 2002, NTIA initiated discussions with the FCC and the State Department to develop an action plan to facilitate the efficient functioning of the nation's spectrum management team at home and abroad.

NTIA leads a high-level inter-agency task force as part of its support for the President's Spectrum Management Policy Initiative. The recommendations of the Task Force will have a substantial impact on FY 2005 and FY 2006 activities.

**Government/Private Sector:**

- International bodies such as the International Telecommunication Union (ITU), in which NTIA participates as the U.S. representative, establish categories of permissible uses for frequency bands that are overseen in the U.S. by the FCC and NTIA.
- NTIA coordinates on spectrum management issues through advisory committees and special information-sharing initiatives.

**External Factors and Mitigating Strategies:**

The speed of development and implementation of wireless technologies will affect the level and type of demand by federal agencies for certain frequencies. Congress, from time to time, has required some changes in federal use of radio frequency spectrum, which can affect availability of frequencies to suit federal needs, and the FCC initiates numerous spectrum-related proceedings in which NTIA participates on behalf of the Administration. NTIA anticipates and prepares for these developments through management meetings, participation on interagency task forces, and monitoring.

**Performance Goal 2: Promote the availability and support new sources of advanced telecommunications and information services**

**Corresponding DOC Strategic Goal:**

Strategic Goal 2 Foster Science and Technological Leadership by protecting intellectual-property, enhancing technical standards and advancing measurement science

*General Goal/Objective 2.3, Advance the development of global e-Commerce and enhanced telecommunications and information services*

**Rationale:**

NTIA management plans for multi-year efforts in a number of policy areas and receives requests to conduct policy analysis and other activities from the Secretary, the White House, and the Congress. NTIA is one of the Executive Branch's principal advisors on domestic and international telecommunications and information technology issues. These activities include testimony on behalf of the Administration in Congressional proceedings, and through development and coordination of Administration views in proceedings conducted by the Federal Communications Commission (FCC). In addition to its policy-related activities, the National Telecommunications and Information Administration (NTIA) supports innovative telecommunications and information technologies through basic research performed at its laboratory, the Institute for Telecommunication Sciences (ITS). ITS performs extensive basic research on quality of digital speech, audio and video compression, and transmission characteristics. This research has the potential to improve both the performance of telecommunications networks and the availability of digital content on the Internet. Basic research at ITS also supports U.S. positions in international standard-setting bodies and NTIA's development of Administration policies related to the introduction of new technologies, such as ultra wideband (UWB), third generation (3G) wireless and broadband services.

**Program Increases/Decreases:**

<b>Program Initiative</b>	<b>Funding Request</b>	<b>Anticipated Impact</b>	<b>Location in the Budget</b>
ICANN membership fees	\$100,000	Improve U.S. ability to effect DOC/Administration goal of privatizing Internet management	Salaries and Expenses, Domestic and International Policies
Interference Temperature and Radio Noise Research	\$2,087,000	Develop complete interference concept methodology for use in spectrum management.	Salaries and Expenses, Telecommunications Sciences Research

**Measure 2a: Support new telecom and info technology by advocating Administration views in FCC docket filings and Congressional proceedings**

Explanation of Measure: NTIA fulfills its policy-setting role in a number of ways: by preparing and issuing special reports on topics that emerge over time; testifying before Congress and other organizations that are concerned with telecommunications policy; providing the Administration's views on actions proposed by the Federal Communications Commission; issuing requests for public comment on specific issues; and encouraging dialogue with the private sector through sponsorship and participation in conferences, workshops, and other forums. NTIA will continue to examine an array of spectrum management policy issues in FY 2006 dealing with innovative approaches to spectrum management and the effectiveness of current processes. This examination will be conducted in tandem with the FCC's proceedings on spectrum management policy, in which NTIA will participate on behalf of the Administration and as part of the President's Spectrum Management Policy Initiative. NTIA also will participate on behalf of the Administration in FCC and Congressional proceedings on telecommunications policies, including the development of appropriate regulatory treatment for broadband services deployment. A number of Internet related policy issues will require NTIA action, including ICANN reform and continuing privatization of Internet domain name management both domestically and internationally, proposals regarding Internet services and content, and the combination of Internet and telecommunications addressing (ENUM). In association with the ICANN membership fees funding request, NTIA will maintain an internal performance measure on the percentage of ICANN/GAC policy recommendations that promote privatizing Internet management. NTIA will pursue policies promoting international trade in telecommunications products and services, promoting consistent international approaches to telecommunications policies, and improving relations with Western Hemisphere neighbors. All of these activities will require interagency coordination to develop the Administration's positions. These activities directly benefit the American public through promotion of universal, affordable availability of advanced telecommunications and information technologies -- such as broadband and wireless services -- that support productivity, growth and job creation in most industrial sectors.



## **Measure 2b: Quality of Basic Research as Reflected in Peer-reviewed Publications**

Explanation of Measure: NTIA will measure the quality of basic research programs by the number of peer-reviewed articles that are published in technical journals and publications. This measure will indicate the reception and utility of research results within the spectrum research and engineering community. Many government agencies and private sector organizations use these articles to improve effectiveness in the planning, procurement and configuration of systems. This basic research directly benefits the American public through promotion of advanced telecommunications and information infrastructure development in the United States, enhancement of domestic competitiveness, improvement of foreign trade opportunities for U.S. telecommunications firms, and facilitation of more efficient and effective use of the radio spectrum.

## **Measure 2c: Level of Technology Transfer Activities Conducted with the Private Sector through the Cooperative Research and Development Agreements**

Explanation of Measure: NTIA will measure the quality of basic research programs by the number of peer-reviewed articles that are published in technical journals and publications. This measure will indicate the reception and utility of research results within the spectrum research and engineering community. Many government agencies and private sector organizations use these articles to improve effectiveness in the planning, procurement and configuration of systems. This basic research directly benefits the American public through promotion of advanced telecommunications and information infrastructure development in the United States, enhancement of domestic competitiveness, improvement of foreign trade opportunities for U.S. telecommunications firms, and facilitation of more efficient and effective use of the radio spectrum.

**FY 2006 Target:** For FY 2006, NTIA has combined two performance goals and replaced measures on surveys of policy customers and policy successes into the one output measure of advocating Administration views in FCC docket filings and Congressional proceedings. NTIA has struggled with attempts to measure and set targets for policy-related activities since well before GPRA was implemented. Telecommunications and information policy-related activities account for some 30 percent of NTIA's total budget and are integral to implementing the recommendations of the Presidential initiative to develop a "Spectrum Policy for the 21<sup>st</sup> Century." This measure permits NTIA to report on activities associated with the five highest policy priorities for the Department of Commerce and the Administration in each fiscal year. The target of five dockets and proceedings is an estimate of the activities that will rise to Administration and Departmental attention, based on prior years. NTIA will participate in relevant dockets and proceedings as they arise.

### **Program Evaluations:**

NTIA management reviewed and assessed policy and program priorities in the development of FY 2005 and 2006 budgets. NTIA also meets regularly with DOC management in the development of appropriate policy priorities. ITS research will focus on supporting those spectrum management reform activities and assessments undertaken in NTIA's policy development.

**Cross-cutting Activities:****Intra-Department of Commerce:**

NTIA supports the Secretary of Commerce on a broad range of telecommunications policy issues. NTIA works with the International Trade Administration on international issues, the Economics and Statistics Administration on Internet penetration and use measurements and analysis and with the Technology Administration on domain name and technology policy issues. ITS supports NTIA's policy-related activities by providing empirical analysis. ITS also supports NTIA's spectrum management activities through spectrum occupancy measurements and other technical support activities.

**Other Government Agencies:**

NTIA works with the White House and other federal agencies to develop and coordinate Administration-wide policy statements. NTIA serves as the manager of federal government spectrum while the Federal Communications Commission (FCC) manages the non-federal spectrum. Since spectrum is often shared, NTIA and the FCC regularly engage in coordination of spectrum uses and spectrum policies. ITS conducts research under contract for a wide variety of federal agencies, including the White House National Communications Agency, the Departments of Defense and Transportation.

**Government/Private Sector:**

NTIA obtains private-sector views on a broad range of telecommunications and information policy issues through formal proceedings in which public comments are solicited and through public conferences, workshops, and meetings on specific subjects. ITS conducts extensive technology transfer activities through CRADAs with private sector entities.

**External Factors and Mitigating Strategies:**

Consideration of telecommunications and information policy issues is affected by the activities of independent regulatory agencies (such as the Federal Communications Commission and the Federal Trade Commission) and by priorities established for NTIA by the Secretary of Commerce, the White House, and Congress. Rapidly developing issues in the Internet and telecommunications industry sectors sometimes makes it difficult for government institutions to coordinate timely policy responses. Regular interagency meetings on policy issues will assist in the development of timely Administration positions. The number of projects that ITS can conduct is limited by the availability of scientific and technical staff and the availability of funding through other government agencies, including NTIA.

**Data Validation and Verification**

NTIA reviews performance data to ensure that it is complete and accurate. There were no significant deviations from projected targets. The actual validation process is conducted following similar to audit principles including sampling and verification of data. Unclassified spectrum management data is published and distributed on CD-ROM and has been examined for accuracy by the Department's Inspector General and the General Accounting Office (GAO). Additionally, documentation is reviewed and a determination is made on its adequacy and sufficiency to support claims that outcomes and outputs have been achieved.

<b>Performance Measure</b>	<b>Data Source</b>	<b>Frequency</b>	<b>Data Storage</b>	<b>Internal Control Procedures</b>	<b>Data Limitations</b>	<b>Actions to be taken</b>
Timeliness of Processing	Interdepartment Radio Advisory Committee (IRAC) Support Branch, Office of Spectrum Management (OSM)	Monthly, Annually	Office of Spectrum Management Computer Services Division	Automated Data Processing (ADP) routines	Classified information is not included in public data	Collection of data
Number of frequency bands evaluated to determine possible improvements that could be made to use spectrum more efficiently	Activities are reflected on NTIA website; weekly reports to the Secretary of Commerce; annual report to Congress	Annual	Office of Spectrum Management, Spectrum Engineering and Analysis Division	Inspection	None	None
Support new telecom and info technology by advocating Administration views in FCC docket filings and Congressional proceedings	Activities are reflected on NTIA website; weekly reports to the Secretary of Commerce; annual report to Congress	Annual	Office of Policy Coordination and Management	Inspection	Data is not quantitative but rather a qualitative assessment of current policy directions and plans.	None
Quality of Basic Research as Reflected in Peer-reviewed Publications	ITS	Annual	ITS	Inspection	None	Collection of data
Level of Technology Transfer Activities Conducted with the Private Sector through the Cooperative Research and Development Agreements	ITS	Annual	ITS	Inspection	None	Collection of data



**FY 2006 Annual Performance Plan**  
*(Office of Inspector General)*

Mission Statement

The Office of Inspector General (OIG) has the mission of providing a unique, independent voice to the Secretary and other senior Commerce managers, as well as to Congress, in combating fraud, waste, abuse, and mismanagement and in improving the efficiency, effectiveness, and economy of Department operations. The office has authority to inquire into all programmatic and administrative activities of the Department, including individuals or organizations performing under contracts and grants, cooperative agreements, and other financial assistance agreements.

The Office of Inspector General (OIG) supports the Department's management integration goal by completing work that prevents, detects, and offers recommendations for reducing fraud, waste, abuse, and mismanagement and improving the efficiency, effectiveness, and economy of Department operations. OIG's efforts have consistently returned greater financial benefits to the American public than the resources available to OIG. The performance goals in OIG's FY 2006 budget request reflect its expectation that the financial benefits of its work will exceed its appropriations. This reflects OIG's ability to target limited resources in ways that yield significant results and benefits to the American public.

The OIG's work is primarily conducted through audits (performance and financial), inspections, program and systems evaluations, and investigations. OIG presents the findings of its audits, inspections, and evaluations to Commerce operating officials and agency heads for their review and comment before OIG releases the information in final report. Investigations are referred to the Department of Justice (DOJ) for prosecution if evidence of criminal wrongdoing is found or civil recoveries are possible. Investigative findings may also be referred to the appropriate agency official for administrative action. The OIG is headquartered in Washington, D.C. Its Office of Audits (OA) has personnel at several sites in the metropolitan Washington, D.C. area, plus offices in Atlanta, Denver, and Seattle. The OIG office of Investigations (OI) has field offices in Atlanta, Denver, Seattle, Silver Spring, and Washington, D.C.

**Priorities/Management Challenges:**

The OIG, in assessing its work at the close of each semiannual period, develops the Top 10 Management Challenges the Department faces. Each challenge meets one or more of the following criteria: (1) it is important to the Department's mission or the nation's well-being, (2) it is complex, (3) it involves sizable expenditures, or (4) it requires significant management improvements. Because of the diverse nature of Commerce activities, many of these criteria cut across bureau and program lines. We believe that by addressing these challenges the Department can enhance program efficiency and effectiveness; eliminate serious operational problems; decrease fraud, waste, and abuse; and achieve substantial savings.

**Unit Cost Measures**

OIG is developing unit cost measures for the following six major OIG work products: (1) performance audits, (2) financial audits, (3) quality control reviews of CPA audits, (4) inspections and program/systems evaluations, and (5) criminal/civil/administrative investigations.

**PART Assessment**

The OIG has not been evaluated under the PART process.

**FY 2006 Program Changes**  
(Dollars in Thousands)

This program increase will allow the OIG to focus on one of the Department’s top management challenges, effective management of Departmental and Bureau acquisition vehicles, allowing us to implement a proactive contract review program that would identify significant savings and needed management improvements, and increase our ability to work with management and contract officials to prevent fraud and cost excesses from occurring.

	Base		Increase/Decrease	
	FTE	Amount	FTE	Amount
Reduced Costs and Better Program Results from improved Acquisition Oversight	3	\$400	6	\$626

**Target and Performance Summary**

	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Target</b>	<b>FY 2006 Target</b>
<b>Performance Goal 1: Promote improvements to Commerce programs and operations by identifying and completing work that (1) promotes integrity, efficiency, and effectiveness and (2) prevents and detects fraud, waste and abuse.</b>						
Measure 1a. Percentage of OIG recommendations accepted by departmental and bureau management	95%	95%	97%	97.5%	95%	95%
Measure 1b. Dollar value of financial benefit identified by OIG	Modified	Modified	\$43,323	\$26,000	\$23,000	\$30,000
Measure 1c. Percentage of criminal and civil matters that are accepted for prosecution.	Modified	Modified	50%	67%	62%	63%

**Resource Requirements Summary**

	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Estimate</b>	<b>FY 2006 Base</b>	<b>Increase/ Decrease</b>	<b>FY 2006 Request</b>
<b>Performance Goal : Promote improvements to Commerce programs and operations by identifying and completing work that (1) promotes integrity, efficiency, and effectiveness and (2) prevents and detects fraud, waste and abuse.</b>								
Total Funding	19,887	20,924	22,152	20,970	21,571	22,332	626	22,958
Direct	19,887	20,124	20,667	20,894	21,371	22,132	626	22,758
Reimbursable	0	800	1,485	76	200	200	0	200
IT Funding	0	0	0	0	0	0	0	0
FTE	139	136	137	125	140	140	6	146

**OIG Performance Goal:**

Promote Improvements to Commerce programs and operations by identifying and completing work that (1) promotes integrity, efficiency, and effectiveness and (2) prevents and detects fraud, waste and abuse.

**Corresponding DOC Strategic Goal:**

Management integration Goal: Achieve Organizational and Management Excellence

**Rationale:**

Commerce's diverse mission and critical programs and operations are administered in a dynamic environment – one that is greatly influenced by ever-changing conditions. As the Department works to accomplish its mission, the Office of Inspector General provides a unique, independent voice to the Secretary and other senior Commerce managers, as well as to Congress, in keeping with its mandate to promote integrity, efficiency, and effectiveness and prevent and detect waste, fraud, and abuse in Department programs and operations. The work is primarily accomplished through audits, inspections, evaluations, and investigations and a variety of activities geared to ward averting problems. Moreover, OIG strives to ensure that it:

- Performs high quality, timely work
- Concentrates its efforts on the Department's most critical programs, operations, challenges, and vulnerabilities
- Achieves results that allow government funds to be put to better use and address criminal, civil, and other wrongdoing

**Measure 1a: Percentage of OIG recommendations accepted by departmental and bureau management.**

Many of the improvements to Commerce operations and programs come through recommendations made in various OIG work products. A measure of OIG's effectiveness is the extent to which it offers useful, practical recommendations for improvements. A measure of the usefulness and practicality of OIG's recommendations is the extent to which they are accepted by Commerce management.

**Measure 1b: Dollar value of financial benefit identified by OIG.**

A key measure of the value of OIG's work is its dollar return on investment. Financial benefits include: (1) questioned costs agreed to by management, (2) funds put to better use, and (3) administrative, civil, and criminal recoveries.

**Measure 1c: Percentage of criminal and civil matters that are referred for prosecution.**

OIG investigative work that helps prevent waste, fraud and abuse results in either civil or criminal legal issues that are referred for prosecution. Thus, the percentage of investigative work that results in civil or criminal referrals for prosecution is a measure of the quality of OIG investigative work.



**FY 2006 Target:**

The following measure was deleted to enable OIG to focus on the key few measures that best reflect organizational performance.

Old measure 1a: Percentage of Commerce's management challenges, stakeholder concerns and other critical issues addressed by OIG work products.

**Cross-cutting Activities:**

**Intra-Department of Commerce:** OIG provides a full range of audits, inspections, program and systems evaluations, and investigative services to the various bureaus of the Department of Commerce to ensure the efficiency, effectiveness and integrity of their operations and programs.

**Other Government Agencies:** OIG also conducts various activities with OIGs of other agencies that can affect several agencies or government-wide activities.

**Program Evaluations/External Factors:** OIG must comply with standards in the conduct of its audits and inspections. These include the General Accounting Office's Government Auditing Standards, and the President's Council on Integrity and Efficiency's Quality Standards for Inspections and Program Evaluations. OIGs also are subject to peer reviews designed to evaluate their compliance with applicable laws and standards.

**Mitigating Strategies:** A variety of external factors may affect OIG's ability to reach its targets. Key among these are the ability to hire well-qualified staff, provide necessary supporting resources, and sufficiently fund OIG activities.

**Data Validation and Verification**

**OIG Data Validation and Verification**

OIG to the greatest extent possible relies on data collected for and presented in its *Semiannual Report to Congress*. This ensures that the same rigorous combination of techniques used to validate and verify the data for presentation in the *Semiannual Report to Congress* are applied to the collection of performance measures.

<b>Performance Measure</b>	<b>Data Source</b>	<b>Frequency</b>	<b>Data Storage</b>	<b>Internal Control Procedures</b>	<b>Data Limitations</b>	<b>Actions to be taken</b>
Measure 1a	OIG audit and inspection process	As conducted	OIG files	OIG review	None	Continue collecting the measure
Measure 1b	OIG audit and inspection process	As conducted	OIG files	OIG review	None	Continue collecting the measure
Measure 1c.	Investigative CDS database	Updated as investigations completed	OIG database	Investigative review process	None	Continue collecting the measure

## Fiscal Year 2006 Performance Plan<sup>1</sup>

### MISSION STATEMENT

*To ensure that the Intellectual Property system contributes to a strong global economy, encourages investment in innovation, and fosters entrepreneurial spirit.*

The USPTO is committed

- To promote the progress of science and the useful arts by securing, for limited times to inventors, the exclusive rights to their respective discoveries (Article 1, Section 8 of the United States Constitution).
- To provide businesses protection of ownership of goods and services and to safeguard consumers against confusion and deception in the marketplace (Commerce Clause of the United States Constitution).

The USPTO has three performance goals, tracked through 13 measures that focus on results achieved or degree of progress made from one fiscal year to the next. Additionally, the USPTO measures the efficiency and labor productivity of its two business lines, Patents and Trademarks.

### All three USPTO goals support

#### DEPARTMENT OF COMMERCE STRATEGIC GOAL 2

*To foster Science and technological leadership by protecting intellectual property, enhancing technical standards, and advancing measurement science.*

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<sup>1</sup> The Government Performance and Results Act (GPRA) of 1993 requires agencies to prepare annual performance plans (APP). The USPTO's planning and budget formulation process is performance-driven. Although the budget request itself contains the APP elements, this document serves to summarize all of our established performance metrics under each of our three performance goals.

**USPTO Performance Goal 1: Improve the quality of patent products and services and optimize patent processing time.**

*Measure 1 - 1: Patent Allowance Error Rate*

This measure assesses product quality as measured by the internal quality review processes. The quality of patent examination decisions will be measured by the reopening rate or similar internal quality measures.

PATENTS	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
<b>Target</b>	5.5%	5.0%	4.0%	4.0%	4.0%	3.75%
<b>Actual</b>	5.4%	4.2%	4.4%	5.3%		

*Measure 1 - 2: Patent In-process Examination Compliance Rate*

This measure assesses patent examination process quality by the internal quality review of office actions from first action on the merits to issue or abandonment. The quality of patent examination decisions will be measured by the ratio of office actions that do not include a deficiency that has a significant impact on the ability of the applicant to advance the prosecution on the merits of the application, to the total number of office actions reviewed. The results of these reviews will be used as part of a continuous quality improvement program to identify problem areas and determine appropriate training needs and other corrective actions.

Fiscal year 2004 data was used to establish the baseline and develop the long-term target and annual goals.

PATENTS	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
<b>Target</b>	N/A	N/A	N/A	Baseline	84%	85%
<b>Actual</b>	N/A	N/A	N/A	82%		

*Measure 1 - 3: Average First Action Pendency*

This measure determines the timeliness of first Office Actions on patent applications. It measures the time from the application filing date to the date of mailing the first Office Actions.

PATENTS	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
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\* At the time this target was set, USPTO projected receipt of 371,130 UPR application filings in fiscal year 2005. Based on fiscal year 2004 actuals, the USPTO is now projecting to receive 375,100 UPR applications in fiscal year 2005. Additionally, fiscal year 2004 examiner attrition was higher than expected; therefore, production outputs in fiscal year 2005 have been revised to align with actual production achieved in fiscal year 2004. Since both filings (inputs) and production outputs are key variables in this performance target, the fiscal year 2005 first action pendency target will not be met. Assuming current input and output estimates prove true, the agency should achieve first action pendency of 21.3 months by end of fiscal year 2005.

<b>Target (months)</b>	13.9	14.7	18.4	20.2	20.7*	21.4
<b>Actual (months)</b>	14.4	16.7	18.3	20.2		

*Measure 1 - 4: Average Total Pendency*

This measure identifies the timeliness related to issuance of the patent or abandonment of the application. It measures the average time from the application filing date to the date of issue or abandonment.

<b>PATENTS</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Target (months)</b>	26.2	26.5	27.7	29.8	31.0	31.3
<b>Actual (months)</b>	24.7	24.0	26.7	27.6		

**USPTO Performance Goal 2: Improve the quality of trademark products and services and optimize patent processing time.**

*Measure 2 - 1: Trademark Final Action Deficiency Rate*

This measure assesses examination quality as measured by the internal quality review of final Office Actions. The quality of trademark examination decisions will be measured by the deficiency rate captured by the inappropriate statutory bases for which the examiner refuses marks for registration in the final Office Action. Prior to fiscal year 2003, the reported deficiency error rate did not include inappropriate refusals made on the basis of 15 USC § 1052(d)— Likelihood of Confusion. Fiscal year 2003 actual and targets for fiscal years 2004 and 2005 have incorporated this type of error to ensure that all statutory bases are covered.

TRADEMARKS	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
<b>Target</b>	6.0%	5.0%	Baseline	5.0%	5.0%	4.8%
<b>Actual</b>	3.1%	4.3%	5.3%	5.8%		

*Measure 2 - 2: Trademark In-Process Review Deficiency Rate*

This is a new measure that will assess product quality measured by the in-process quality review of first Office Actions. The quality of trademark examination decisions will be measured by the deficiency rate of examiner work product as determined by inappropriate statutory bases for which the examiner refuses marks for registration in the first Office Action. The results of these reviews will be used as part of a continuous quality improvement program to identify inappropriate statutory bases and determine training needs and other corrective actions. Fiscal year 2004 data will be used to establish the baseline and develop long-term target and annual goals.

TRADEMARKS	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
<b>Target</b>	N/A	N/A	N/A	8.3%	8.3%	8.0%
<b>Actual</b>	N/A	N/A	N/A	7.9%		

### *Measure 2 - 3: Average First Action Pendency*

This measure determines the timeliness of Trademark first Office Actions. It measures the time from the application filing date to the date of mailing the first office actions. Although the Trademark organization met its production targets, it did not meet its first action pendency target. New application filings were more than 8.5 percent above the prior year and 6.0 percent above plan. Process changes adopted in the fourth quarter that will make the operation more efficient in the long run created a short-term negative impact by increasing first action pendency.

<b>TRADEMARKS</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Target (months)</b>	6.6	3.0	3.0	5.4	5.6*	5.3
<b>Actual (months)</b>	2.7	4.3	5.4	6.6		

### *Measure 2 - 4: Average Total Pendency*

This measure identifies the timeliness related to office disposals. It measures the average time from the application filing date to the date of registration, notice of allowance, or abandonment. Trademarks will meet its 2004 target based on above plan production and office disposals.

<b>TRADEMARKS</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Target (months)</b>	18.0	15.5	15.5	21.6	20.3	18.7
<b>Actual (months)</b>	17.8	19.9	19.8	19.5		

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\* At the time this target was set, trademark application filings in fiscal year 2004 were projected to be 272,000 and filings in 2005 were projected to be 308,000. The USPTO received 298,489 applications in 2004 and is now projecting to receive 322,000 trademark applications in fiscal year 2005. Since filings are a key variable in this performance target, this end-of-year fiscal year 2005 first action pendency will not be met. Assuming current filing projections prove true, the agency should achieve first action pendency of 6.4 months by the end of fiscal year 2005.

**USPTO Performance Goal 3: Create a more flexible organization through transitioning Patent and Trademark operations to an e-government environment and IP development worldwide.**

***Measure 3 - 1: Patent Applications Filed Electronically***

This measure indicates USPTO’s support of, and applicants’ willingness to operate in, an e-government environment and will identify the percent of basic applications filed electronically. USPTO did not meet this target in fiscal year 2004. There is some reluctance on the part of the patent applicants to file electronically, because: 1) applicants are familiar with the paper-based systems already in place; 2) they have not invested the time and resources necessary to upgrade their internal processes to enable them to file electronically; and 3) they would like to receive some incentive (in the form of a fee reduction) for filing electronically. The USPTO is instituting an aggressive outreach program to hopefully see significant growth in the number of patent applications filed electronically over the next few years.

PATENTS	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
<b>Target</b>	N/A	N/A	2.0%	2.0%	4.0%	10.0%
<b>Actual</b>	N/A	N/A	1.3%	1.5%		

***Measure 3 - 2: Patent Applications Managed Electronically***

This measure will indicate the USPTO’s progress in moving toward operating in a fully electronic environment. The USPTO implemented a Patent IFW system that enhanced EPO’s system in June 2003 and will deliver an operational end-to-end electronic processing pipeline for all examined applications in image format by the end of fiscal year 2004, including electronic capture of all incoming and outgoing paper documents. The electronic pipeline capability will be delivered in phases with the goal of total integration with legacy systems and full text-based processing of all patent applications.

USPTO successfully deployed the Patent IFW system by October 1, 2004, enabling it to exceed the fiscal year 2004 target to electronically manage 70 percent of patent applications. All incoming and outgoing paper documents are captured electronically in the system and the remaining pending paper applications were scanned into the system by the end of the first quarter of fiscal year 2005, with the electronic version of an application now considered the official file.

PATENTS	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
<b>Target</b>	N/A	N/A	N/A	70.0%	90.0%	100.0%
<b>Actual</b>	N/A	N/A	N/A	88%		



### *Measure 3 - 3: Trademark Applications Filed Electronically*

This measure indicates the USPTO's support of and applicants' willingness to operate in an e-government environment and will be measured by the percent of initial applications for the registration of trademarks that are filed electronically. In fiscal year 2004, more than 70 percent of the initial applications for registration of a trademark were filed electronically, an increase of more than 20 percent over fiscal year 2003 results. Enhancements were made and the number of forms available increased to make electronic filing more attractive to encourage greater use and acceptance among those who had not yet adopted electronic communications as their preferred way to transact business with the Office.

<b>TRADEMARKS</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Target</b>	30%	50.0%	80.0%	65.0%	75.0%	80.0%
<b>Actual</b>	24%	38.0%	57.5%	73%		

### *Measure 3 - 4: Trademark Applications Managed Electronically*

This measure will indicate the USPTO's progress in moving toward operating in a fully electronic environment. In fiscal year 2005, the USPTO will complete its transition from a paper-based Trademark operation to a fully electronic processing operation with the implementation of an electronic file management system, Trademark Information System (TIS).

Trademarks met its target by electronically capturing 100 percent of the pending application inventory. Trademarks now has a complete text and image file record that includes the initial application, applicant and office correspondence for more than 500,000 pending applications. Examining attorneys have been using the electronic record of the initial application to conduct their first office action since July 2003. In July 2004 second and subsequent actions were added eliminating the need to use paper files to process and examine applications.

<b>TRADEMARKS</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Target</b>	N/A	N/A	N/A	80%	100%	100%
<b>Actual</b>	N/A	N/A	N/A	98%		

### *Measure 3 - 5: Technical Assistance Activities Completed*

This is a new measure and is intended to track the intellectual property technical assistance provided to countries throughout the world by the USPTO, primarily through the Offices of International Relations and Enforcement. The USPTO's technical assistance promotes national and international development of intellectual property systems and advocates improvements in and more cost-effective means of protecting intellectual property rights in the United States and throughout the world. The

measure is expressed in terms of the number of activities conducted and the number of countries receiving technical assistance.

TRADEMARKS	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
<b>Target</b>	N/A	N/A	N/A	Baseline	80/75	82/77
<b>Actual</b>	N/A	N/A	N/A	64/63		

**USPTO BUSINESS LINE PERFORMANCE MEASURE**

*Measure: Efficiency*

This measure is a relative indicator of the efficiency of the Patent and Trademark Businesses. The measure is calculated by dividing total USPTO expenses associated with the examination and processing of patents and trademarks, respectively (including associated overhead and support expenses) by outputs (production units or disposals, respectively). It should be noted that this measure does not represent the average life cycle cost of a patent since production units are only one measure of USPTO products and services.

For the prior years, actuals will be reported using the actual expenses reported in the Statements of Net Cost and all actual production. For the current and budget years, targets are estimated using the budgetary request in place of actual expenses, and all projected production units. It should be noted that outyear calculations are subject to change, depending upon the level of funding actually authorized and spent. Actual results may fluctuate based upon management decisions to redirect resources.

PATENTS	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
<b>Target</b>	N/A	N/A	\$3,444	\$3,502	\$4,706	\$4,824
<b>Actual</b>	\$3,210	\$3,376	\$3,329	\$3,556		

TRADEMARKS	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
<b>Target</b>	N/A	N/A	\$683	\$583	\$591	\$564
<b>Actual</b>	\$501	\$487	\$433	\$539		

***Measure: Labor Productivity***

The labor productivity measure, baselined in fiscal year 2004, is generally defined as production output divided by labor input. It measures the overall effectiveness of labor deployment at the USPTO in terms of patent and trademark production. The measure is in the form of a ratio so that production output relative to labor input can be tracked and analyzed. It is designed to incorporate the widest possible labor input from USPTO employees in all work areas, both directly and indirectly supporting the Patent and Trademark organizations, and from contractor staff on the same basis.

Indirect labor is assigned to either patent and trademark support on the basis of cost accounting distributions. All labor hours include actual work hours, excluding annual leave, sick leave, and holidays. In addition, contractor labor for significant one-time projects, such as space acquisition, are excluded. For the Patent organization, production is measured in terms of production units; for Trademarks, production is measured by disposals. The productivity measure viewed over time serves to provide a helpful insight into changes in the effectiveness of labor deployment throughout the USPTO.

<b>PATENTS</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Target</b>	N/A	N/A	N/A	Baseline	TBD	
<b>Actual</b>	N/A	N/A	N/A			

<b>TRADEMARKS</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Target</b>	N/A	N/A	N/A	Baseline	TBD	
<b>Actual</b>	N/A	N/A	N/A			

## **PROGRAM ASSESSMENT RATING TOOL (PART)**

OMB's PART review, conducted in fiscal year 2003, was limited to Patent and Trademark operations. The assessment found that (a) the Patent program is adequate, but it has improved relative to the prior assessment, and (b) the Trademark program is moderately effective, however performance has declined slightly relative to the prior assessment. In response to the findings in this assessment, the USPTO will (a) continue implementing its strategic plan initiatives to improve pendency, quality, and implementation of e-government, (b) implement the revised trademark model and projections of staffing requirements, and (c) incorporate cost-efficiency targets into performance plans.



**Prepared by the United States Patent and Trademark Office  
Office of Corporate Planning**



## FY 2006 Annual Performance Plan

### *Technology Administration*

#### *Mission Statement*

The Technology Administration's mission is to work with U.S. industry to maximize technology's contribution to U.S. economic growth by maintaining and improving key components of the Nation's technological infrastructure; fostering the development, diffusion, and adoption of new technologies and leading business practices; creating a business and policy environment conducive to innovation; and disseminating technical information.

The Technology Administration (TA) works with industry and other stakeholders to maximize technology's contribution to U.S. economic growth. Through its two component bureaus, the National Institute of Standards and Technology (NIST) and the National Technical Information Service (NTIS), TA fulfills its broad responsibilities and contributes to the Department's strategic goal of fostering science and technological leadership by promoting new models of technology transfer and R&D collaboration, identifying problems and barriers to technological innovation, developing and offering solutions and draft legislation to take advantage of opportunities presented by technological advancement, protecting intellectual property, enhancing technical standards, advancing measurement science, and making scientific and technical information available to other agencies and the public

#### **National Institute of Standards and Technology (NIST)**

The National Institute of Standards and Technology (NIST) develops and disseminates measurement techniques, reference data, test methods, standards, and other infrastructural technologies and services required by U.S. industry to compete in the twenty-first century. In addition to its core measurement, testing, and standards functions, NIST also conducts several extramural programs, including the Advanced Technology Program, to stimulate the development of high-risk, broad-impact technologies by U.S. firms; the Hollings Manufacturing Extension Partnership, to help smaller firms adopt new manufacturing and management technologies and improve their overall competitiveness; and the Baldrige National Quality Program, to help U.S. businesses and other organizations improve the performance and quality of their operations by providing clear standards and benchmarks of quality.

Each of NIST's major programs and their corresponding strategic goals (outlined below), contribute to the Department's mission to promote U.S. competitiveness by strengthening and safeguarding the U.S. economic infrastructure.

## NIST: Programs, Core Functions, and Strategic Goals

Program	Core Functions	Strategic Goals
Laboratories	Traceability to the seven basic measurement units, measurement and test methods, calibration services, Standard Reference Materials, evaluated scientific data, impartial expertise and leadership in standards development, and research in support of these areas	1. Promote innovation, facilitate trade, ensure public safety and security, and help create jobs by strengthening the Nation's measurement and standards infrastructure
ATP	R&D grants to industry and universities	2. Accelerate private investment in and development of high-risk, broad-impact technologies
HMEP	Technical assistance to smaller manufacturers	3. Raise the productivity and competitiveness of small manufacturers
Baldrige	Framework for evaluating and improving organizational quality and performance, and an award program to recognize role models	4. Catalyze, recognize, and reward quality and performance improvement practices in U.S. businesses and other organizations

### National Technical Information Service (NTIS)

NTIS provides the American public with permanent and ready access to scientific, technical and business research through the acquisition, organization, and preservation of data added to its permanent collection. NTIS collects, classifies, coordinates, integrates, records and catalogs scientific and technical information from whatever sources, foreign and domestic that may stimulate innovation and discovery and then disseminates that information to the public. In an effort to provide the American public with increased access to the vast collection of government information NTIS has utilized advanced e-commerce channels, including free downloads of any item in its collection that is in electronic format for a single low fee, or at no charge if under 20 pages. NTIS also helps other Federal agencies interact with and better serve the information needs of their own constituents by providing information management services.

### Priorities/Management Challenges

#### NIST: Strategic Priorities for FY 2006

Based on its long-term strategic planning efforts and an analysis of the most pressing needs related to the coming fiscal year, TA/NIST senior leadership identified several key priorities for FY 2006. These are:

- **Improve NIST's Facilities and Infrastructure:** As technology advances, the need for more sophisticated and demanding measurements and standards also grows. NIST can develop and provide these capabilities and services only in stable, productive, and safe research and measurement laboratories. But many NIST laboratory facilities are decades old and are no longer capable of providing the stable research environment needed to efficiently conduct the advanced measurement research in many crucial areas—nanotechnology, information technology, communications, health care, homeland security, and others. To fulfill its mission requirements, NIST must invest in critical improvements in its Boulder and Gaithersburg facilities.
- **Develop New Measurement and Standards Infrastructure Technologies:** Through its broad and vigorous measurement research, NIST works to anticipate the infrastructure needs of next-generation technologies and industries in the U.S. This forward-looking research not only yields improvements in NIST's measurement services, but also generates new knowledge, capabilities, and techniques that are transferred to industry,

universities, and government. Next-generation measurement and standards needs require NIST to focus its long-term research efforts on specific interdisciplinary technology areas where inadequate technical infrastructure is a barrier to development, commercialization, and public benefit, including nanometrology for the future electronics and semiconductor industries; biometrology for chemical, drug, agriculture, forensics, and healthcare industries; and quantum computing.

- **Respond to New National Priorities:** New national needs have been identified to which NIST is uniquely positioned to respond because of its multidisciplinary technical expertise, objectivity, and mission and because of its ability to develop objective and technically rigorous standards. NIST will use these abilities to develop, test, and deploy enterprise integration standards and other national and international standards and expand access to global markets.
- **Contribute to the Security of Our Homeland:** The Nation’s physical and economic vulnerability to terrorist attacks remains as a top national priority. Our ability to strengthen national security will result from research, development, and production of new or improved products, services, and scientific and technological advances in areas such as the security of information technology systems, in building construction and safety, and by improving biometrics identification standards.

### **NTIS: Strategic Priorities for FY 2006**

NTIS’ priority is to contribute successfully to the Department of Commerce’s strategic goal to foster science and technological leadership through improved productivity, quality, dissemination, and efficiency of research. To that end, NTIS is committed to increasing the number of new items it makes available, increasing the number of information products disseminated annually, and enhancing customer satisfaction.

### **Unit Cost Measures**

#### ***NIST***

OMB recognized during the course of the FY 2005 PART assessment of the NIST laboratories that “R&D-performing organizations typically cannot provide unit cost measures of efficiency due to the long time frame for research, multivariate inputs, and diverse sets of outputs that derive from R&D activities”. For similar reasons, unit costs measures are not available for the ATP and HMEP programs. NIST has agreed to collaborate with OMB to identify alternative measures of programmatic efficiency.

#### ***NTIS***

NTIS’ primary objective is to collect and disseminate scientific and technical information. This valuable information is made available for distribution in a variety of formats designed to accommodate customer’s needs. Two of these formats are representative of the shift of information dissemination from the traditional paper product to electronic dissemination. The average cost to disseminate this information to the public is reflected in the unit cost measures below.

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Unit cost to disseminate a paper product	\$76.89	\$83.31	\$85.00	\$90.00	\$95.00	\$100.00
Unit cost to disseminate an electronic product	\$7.34	\$5.88	\$5.50	\$5.25	\$5.00	\$4.75

As more information is disseminated electronically and advances in e-government continue to be made, unit cost of electronic dissemination is expected to continue to decline. Conversely, the larger size documents are still requested in print while the smaller size documents are electronically disseminated. Larger size documents, because of their size, color and print requirements, are more costly on a unit cost basis.



## **PART Assessment**

### **NIST**

- **NIST Laboratory Program**

OMB applied the Program Assessment Rating Tool to the NIST laboratories during the FY 2005 budget cycle, and concluded the assessment by rating the laboratories as “effective”. Details on OMB’s findings and NIST’s response are provided in the sections pertaining to NIST’s performance goal 1.

- **Advanced Technology Program**

OMB applied the Program Assessment Rating Tool to the NIST Advanced Technology Program during the FY 2004 budget cycle, and concluded the assessment by rating the ATP as “adequate”. Details on OMB’s findings are provided in the section pertaining to NIST’s performance goal 2.

- **Hollings Manufacturing Extension Partnership**

OMB applied the Program Assessment Rating Tool to the NIST Hollings Manufacturing Extension Partnership Program during the FY 2004 budget cycle, and concluded the assessment by rating the HMEP Program as “moderately effective”. Details on OMB’s findings are provided in the section pertaining to NIST’s performance goal 3.

### **NTIS**

OMB has not conducted a PART assessment for NTIS.

**FY 2006 Program Changes**

The FY 2006 budget request for the Technology Administration reflects the challenges facing the nation’s technological infrastructure and the resources needed to directly contribute to the Department’s goals of fostering science and technological leadership by protecting intellectual property, enhancing technical standards, and advancing measurement science.

	Name of Program	Base		Increase/Decrease	
		FTE	Amount (\$M)	FTE	Amount (\$M)
National Institute of Standards and Technology	NIST Laboratories	2,771	\$593.0	124	\$72.8
	Advanced Technology Program	244	\$140.4	-244	-\$140.4
	Hollings Manufacturing Extension Partnership	64	\$108.2	-18	-\$60.7
National Technical Information Service	National Technical Information Service	200	\$0	0	\$0

Note: Dollar amounts reflect direct obligations, and base FTE include reimbursable FTE.

## Target and Performance Summary

### NIST Performance Goal 1: Promote innovation, facilitate trade, enable public safety and security, and help create jobs by strengthening the nation's measurements and standards infrastructure

	FY2001 Target	FY2001 Actual	FY2002 Target	FY2002 Actual	FY2003 Target	FY2003 Actual	FY2004 Target	FY2004 Actual	FY2005 Target	FY2006 Target
Qualitative assessment and review of technical quality and merit using peer review	Complete	Completed	Complete	Completed	Complete	Completed	Complete	Completed	Complete	Complete
Peer-reviewed technical publications	New	New	New	New	New	1,267	1,300	1,070	1,100	1,100
Standard Reference Materials Sold	New	31,985	New	30,906	New	29,527	29,500	30,490	29,500	29,500
NIST-maintained datasets downloaded	New	New	New	New	New	55,653,972	56,000,000	73,601,352	80,000,000	80,000,000
Number of items calibrated	3,100	3,192	2,900	2,924	2,900	3,194	2,800	3,373	2,700	2,700

### NIST Performance Goal 2: Accelerate private investment in and development of high-risk, broad-impact technologies<sup>1</sup>

	FY2001 Target	FY2001 Actual	FY2002 Target	FY2002 Actual	FY2003 Target	FY2003 Actual	FY2004 Target	FY2004 Actual	FY2005 Target	FY2006 Target
Cumulative number of publications	720	747	770	969	840	1,245	990	Available May 2005	1,400	1,570
Cumulative number of patents.	790	800	930	939	1,020	1,171	1,220	Available May 2005	1,340	1,500
Cumulative number of projects with technologies under commercialization	180	195	190	244	210	271	250	Available May 2005	280	310

**NIST Performance Goal 3: Raise the productivity and competitiveness of small manufacturers**

	<b>FY2001 Target</b>	<b>FY2001 Actual</b>	<b>FY2002 Target</b>	<b>FY2002 Actual</b>	<b>FY2003 Target</b>	<b>FY2003 Actual</b>	<b>FY2004 Target<sup>3,4</sup></b>	<b>FY2004 Actual</b>	<b>FY2005 Target<sup>5</sup></b>	<b>FY2006 Target<sup>6</sup></b>
Number of clients served by HMEP Centers receiving Federal funding <sup>2</sup>	New	21,420	21,543	18,748	16,684	18,422	6,517	Available Dec 2005	16,640	7,345
Increased sales attributed to HMEP Centers receiving Federal funding	\$708M	\$636M	\$726M	\$953M	\$522M	\$1,483M	\$228M	Available Dec 2005	\$591M	\$261M
Capital investment attributed to HMEP Centers receiving Federal funding	\$913M	\$680M	\$910M	\$940M	\$559M	\$912M	\$285M	Available Dec 2005	\$740M	\$327M
Cost savings attributed to HMEP Centers receiving Federal funding	\$576M	\$442M	\$497M	\$681M	\$363M	\$686M	\$156M	Available Dec 2005	\$405M	\$179M

**NTIS Performance Goal 1: Enhance public access to worldwide scientific and technical information through improved acquisition and dissemination activities**

	<b>FY2001 Target</b>	<b>FY2001 Actual</b>	<b>FY2002 Target</b>	<b>FY2002 Actual</b>	<b>FY2003 Target</b>	<b>FY2003 Actual</b>	<b>FY2004 Target</b>	<b>FY2004 Actual</b>	<b>FY2005 Target</b>	<b>FY2006 Target</b>
Number of New Items Available (Annual)	New	505,068	510,000	514,129	520,000	530,910	525,000	553,235	530,000	532,000
Number of Information Products Disseminated (Annual)	New	14,542,307	16,000,000	16,074,862	17,000,000	29,134,050	18,000,000	25,476,424	25,800,000	26,200,000
Customer Satisfaction	New	97%	97%	98%	98%	97%	98%	96%	95% - 98%	95% - 98%

<sup>1</sup>Due to the cumulative nature of ATP's performance measures, there is a 3-5 year lag from initial project funding to the generation of measurable outputs and outcomes; performance data will continue to cumulate through the next several fiscal years before reflecting the budgetary changes proposed for FY 2006.

<sup>2</sup>FY 2001 and FY 2002 data for this measure have been adjusted from previously reported figures. Actual counts reported in the FY 2004 Annual Performance Plan were the result of a reporting error.

<sup>3</sup>FY 2004 actuals are not yet available due to data collection requirements (lag is one year). Final FY 2004 data will be available December 2005.

<sup>4</sup>FY 2004 targets are based on the FY 2004 Consolidated Appropriations bill, which included an annual level for MEP of \$39.6M (which, less recessions, netted \$38.7M).

<sup>5</sup>FY 2005 targets are based on an appropriation of \$106M.

<sup>6</sup>FY 2006 targets assume a funding level of \$46.8M.

## Resource Requirements Summary

(Dollars in Millions. Funding amounts reflect total obligations.)

Information Technology (IT)

Full Time Equivalent (FTE)

### **NIST Laboratory Performance Goal: Promote innovation, facilitate trade, ensure public safety and security, and help create jobs by strengthening the Nation's measurement and standards infrastructure**

	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Estimate</b>	<b>FY 2006 Base</b>	<b>Increase/ Decrease</b>	<b>FY 2006 Request</b>
Total Funding	502.0	579.2	614.2	576.9	663.9	593.0	72.8	665.8
IT Funding	55.2	64.6	67.5	63.1	64.6			66.5
FTE	2,685	2,707	2,725	2,672	2,751	2,771	124	2,895

### **ATP Performance Goal: Accelerate private investment and development of high-risk, broad-impact technologies**

	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Estimate</b>	<b>FY 2006 Base</b>	<b>Increase/ Decrease</b>	<b>FY 2006 Request</b>
Total Funding	175.8	198.1	199.7	187.2	144.4	140.4	-140.4	0.0
IT Funding	4.0	5.0	5.3	2.1	2.2	0.0		0.0
FTE	239	249	247	204	244	244	-244	0

### **HMEP Performance Goal: Raise the productivity and competitiveness of small manufacturers**

	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Estimate</b>	<b>FY 2006 Base</b>	<b>Increase/ Decrease</b>	<b>FY 2006 Request</b>
Total Funding	106.4	108.5	111.3	46.9	119.8	108.2	-60.7	47.5
IT Funding	1.5	3.1	2.6	1.5	1.6			1.6
FTE	87	89	89	68	64	64	-18	46

**NTIS Performance Goal: Enhance public access to world wide scientific and technical information through improved acquisition and dissemination activities**

	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Estimate</b>	<b>FY 2006 Base</b>	<b>Increase/ Decrease</b>	<b>FY 2006 Request</b>
Total Funding	34.7	27.7	27.7	19.2	51.0	40.5	0.0	40.5
IT Funding	9.8	10.7	5.7	5.4				
FTE	196	186	181	165	200	200	0	200

<b>Grand Total</b>	<b>FY 2001 Actual</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Estimate</b>	<b>FY 2006 Base</b>	<b>Increase/ Decrease</b>	<b>FY 2006 Request</b>
Total Funding	818.9	913.5	952.8	830.1	979.1	882.1	-128.3	753.8
IT Funding	70.5	83.4	81.1	72.1	68.4			68.1
FTE	3,207	3,231	3,242	3,109	3,259	3,279	-138	3,141

**Skill Summary:**

At the end of FY 2004, the staffs of the three component bureaus of TA reflected the following levels of educational attainment:

- Total OTP staff included 7% Ph.D., 20% M.A. or M.S., and 40% B.A. or B.S. holders.
- Total NIST staff included 31% Ph.D., 15% M.A. or M.S., and 19% B.A. or B.S. holders. The breakdown of professional staff by major NIST organization was:
  - NIST Laboratories: 59% Ph.D., 19% M.A. or M.S., 16% B.A. or B.S. holders
  - Advanced Technology Program: 50% Ph.D., 30% M.A. or M.S., 18% B.A. or B.S. holders
  - Hollings Manufacturing Extension Partnership: 6% Ph.D., 61% M.A. or M.S., 22% B.A. or B.S. holders
  - Baldrige National Quality Program: 25% Ph.D., 25% M.A. or M.S., 38% B.A. or B.S. holders
- Total NTIS staff included 6% M.A. or M.S. and 22% B.A. or B.S. holders.

## **NIST Performance Goal 1: Promote innovation, facilitate trade, ensure public safety and security, and help create jobs by strengthening the Nation’s measurement and standards infrastructure**

### **Corresponding DOC Strategic Goal and Objective:**

**Strategic Goal 2: Foster science and technological leadership by protecting intellectual property, enhancing technical standards, and advancing measurement science.**

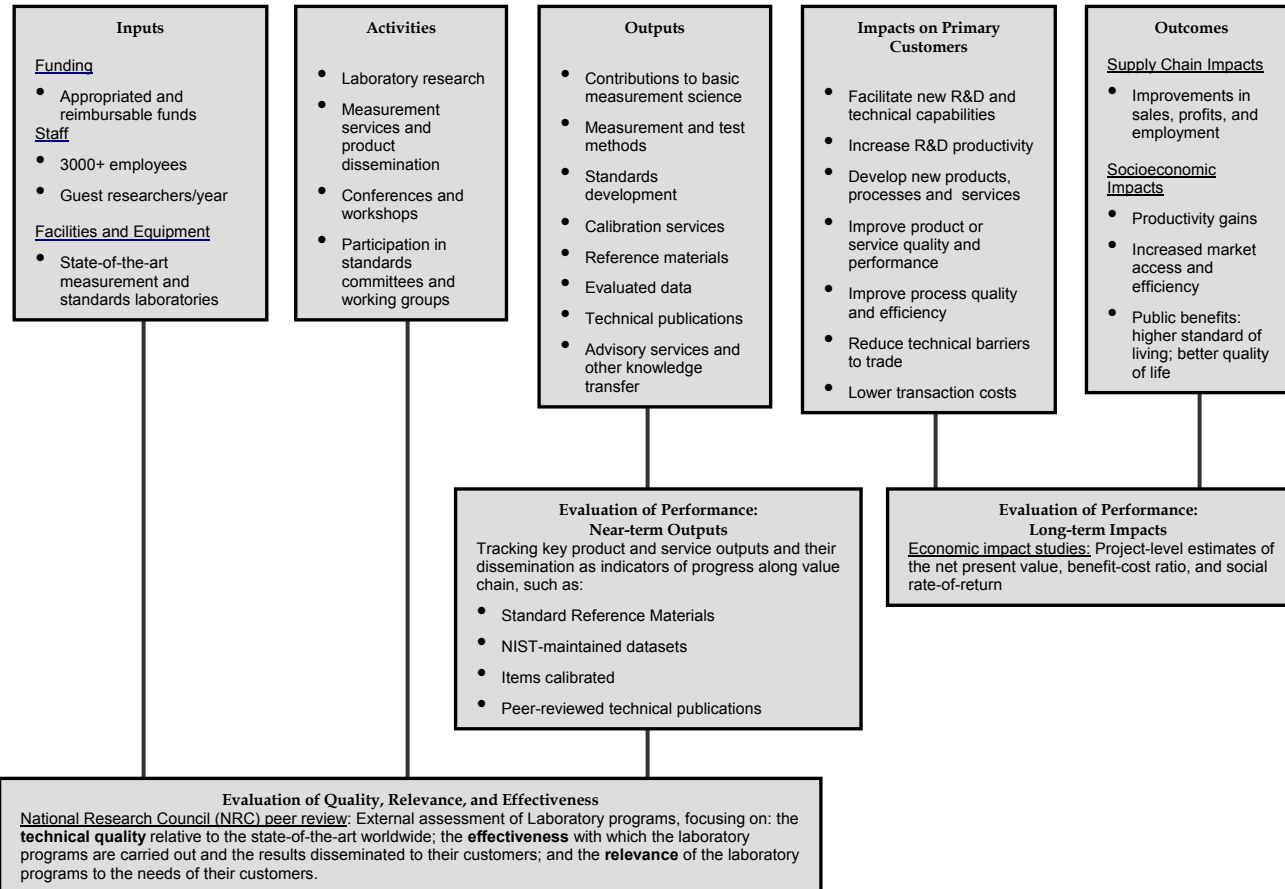
*General Goal/Objective 2.1: Develop tools and capabilities that improve the productivity, quality, dissemination, and efficiency of research*

### **Rationale for Performance Goal:**

As the National Measurement Institute for the United States, NIST is uniquely responsible for establishing and maintaining an efficient system that links the fundamental units of measurement to the measurement methods used by industry, universities, and other government agencies. The nation’s ability to innovate, grow, and create high value jobs relies on a robust scientific and technical infrastructure – including the measurement and standards provided by the NIST Laboratories. The NIST Laboratories perform research to develop the measurement tools, data, and models for advanced science and technology. The model below depicts the NIST Laboratory Program’s value-creation chain--from inputs like funding and staff to outcomes like productivity gains and improved quality of life. The model also includes the methods and measures used to evaluate quality, relevance, and performance along the impact path, each of which is described in more detail in the sections that follow.

NIST has designed its performance evaluation system to accommodate the organization’s unique mission and impact path as well as to respond to the intrinsic difficulty of measuring the results of investments in science and technology. Like other Federal science organizations, the primary output of NIST’s laboratory research is scientific and technical knowledge, which is inherently difficult to measure directly and comprehensively. In addition, the outcomes from research often do not begin to accrue until several years after the research program has been completed, and the diffusion of benefits often affects broad segments of industry and society over long time periods. Given these challenges, the NIST Laboratory Program evaluates its performance using an appropriate mix of specific output tracking, peer review, and economic impact analyses. Taken together, these evaluation tools, combined with continual feedback from customers, provide NIST management and external stakeholders with a detailed and broad view of NIST’s performance toward its long-term goal.

## NIST Laboratory Program: Impact and Evaluation Logic Model





**FY 2006 Program Changes:**

Program Initiatives	Funding Request	Anticipated Impact	Location of Program Justification in the Budget Document
Advances in Manufacturing	\$19,600,000	<p><b><u>Manufacturing Enterprise Integration:</u></b> Reduced time-to-market and information technology costs for manufacturers. Improved productivity and global competitiveness for manufacturers.</p> <p><b><u>Expanding Access to Global Markets Through Measurements and Standards:</u></b> Enhanced competitiveness and improved market access for U.S. businesses.</p> <p><b><u>Nanomanufacturing Research:</u></b> Improved productivity and global competitiveness in the nanomanufacturing sector.</p> <p><b><u>National Nanomanufacturing and Nanometrology Facility:</u></b> Improved measurement capabilities and research efficiencies in nanotechnology infrastructure to enhance R&amp;D productivity and innovation in multiple industry sectors.</p>	Scientific and Technical Research and Services Appropriation; NIST Laboratories Activity
Measurements and Standards for Homeland Security	\$3,000,000	<p><b><u>Improved Standards and Guidelines for Buildings and First Responders:</u></b> Enhanced safety, structural integrity and reduced risk for building occupants. Improved emergency response and mobility.</p> <p><b><u>Biometrics:</u></b> Strengthened homeland security through the development of improved measurements for effective and efficient facial recognition and fingerprint identification.</p>	Scientific and Technical Research and Services Appropriation; NIST Laboratories Activity

New Measurement Horizons for the U.S. Economy and Science	\$17,195,000	<p><b><u>Biosystems and Health:</u></b> Reduced and eliminated technical barriers and accelerated commercialization of bio-based products and services.</p> <p><b><u>Interoperability and Security for Emerging Scientific Systems:</u></b> Lower costs and improved reliability and performance of complex IT systems used in government, industry, and other organizations.</p> <p><b><u>Quantum Processing - Beyond High End Computing:</u></b> Development of the measurement infrastructure necessary for new advanced information processing systems.</p> <p><b><u>Building Competence for Advanced Measurements:</u></b> Development of state-of-the-art measurements and standards for both advanced technology and mature industries as well as support for future industry measurement needs.</p>	Scientific and Technical Research and Services Appropriation; NIST Laboratories Activity
Facilities Improvement Plan	\$31,964,000	Improvements in the infrastructure necessary for accurate measurement research at NIST, as needed to foster technological innovation and enable new generations of science, technology, and competitive products.	Construction of Research Facilities Appropriation; Construction and Major Renovations Activity
Maintenance for the Advanced Measurements Laboratory	\$3,400,000	Infrastructure support necessary to enable NIST advances in nanotechnology, biotechnology, information technology, advanced materials, and new manufacturing technology.	Construction of Research Facilities Appropriation; Construction and Major Renovations Activity

The program changes for the NIST Laboratory Programs represent specific “projects” or research areas NIST will develop in support of the Nation’s technical infrastructure. While these projects link directly to the goals of the NIST Laboratory Programs, progress and performance is measured at the individual project level through milestone tracking of major project outputs, such as those described in the budget narratives. Without funding, those outputs will be forgone along with the associated benefits (outcomes) described in each narrative.

## Measure 1a: Qualitative assessment of technical quality, merit or relevance, and performance using peer review

### Explanation of Performance Measure:

Since 1959, the NIST Laboratories have been reviewed annually by the National Research Council (NRC). The annual NRC Board on Assessment of NIST Programs review is independent, technically sophisticated, and extensive. The assessment process focuses on the quality, relevance, and technical merit of the NIST Laboratories Program to ensure they are developing and promoting the infrastructure tools and measurement standards needed by industry, academia, and other government agencies.

The review Board consists of approximately 150 scientists and engineers, organized into seven panels (one for each of the seven NIST Laboratories) plus two sub-panels for specialized programs. Each year the lab-specific panels conduct a two to three-day on-site review of each laboratory's technical quality, paying particular attention to the following factors, as charged by the NIST Director:

- The technical quality and merit of the laboratory programs relative to the state-of-the-art worldwide
- The effectiveness with which the laboratory programs are carried out and the results disseminated to their customers
- The relevance of the laboratory programs to the needs of their customers
- The ability of the Laboratories' facilities, equipment, and human resources to enable the Laboratories to fulfill their mission and meet their customers' needs.

Starting in FY 2004, the reporting process was modified to allow additional focus on the technical exchange between NIST staff and the reviewers as well as increased interactions among external reviewers. While the NRC BOA continues to conduct on-site annual reviews and feedback, they produce a biennial report that includes findings over the two year evaluation period. The table below provides summary statements for the laboratories, excerpted from NRC's 2003 report. The entire report is available at <http://www.nap.edu/catalog/10820.html>.

### Sample Statements from NRC Peer Review, FY 2003

#### LABORATORY

<b>Electronics and Electrical Engineering (EEEL)</b>	"The work in EEEL continues to be of very high technical merit and quality. Many staff members are recognized as world leaders in their fields. In general, there is significant linkage between EEEL projects and the goals of the laboratory supporting NIST's mission... EEEL divisions are doing an excellent job of providing services, interacting with their customers, performing scientific research, and circulating the results of their investigations...The extended period of excessively lean budgets for the support of current laboratory activities now clearly has an influence on its present and future capabilities and effectiveness... Succession planning factored with strategic planning is critical to the future health and survivability of the [EEEL] divisions." (pp. 17, 20, 22).
<b>Manufacturing Engineering (MEL)</b>	"The [MEL] has a unique role to play in U.S. manufacturing through its expertise in measurements and standards... The quality of research in the [MEL] is high overall... In some areas, MEL work is state of the art relative to work being performed worldwide... MEL is working effectively to broaden its customer base and is establishing processes to identify best initiatives to help customers... A formal process and format should be established for planning and reporting project time lines and displaying a clear roadmap of current and planned activities, with a focus on continual process improvement." (pp. 28, 30).
<b>Chemical Science and Technology (CSTL)</b>	"CSTL's research and standards programs are technically excellent overall... CSTL has clearly demonstrated both the relevance and effectiveness of its programs to its customers, primarily U.S. industry, government, and academia, but also to international science, technology, and commerce... [CSTL's] innovative practices and successful partnering have sustained exceptional productivity and the continuation of its high visibility, recognition, and world leadership in the development of measurement standards... CSTL has implemented an excellent strategic planning process that is closely aligned with the goals and objectives of the overall NIST strategic plan..." (pp. 37-38).

<b>Physics (PL)</b>	“The NIST Physics Laboratory has long been known among its technical peers for the outstanding level of its scientific research. The laboratory has a tradition of world leadership in many of its areas of activity... continues to serve as a central, impartial presence in metrology and calibrations for commercial and scientific development... The Physics Laboratory continues to reach out through a variety of efforts to ensure that its programs are responsive to customer and national needs and that reliable experimental and theoretical information is maintained to support emerging technological and scientific directions...The Physics Laboratory must continue to develop a strategic plan and prioritization process that results in clear laboratory goals...” (pp. 45-46, 48).
<b>Materials Science and Engineering (MSEL)</b>	“The technical quality of MSEL continues at a very high level, as evidenced by its quality contributions and impact on emerging science and technologies... The panel determined that [MSEL] is enhancing its relevance and effectiveness through reliance on its strategic plan for the allocation of limited resources to a growing set of national needs...The panel commends the laboratory for maintaining a balance between these new focus areas and continued service to its historical constituency groups... The panel noted in particular that the laboratory is making better use of collaborations both within and outside of NIST... Continued attention is needed... [on] the potential for subcritical staffing of important programs and the maintenance of key areas of investigation to secure the laboratory’s role in the strategic mission of NIST.” (pp. 56-57, 60).
<b>Building and Fire Research (BFRL)</b>	“The panel continues to be impressed by the high quality of scientific and technical work produced in the [BFRL]... BFRL staff takes advantage of the special tools and expertise that exist in the laboratory to provide their customers with unbiased, technically excellent work focused on the measurement and testing needed to improve the quality of materials and technologies... The National Construction Safety Team Act presents a tremendous opportunity for BFRL. The laboratory still has to define a strategy for deploying resources to an investigation and, once completed, for disseminating the results... The laboratory has taken early steps toward the development of a strategic plan and of performance metrics. Next steps should include the specification of time lines, milestones, and interdependencies.” (p. 64).
<b>Information Technology (ITL)</b>	“The overall technical quality and the merit, relevance, and effectiveness of the Information Technology Laboratory’s programs and staff remain strong... There is ample evidence of outstanding work in leveraging technology ideas across customer areas for industry, academia, government, and within NIST.... ITL has worked hard and effectively to develop metrics for its performance. ITL should work with customers... to further develop means of assessing the effectiveness of ITL projects and products. ITL’s interactions with and impact on industrial customers continue to be strong, and the panel applauds the laboratory’s ability to produce and disseminate results of value to a broad audience.” (pp. 74, 77).

## Measure 1b: Peer-reviewed technical publications

Technical publications represent one of the major mechanisms NIST uses to transfer the results of its research to support the technical infrastructure and provide measurements and standards – vital components of leading-edge research and innovation - to those in industry, academia and other government agencies. Each year, NIST’s technical staff produces a total of 2,000 to 2,200 publications with approximately 50-60 percent appearing in prestigious scientific peer-reviewed journals. This measure represents the annual number of high quality, peer-reviewed technical publications produced by the NIST Laboratories staff. The number is a direct count of the peer-reviewed technical publications approved by the NIST Editorial Review Board at both the Gaithersburg, and Boulder sites.

In addition to peer-reviewed journals, NIST publishes its measurement methods and standards through conference proceedings, NIST interagency reports and special publications. For example, the NIST Journal of Research highlights NIST’s research and development in the area of metrology and related fields of physical science, engineering, applied mathematics, statistics, biotechnology, and information technology. Also, special publications such as NIST Recommended Practice Guides target specific industries and provide users with valuable guidance on specialized measurement techniques and methods for interpreting results.

**FY 2005 and FY 2006 Targets:** During the FY 2005 budget cycle, NIST revised many of its output measures to reflect more on the quality and demand for NIST research results and standards services. While NIST expects to produce a consistent number of technical publications peer-reviewed publications overtime, it is difficult to develop target estimates without additional trend data and FY 2006 targets may need to be adjusted.

### **Measure 1c. Standard Reference Materials (SRMs) sold**

Standard Reference Materials are the definitive source of measurement traceability in the United States; all measurements using SRMs can be traced to a common and recognized set of basic standards that provides the basis for compatibility of measurements among different laboratories. SRMs are certified in the NIST Laboratories for their specific chemical and material properties. Customers use SRMs to achieve measurement quality and conformance to process requirements that address both national and international needs for commerce and trade and public safety and health. For example, NIST recently developed a new SRM that will aid in arson investigations. SRM 2285 contains 15 compounds from common accelerants that will be used to calibrate instruments that help analysts classify fire scene residues into six categories of fuels. The SRM will help investigators accurately identify the components of the original fuel used to set a fire.

**FY 2005 and FY 2006 Targets:** This measure represents a direct count of the number of SRM units sold to customers in industry, academia, and other government agencies. Recent trends illustrate dissemination of a high (roughly 30,000 per year) but slightly declining number of SRMs due predominantly to technological improvements in equipment and testing methods will continue to reduce the overall frequency with which test equipment and methods are calibrated using reference materials. NIST expects this trend to level and to disseminate a consistent number of SRMs.

### **Measure 1e. Downloads of NIST-maintained datasets**

NIST provides on-line access to over 70 scientific and technical databases. These databases cover a broad range of substances and properties from a variety of scientific disciplines. Some datasets - such as the NIST Chemistry WebBook, NIST Physical Reference Data Systems, and the NIST Ceramics WebBook - are comprehensive and contain a large number of databases, while others serve very specific applications. NIST's on-line data systems are heavily used by industry, academia, other government agencies, and the general public and represent another method NIST uses to deliver its measurements and standards tools, data, and information. This measure is a direct count of the average annual number of downloads of NIST-maintained data. While this count demonstrates a very high level of data dissemination, it does not capture the distinct number of users that have accessed the databases. (NIST cannot and does not collect user-specific data on web transactions.)

**FY 2005 and FY 2006 Targets:** This measure was developed and incorporated into the FY 2005 annual performance plan. While over time NIST expects a consistent level of on-line data dissemination, it is difficult to develop long-term target estimates without additional trend data and FY 2006 targets may need to be adjusted.

### **Measure 1f. Number of items calibrated**

NIST offers more than 500 different types of physical calibrations in areas as diverse as radiance temperature, surface finish characterization, and impedance. NIST calibration services and special tests are characterizations of particular instruments, devices, and sets of standards with respect to international and national standards. NIST calibration services provide the customer with direct traceability to national and international primary standards. This measure illustrates the

quantity of physical measurement services provided by NIST for its customers, including calibration services, special tests, and Measurement Assurance Programs (MAPs). MAPs are quality control programs for calibrating entire measurement systems.

The output data represent a direct count of the number of items external customers sent to NIST for formal calibration services. The data provide information on service output levels only and represent a measure of throughput but not workload per se, as the number of tests and/or the time and calibration effort required can vary substantially across items. As with SRMs and NIST-maintained data, downstream impact is a function of the nature of individual calibration services more than the sheer volume of items calibrated.

**FY 2005 and FY 2006 Targets:** While the annual demand for calibrations can fluctuate due to several factors outside NIST’s control, including changes in the calibration intervals of large customers, changes in the average calibration interval rate in any given year, consolidation of calibration activities within large R&D organizations, and industry consolidation (as, for example, in defense-related industries), NIST expects to calibrate a consistently high number (2,700-2,800) of items annually.

**External Program Evaluation:**

**Visiting Committee on Advanced Technology**

The programmatic goals, strategic direction, and management policies of NIST as a whole, including each of its major programs, are reviewed regularly by the Visiting Committee on Advanced Technology (VCAT). The VCAT is a legislatively mandated panel of external advisors that meets quarterly to review NIST’s general policy, organization, budget, and programs. Refer to the text box for the current list of VCAT members; see also: <http://www.nist.gov/director/vcat/index.htm> for additional information on the VCAT, including its most recent annual report.

NIST Visiting Committee on Advanced Technology (VCAT): Current Membership - 2004		
<b>Mr. Scott Donnelly</b> , Senior Vice President, General Electric Co.	<b>Mr. Gary D. Floss</b> , Managing Director Bluefire Partners, Inc.	<b>Dr. Richard M. Gross</b> , Corporate Vice President, Research & Development, The Dow Chemical Co.
<b>Dr. Deborah L. Grubbe, P.E.</b> , VCAT Vice Chair, Corporate Director, Safety & Health, DuPont Safety, Health, Environment	<b>Dr. Lou Ann Heimbrook</b> , Vice President Global Operations, Merck Research Laboratories	<b>Dr. Jennie Hunter-Cevera</b> , President University of Maryland Biotechnology Institute
<b>Dr. Donald B. Keck</b> , Chief Technology Officer Infotonic Technology Center, Inc. and Retired Vice President, Research Director Corning Incorporated	<b>Dr. Thomas A. Manuel</b> , Retired President Council for Chemical Research	<b>Mr. Edward J. Noha</b> , Chairman Emeritus CNA Financial Corporation
<b>Dr. F. Raymond Saleme</b> , Retired President and Chief Scientific Officer 3-Dimensional Pharmaceuticals, Inc.	<b>Dr. Juan M. Sanchez</b> , Vice President for Research University of Texas, Austin	<b>Mr. Thomas A. Saponas</b> , Retired Senior Vice President and Chief Technology Officer Agilent Technologies
<b>Dr. April M. Schweighart</b> , VCAT Chair, Retired Product Business Manager Motorola	<b>Dr. James W. Serum</b> , President SciTek Ventures	<b>Mr. Robert T. Williams</b> , Director Manufacturing Operations Support and Technology Caterpillar, Inc.

**Program Assessment Rating Tool**

During the FY 2005 budget cycle, the NIST Laboratory Programs were assessed using OMB’s Program Assessment Rating Tool (PART). OMB’s evaluation of the NIST Laboratory Programs was positive, with an overall rating of “effective”. Through the PART assessment, OMB highlighted the following:

- The NIST Laboratory Programs have a clear, well-defined, and unique purpose. The measurement and standards capabilities provided by the NIST Laboratory Programs are a critical component of the Nation’s scientific, technical, and economic infrastructure.

- The NIST Laboratory Programs are well-managed with strong strategic planning, program management, and performance evaluation processes. NIST's external advisory committees and peer review system are a particularly strong component of its management and evaluation system.
- During the course of the PART review, OMB encouraged NIST to revise its long-term goals and improve some of its quantitative output metrics. NIST made a number of corresponding revisions in time for the new goals and metrics to appear in this integrated budget submission and performance plan for FY 2005.

Responses to OMB recommendations related to long-term goals and quantitative output metrics were implemented in the FY 2005 combined budget and performance plan. NIST will continue to work with OMB, as requested, to continuously improve its performance measures and identify useful measures of efficiency. OMB recognizes that R&D-performing organizations typically cannot provide unit cost measures of efficiency due to the long time frame for research, multivariate inputs, and diverse sets of outputs that derive from R&D activities.

## **Crosscutting Activities:**

### **Intra-Department of Commerce**

- **NOAA:** NIST works with NOAA on the Federal Natural Disaster Reduction Initiative, which is focused on reducing the costs of natural disasters and saving lives through improved warnings and forecasts and information dissemination. Also, NIST and NOAA are among a group of Federal agencies focused on the global climate change initiative to accelerate new global observation technologies to improve the understanding of global climate change.
- **NTIA:** NIST and NTIA cooperate to support development of ultrawideband signal technology, a new wireless technology that will improve communications for emergency services and other applications.
- **ITA:** NIST has a long history of collaboration with ITA on technical barriers to trade. Currently, NIST & ITA are collaborating closely under the terms of the DOC Standards Initiative.

### **Other government agencies**

NIST provides research and services in measurement and standards to almost every other agency in the Federal government with scientific missions contracted through specific Interagency Agreements or memoranda of understanding. NIST measurement research, services, and facilities have long contributed to national defense and security, to the nationwide safety and quality assurance systems that ensure the accuracy of health care measurements, to the accuracy of environmental measurements, and to law enforcement standards. NIST plays a large role in a wide variety of intragovernmental and government–industry coordination committees. For example, NIST has leadership positions on the committees, subcommittees, and working groups of the National Science and Technology Council (NSTC).

### **Private sector**

NIST's mission is to work with industry to develop and apply technology, measurements, and standards. As such, the NIST Laboratories have extensive and diverse interactions with industry, which provide an important source of information about the quality, direction, and future demand for NIST products and services. Many of the laboratories' primary outputs, such as Standard Reference Materials and calibration services, are critically important to the quality and cost efficiency of products and production processes throughout U.S. industry. In addition, the NIST staff use technical publications, conferences, and workshops as mechanisms to transfer the results of their work to the U.S. private sector that need cutting-edge measurements and standards.

**External Factors and Mitigating Circumstances:**

Industry-specific business conditions and technological developments affect the level and range of demand for NIST products and services over time. In general, NIST seeks to mitigate the effects of external technological and market uncertainties by maintaining varied and close relationships with its customer base. Through conferences, workshops, technology roadmaps, and many other forms of interaction with its customers, NIST regularly evaluates and adjusts to the direction and level of demand for measurements, standards, reference data, test methods, and related infrastructural technologies and services.



## **NIST Performance Goal 2: Accelerate private investment in and development of high-risk, broad-impact technologies**

### **Corresponding DOC Strategic Goal and Objectives:**

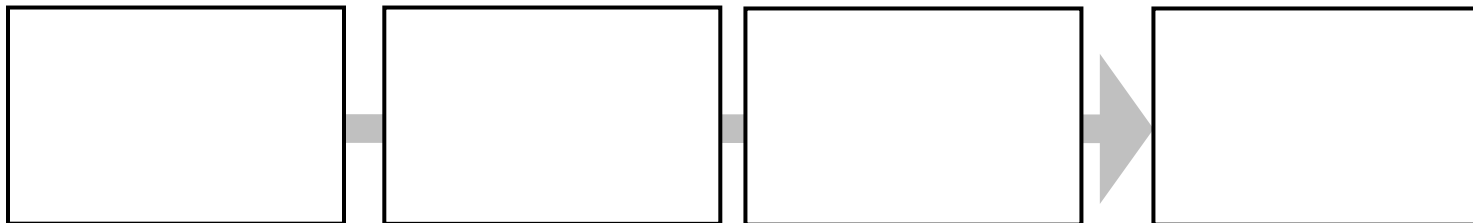
*Strategic Goal 2: Foster science and technological leadership by protecting intellectual property, enhancing technical standards and advancing measurement science.*

*General Goal/Objective 2.1: Develop tools and capabilities that improve the productivity, quality, dissemination, and efficiency of research*

### **Rationale for Performance Goal:**

The Advanced Technology Program (ATP) encourages industry to identify and invest resources in high-risk, broad impact technologies—technologies with significant economic and societal promise, but with inadequate levels of private investment. The Program generates broad-based economic benefits by stimulating industry-led partnerships to develop new technologies. The ATP uses joint ventures, subcontracts, and informal teaming arrangements to combine private investment and the best available scientific and technological talent in industry, universities, and government.

The “impact path” for the ATP—from inputs like appropriated funds and industry matching funds to long-term economic benefits—is illustrated below.



From the start of the program, evaluation has been a central part of ATP operations, as a management tool to provide feedback to project selection and program operations and to demonstrate program results to stakeholders and the public.

The ATP has developed a multi-component evaluation strategy to provide measures of progress and performance at various stages of its impact path: for the short-term, from the time of project selection and over the course of the ATP-funding period (inputs and initial outputs); for the mid-term, as commercial applications are pursued, early products reach the market, and dissemination of knowledge created in the R&D projects occurs (outcomes); and for the longer-term, as more fully-developed technologies diffuse across multiple products and industries, with related net impacts on the formation of new industries, job creation, and U.S. economic growth (impacts).

## **Explanation of Performance Measures:**

In the early and mid stages of project evolution, ATP tracks key outputs from projects through its Business Reporting System, a unique internal database created in 1993, which draws data from regular, systematic electronic project surveys and supplementary telephone surveys. Key indicators used to represent the generation and diffusion of new commercially relevant technical knowledge are patents and technical publications generated by ATP-funded projects. Taken together, these two indicators illustrate the generation and diffusion of technical knowledge created by ATP-funded R&D partnerships.

### **Measure 2a: Cumulative Number of Publications**

Publications represent a major channel for the diffusion of technical knowledge that results from ATP investment in the development of new technologies and participants in more than half of ATP-funded projects have published and presented papers in technical professional journals. The cumulative count of publications generated by all ATP-funded research through the close of a given fiscal year represents a major channel for the diffusion of technical knowledge that results from ATP funding.

**FY 2005 and FY 2006 Targets:** Projections are based on extrapolations of past publication rates and projections of projects initiated and completed over time and are updated to reflect all currently available data. These targeting mechanisms are not perfectly accurate for several reasons. The publication data are impacted by delays in ATP project completion and/or project terminations, both of which are difficult to predict years in advance. In addition, publication rates vary significantly across technology areas. As a result, publication activity will be affected by changes in ATP's completed project portfolio. While these factors and others make perfectly accurate targeting difficult, ATP will continue to track its publications count closely, and also will analyze any trends that may indicate necessary adjustments to its projection models.

### **Measure 2b. Cumulative Number of Patents**

The second of ATP's output measures focuses on the creation of new knowledge resulting from ATP-funded projects and adding to the nation's technical knowledge base on one of ATP's central missions. The measure represents a cumulative direct count of the number of patents filed by all ATP-funded research project participants through the close of a given fiscal year.

**FY 2005 and FY 2006 Targets:** Projections are based on extrapolations of past patenting rates and projections of projects initiated and completed over time, and are updated to reflect all currently available data. These targeting mechanisms are not perfectly accurate for several reasons. First, the patenting process is difficult to predict, and thus, for example, it is possible that patents projected to materialize in one fiscal year might not occur (or be reported) until the following year. Second, the patenting data are impacted by delays in ATP project completion and/or project terminations, both of which are difficult to predict years in advance, and the proclivity to patent varies significantly across technology areas and markets, due in part to differences in the utility and role of intellectual property protection. While these factors and others make perfectly accurate targeting difficult, ATP will continue to track its patent count closely, and also will analyze any trends that may indicate necessary adjustments to its projection models.

## Measure 2c. Technologies Under Commercialization

In addition to tracking patents and technical publications, ATP's Business Reporting System also tracks mid-course outcomes of ATP-funded technology development projects up through six years after ATP funding ends. A key indicator is the number of projects with technologies under commercialization. This metric tabulates the cumulative number of projects with new technologies under commercialization that are traceable to all ATP funded projects through the close of a given fiscal year. The measure indicates the extent to which ATP-funded research and development has either leveraged or catalyzed new products and services, which in turn improve the prospects for technology-led economic growth.

NIST uses this metric in combination with patent and publication data to assess ATP's impact on the generation and diffusion of new commercially relevant technologies and technical knowledge. Commercialization is broadly defined as any group of activities undertaken to bring products, services, and processes into commercial applications, including development of commercial prototypes, adoption of processes for in-house production, development of spin-off products and processes, and the sale and licensing of products and services derived from the technology base created by the ATP-funded project.

**FY 2005 and FY 2006 Targets:** Out-year projections are based on extrapolations of past commercialization rates and projections of projects initiated and completed. Similar to the publication and patent metrics, the number of projects with technologies under commercialization may be impacted by delays in ATP project completion and/or project terminations.

### Program Evaluation:

To provide a more comprehensive measure of mid-term outcomes from ATP funding, the program implemented a Composite Performance Rating System and has compiled and published ratings of the first 100 completed ATP projects. Under the Composite Performance Rating System, each project is scored on a set of measures of knowledge creation and dissemination and progress toward commercial goals; these are summarized in the table below.

### ATP's Composite Performance Rating System: Component measures of rating

Knowledge Creation and Dissemination Measures	Commercialization Progress Measures
<ul style="list-style-type: none"><li>▪ Technical awards</li><li>▪ Collaborations</li><li>▪ Patent filings</li><li>▪ Publications and presentations</li><li>▪ New product/process in market or expected soon</li></ul>	<ul style="list-style-type: none"><li>▪ New product/process in market or expected soon</li><li>▪ Attraction of capital</li><li>▪ Employment gains</li><li>▪ Business awards</li><li>▪ Outlook</li></ul>

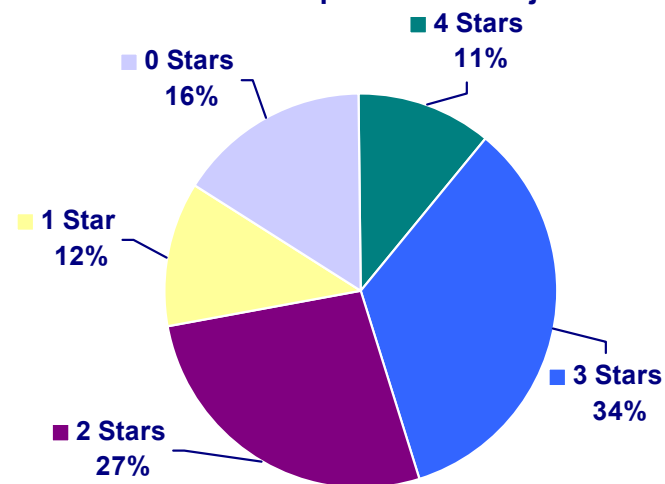
The results from all these measures are used to construct a composite performance score to indicate the overall project effectiveness against ATP's mission (measured two to three years after the end of ATP funding). The result is a four-star system of ratings, with scores ranging from zero to four stars. The results of this analysis for the first 100 completed ATP projects found that 11 percent of the projects are top-rated in terms of overall project performance, with four stars. Twenty-eight percent are in the bottom group of zero or one stars. Sixty-one percent make up the middle group.

Given the program's focus on funding high-risk, technology development that the private sector is unwilling and unable to fund alone, not all ATP projects are fully successful. Some projects are stopped before completion of the funding period. Others fail to meet all their technical goals, or encounter business difficulties before the technologies are commercialized.

### ***Measuring Impacts***

Fully successful ATP projects are expected to contribute significantly to the U.S. scientific and technical knowledge base, yield private benefits to the innovators, and ultimately yield benefits to others in the United States through market, knowledge, and/or network spillovers. The measurement of long-term economic outcomes requires well-established projects with technological outputs that have been in the market for long time periods. To measure long-term economic impacts that derive from the set of funded ATP projects, the program conducts or contracts detailed and rigorous case studies. Where possible, these studies also estimate long-term project outcomes. For instance, one recent study of ATP-funded projects focused on composites manufacturing technologies estimates a public rate of return of at least 44 percent and a benefit-to cost ratio of at least 83:1.

**Results from Composite Performance Ratings  
First 100 Completed ATP Projects**



## **External Program Evaluation:**

### **Visiting Committee on Advanced Technology**

To supplement its comprehensive internal evaluation methods, the ATP also receives external review and evaluation. The programmatic objectives and management of ATP are reviewed regularly by the Visiting Committee on Advanced Technology (VCAT) and by the Advanced Technology Program Advisory Committee. The ATP Advisory Committee is charged with (1) providing advice on ATP programs, plans, and policies; (2) reviewing ATP's efforts to assess the economic impact of the program; (3) reporting on the general health of the program and its effectiveness in achieving its legislatively mandated mission; and (4) functioning solely as an advisory body, in accordance with the provisions of the Federal Advisory Committee Act. Additional information on the ATP Advisory Committee, including its most recent annual report, is available at [http://www.atp.nist.gov/atp/adv\\_com/ac\\_menu.htm](http://www.atp.nist.gov/atp/adv_com/ac_menu.htm).

### **National Research Council**

Over the past decade, ATP has been the subject of external reviews focused on program performance, including two broad programmatic reviews by the National Research Council (NRC) Board on Science, Technology, and Economic Policy (STEP). The results of the first NRC review are available in a report entitled *The*

*Advanced Technology Program: Challenges and Opportunities*, published in 1999 and online at <http://www.nap.edu/books/0309067758/html/>. The report from the second NRC review was published in 2001 and is available online at <http://www.nap.edu/books/030907410X/html/>.

The NRC found, among other things, that:

- “. . . the Advanced Technology Program is an effective Federal partnership program . . . Its cost-shared, industry-driven approach to funding promising new technological opportunities has shown considerable success in advancing technologies that can contribute to important societal goals such as improved health diagnosis (e.g., breast cancer detection), developing tools to exploit the human genome (e.g., colon cancer protection), and improving the efficiency and competitiveness of U.S. manufacturing” (Summary of Findings, p. 87).
- “The extensive assessments of the program show that it appears to have been successful in achieving its core objective, that is, enabling or facilitating private sector R&D projects of a type, or in an area, where social returns are likely to exceed private returns to private investors” (p. 88).

### **Program Assessment Rating Tool (PART)**

During the FY 2004 budget cycle, ATP was among the first programs evaluated by OMB using the new Program Assessment Rating Tool (PART). Overall OMB rated ATP “adequate”, with an overall score above the government-wide average for all programs rated at that time. Through the PART assessment, OMB highlighted the following:

- ATP is a well-managed program with adequate strategic planning and regular performance reviews;
- ATP has an open and competitive grant process; and
- ATP’s annual performance measures are adequate and suggest some progress over time; however, OMB noted, “it is difficult to identify the extent to which ATP funding was required for projects”.

ATP scored lowest in the “program purpose and design” and “results” section of the PART, reflecting OMB’s assessment that the need for the program is unclear and that the program’s results, while showing progress, may not indicate “unique or significant impact.” OMB did not make any specific recommendations for ATP program management to implement.

### **Cross-cutting Activities:**

#### **Other government agencies**

The Advanced Technology Program (ATP) leverages the expertise of scientists and engineers from a wide variety of government agencies and laboratories participating on ATP Source Evaluation Boards. In addition, ATP program managers work with program managers from other government agencies to ensure that projects are complementary and relevant: coordination committees in several disciplines have been brought together for this purpose. This also creates an opportunity to examine government R&D from a high level for specific technologies.

#### **Private sector**

The Advanced Technology Program was established to co-fund with the private sector a broad array of path-breaking new industrial technologies. The program solicits proposals for innovative, high-risk R&D in any industry or field of technology that offers the potential for widespread benefits for the U.S. economy and society as a whole. ATP projects range from aquaculture to X-ray lithography, and the program has contributed significantly to technological advances in fields

as diverse as automated DNA analysis, automobile assembly, tissue engineering and software systems. Companies of any size may apply to ATP and many successful projects have been developed by small companies.

### **External Factors and Mitigating Circumstances:**

ATP is designed to fund high-risk technologies through partnerships with industry; both the nature of the projects and the location of the research performance intrinsically convey a high degree of uncertainty and a relatively low degree of control. For instance, the rate at which ATP-funded technologies are commercialized will vary in part due to technological uncertainties intrinsic to the R&D enterprise and in part to the particular strategies and efforts of the businesses performing the research. Other metrics, such as publication and patenting rates, will be affected not only by the success of the technology development effort but also by company-specific strategies and market conditions. For example, patenting is more common in some industries than others, and a variety of factors affect the patenting and/or publishing choices of individual firms. Variation in growth rates and development trajectories add additional uncertainty: some technologies are commercialized rapidly once the research is completed, while others require extensive product development and clinical trials before significant commercialization can occur. There are no practical mitigation strategies for these external sources of uncertainty other than maintaining robust program management and data collection systems. Over the course of ATP funding, companies are required to abide by the terms and conditions of the cooperative agreement, which include intellectual property and commercialization provisions.

## **NIST Performance Goal 3: Raise the productivity and competitiveness of small manufacturers**

### **Corresponding DOC Strategic Goal and Objective:**

**Strategic Goal 2: Foster science and technological leadership by protecting intellectual property, enhancing technical standards and advancing measurement science**

*General Goal/Objective 2.1: Develop tools and capabilities that improve the productivity, quality, dissemination, and efficiency of research*

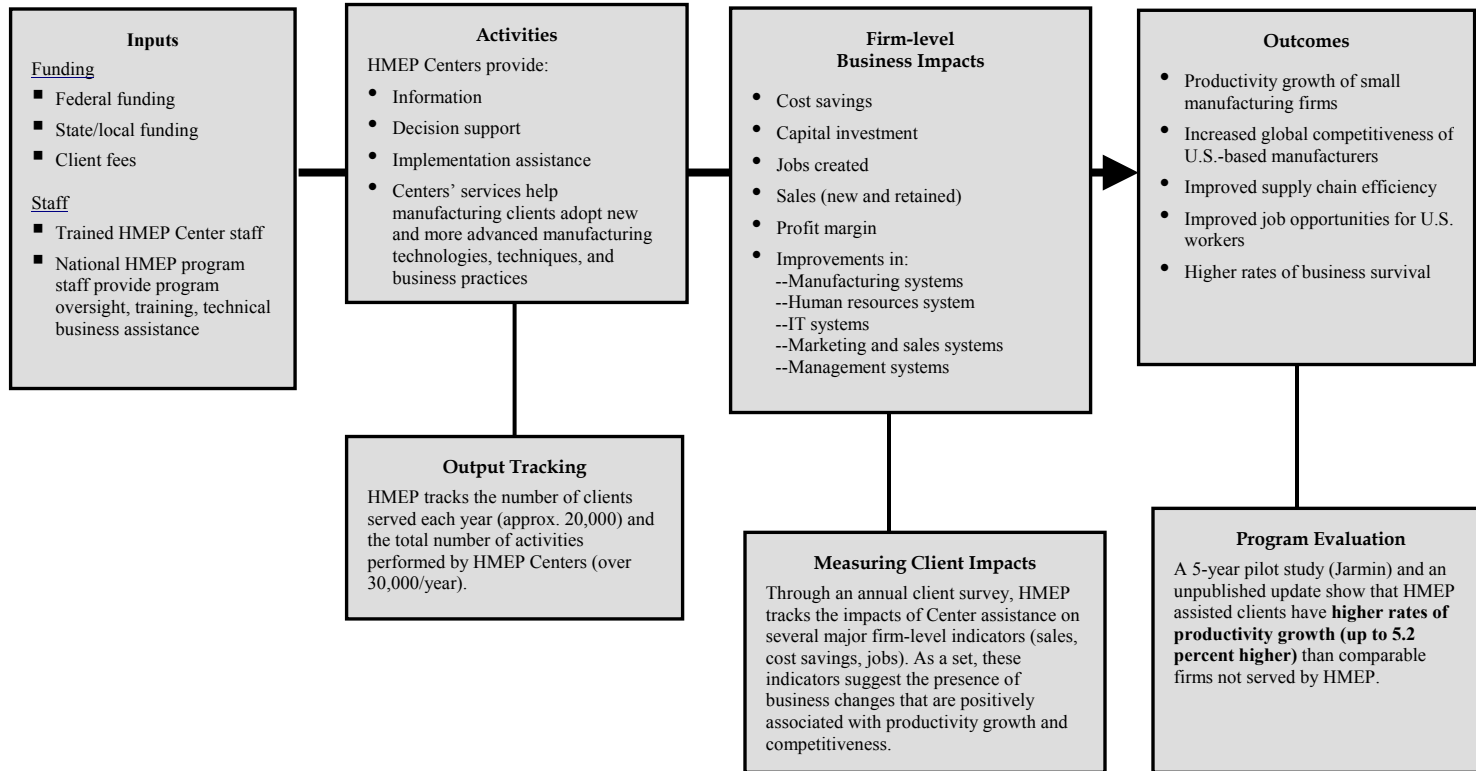
### **Rationale for Performance Goal:**

Operating under the authority of 15 U.S.C. 278k, the Hollings Manufacturing Extension Partnership (HMEP) is a federal-state-local partnership program that provides small U.S. manufacturers with access to manufacturing technologies, resources, and expertise. The HMEP program consists of a nationwide network of manufacturing extension centers which are linked to state, university, and private sources of technology and expertise to assist small manufacturers in adopting new and advanced manufacturing technologies, techniques, and business practices.

The Nation's 361,000 small manufacturers employ approximately twelve million people—about two-thirds of the manufacturing workforce—and produce intermediate parts and equipment that contribute more than half of the value of U.S. manufacturing production. Their role in manufacturing supply chains is crucial and the Nation's future manufacturing productivity and competitiveness will rest largely on the ability of these small establishments to improve their quality, raise their efficiency, and lower their costs. The national HMEP network helps small companies transform themselves into high performance enterprises – productive, innovative, customer-driven, and competitive – by efficiently providing high value technical and advisory services including access to industry best practices.

HMEP's ultimate goal is to measurably improve the productivity and competitiveness of all its clients. The model below demonstrates the impact path (or value creation chain) of the HMEP program – from inputs such as appropriated funds and staff to end-outcomes such as productivity improvements for the small manufacturing sector. In addition, the model also depicts how NIST measures the progress of the HMEP program along its impact chain.

## HMEP's Impact Path and Evaluation Methods: Results-based Management for Advisory Services





## **Explanation of Performance Measures:**

HMEP's nationwide network of manufacturing assistance centers work at the grassroots level with each HMEP center providing their local manufacturers with expertise and services tailor to their most critical needs. The program uses the measures below to demonstrate both a level of activity as well as the outcomes resulting from the services HMEP Centers provide.

### **Measure 3a. Number of clients served by HMEP Centers receiving Federal funding**

HMEP works with the Nation's small manufacturing firms to provide assistance to overcome barriers to productivity growth and competitiveness. This measure represents the annual number of new and repeat clients served by HMEP Centers and received training, technical, and business assistance ranging from informational seminars and training classes to in-depth technical assistance in areas such as lean implementation, ISO 9000, and quality improvement practices.

**FY 2005 and FY 2006 Targets:** The FY 2005 target estimates are based on an appropriation of \$106M. The FY 2006 targets are based on a funding level of \$46.8M which reflects the Administration's policy and funding priorities to address the Nation's most pressing needs while continuing a program that maximizes service impact.

### **Measure 3b. Increased sales attributed to HMEP Centers receiving Federal funding**

### **Measure 3c. Capital investment attributed to HMEP Centers receiving Federal funding**

### **Measure 3d. Cost savings attributed to HMEP Centers receiving Federal funding**

Together the measures above – increased sales, capital investments, and cost savings, all attributed to HMEP Centers receiving Federal funding – provide quantitative indicators of the bottom-line impacts HMEP services provide. As a set, these measures indicate changes that are positively associated with productivity growth and competitiveness – two factors that are crucial for American manufacturers to manage and succeed in the rapidly changing manufacturing environment. Data are collected through an annual survey of clients receiving services from HMEP Centers.

**FY 2005 and FY 2006 Targets:** The FY 2005 target estimates are based on an appropriation of \$106M. The FY 2006 targets are based on a funding level of \$46.8M which reflects the Administration's policy and funding priorities to address the Nation's most pressing needs while continuing a program that maximizes service impact.

## **External Program Evaluation:**

### **Economic Studies**

The HMEP program provides resources needed by small manufacturing establishments to overcome cost and knowledge barriers to realizing productivity growth and improvements in business performance. The program's progress toward achieving its fundamental objective has been evaluated through rigorous, controlled-comparison studies that evaluate the productivity of MEP-served clients relative to similar companies that did not receive MEP assistance. One study, a five-year pilot study conducted by R.S. Jarmin of the Center for Economic Studies (U.S. Census Bureau), showed that MEP-assisted clients had significantly

higher rates of productivity growth than non-MEP clients (\$484M in additional value added for client firms).<sup>1</sup> An unpublished update to this original study also prepared by the Center for Economic Studies found that the average MEP client experienced 5.2 percent higher productivity growth between 1996 and 1997 and 4.7 percent faster employment growth compared to non-MEP clients. The findings cover a larger subset of all MEP clients.

### **National Academy of Public Administration (NAPA)**

NAPA, an independent, nonpartisan organization chartered by Congress to improve government performance, recently completed the second part of a two-phase review of the MEP program. The first phase focused on re-examining MEP's core premise and NAPA found: "...barriers to improving the productivity of small manufacturers identified by earlier studies remain, although they have changed in their relative impacts.... The Panel finds that the core premise of the Program remains viable as it is fulfilling its mission by leveraging both public and private resources to assist the nation's small manufacturers." The second phase evaluated alternative business models for the program. NAPA provided several recommendations including:

- Emphasize technology diffusion, product development, and supply chain integration services.
- Build an integrated national network.
- Improve the national coordination of state level organization partnering.
- Review and adopt business best practices used by other federal/state programs.
- Improve the system-wide sharing of knowledge and information and the systems for measuring performance.
- Coordinate with other DOC manufacturing related programs.
- Include structural and operational changes in the strategic planning processes.

Full text versions of the reports is available at <http://www.napawash.org/Pubs/NIST0903.pdf> and <http://www.napawash.org/Pubs/NIST6-2-04.pdf>

### **Visiting Committee on Advanced Technology (VCAT)/MEP National Advisory Board**

As with other NIST programs, the programmatic objectives and management of HMEP are reviewed regularly by the Visiting Committee on Advanced Technology (VCAT) and its National Advisory Board (MEPNAB), which was established by the Secretary of Commerce in October 1996. The Board meets three times a year to 1) provide advice on HMEP programs, plans, and policies; 2) assess the soundness of HMEP plans and strategies; 3) assess current performance against HMEP program plans; and 4) function solely in an advisory capacity, and in accordance with the provisions of the Federal Advisory Committee Act. The MEPNAB members bring a variety of manufacturing backgrounds to the Board, including small and large manufacturing, labor, academia, economic development, consulting and state government. This mix provides HMEP with the outside advice critical to maintaining and enhancing the program's focus on its customers—the U.S. small manufacturers. Additional information on HMEP's National Advisory Board, including its most recent annual report, is available at <http://www.mep.nist.gov/about-mep/advisory-board.html#annualreport>.

### **Program Assessment Rating Tool (PART)**

In conjunction with the FY 2004 budget, MEP was evaluated by OMB using the PART instrument. OMB's evaluation of MEP was positive, with an overall rating of "moderately effective" (only 30 percent of all programs evaluated in FY 2004 were rated moderately effective or effective). Through the PART assessment, OMB highlighted the following:

- MEP is a well-managed program with adequate strategic planning and regular performance reviews;

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<sup>1</sup> R.S. Jarmin, "Evaluating The Impact Of Manufacturing Extension On Productivity Growth," *Journal of Policy Analysis and Management*, Vol 18, No. 1, Winter 1999, pp. 99-119.

- MEP has an open and competitive process for the establishment of new centers; and
- MEP’s annual performance measures are adequate and demonstrate benefits to MEP clients; however, OMB noted, “it is difficult to identify the impact of MEP on the manufacturing community as a whole”.

MEP scored lowest in the “program purpose and design” section of the PART, reflecting OMB’s assessment that “it is not evident that there is a need for a Federal response in this area”. OMB did not make any specific recommendations for MEP program management to implement.

### **Cross-cutting Activities:**

#### **Intra-Department of Commerce**

HMEP has collaborated with the International Trade Administration (ITA), the Minority Business Development Agency (MBDA), and the Economic Development Administration (EDA) on a number of projects. For example, HMEP has worked with ITA on efforts to open global markets to American small and medium-sized manufacturers interested in but inexperienced with exporting activities.

#### **Other government agencies**

HMEP collaborates with a wide range of agencies that regulate or provide programs and services that affect small manufacturing businesses, including the Departments of Agriculture, Defense, Energy, Health and Human Services, Housing and Urban Development, and Labor, as well as with the Environmental Protection Agency, National Aeronautics and Space Administration, and the Small Business Administration.

#### **Private sector**

HMEP provides a nationwide network of manufacturing extension centers that work directly with small and medium-sized manufacturing establishments—typically, those with fewer than 500 employees. Because the HMEP Centers are joined together in a network through NIST, even the smallest firms are able to tap into the expertise of knowledgeable manufacturing and business specialists throughout the United States. HMEP Centers assist firms in areas such as quality management systems, business management systems, human resource development, market development, materials engineering, plant layout, energy audits, and environmental studies.

### **External Factors and Mitigating Circumstances:**

The economic and technological environment for small manufacturers in the United States continues to change rapidly. To maximize its effectiveness, HMEP must not only respond rapidly to its clients’ changing needs, but also must anticipate changes in the business environment facing smaller manufacturers.

## **NTIS Performance Goal 1: Enhance public access to worldwide scientific and technical information through improved acquisition and dissemination activities**

### **Corresponding DOC Strategic Goal**

#### **Strategic Goal 2: Foster science and technological leadership by protecting intellectual property, enhancing technical standards, and advancing measurement science**

*General Goal/Objective 2.1: Develop tools and capabilities that improve the productivity, quality, dissemination, and efficiency of research*

### **Rationale for Performance Goal:**

The National Technical Information Service (NTIS) operates a central clearinghouse of scientific and technical information that is useful to U.S. business and industry. Without appropriated funds, NTIS collects scientific and technical information; catalogs, abstracts, indexes, and permanently archives the information; disseminates products in the forms and formats most useful to its customers; develops electronic and other new media to disseminate information; and provides information processing services to other Federal agencies. NTIS's revenue comes from (1) the sale of technical reports to business and industry, schools and universities, state and local government offices, and the public at large; and (2) services to Federal agencies that help them communicate more effectively with their employees and constituents.

NTIS promotes the development and application of science and technology by providing technologically advanced global e-commerce channels for dissemination of its specialized information to business, industry, government, and the public. NTIS' recently implemented business plan was designed to provide access to NTIS' collection of scientific and technical information to the non-traditional customers (students, small business, general public, etc.). The NTIS bibliographic database (from 1990 to the present) is available via the Internet free of charge. Users are allowed to download items in the collection in electronic format for a single low fee, or at no charge if it has fewer than twenty pages. These initiatives are a result of NTIS's innovative business model that maximizes utilization of the World Wide Web and e-commerce in its information collection and dissemination activities.

### **Explanation of Performance Measures**

#### **Measure 1a: Number of New Items Available (annual)**

The number of items available for sale to the public from NTIS includes scientific, technical, and engineering information products added to the permanent collection, as well as items made available through online electronic subscriptions.

Each publication added to the permanent collection is abstracted, catalogued, and indexed so that it can be identified and merged into the permanent bibliographic database for future generations of researchers and the public who may benefit from this valuable research. Other information products are available as full text documents in electronic format through numerous NTIS online information services. This material is acquired primarily from U.S. government agencies, their contractors and grantees, and also from international sources. NTIS collects approximately 25,000 scientific and technical reports annually and another 505,000 items in the form of articles, updates, advisories, etc. that are contained in various subscription products and databases it distributes. The

number of new information products available each year from NTIS is approximately 530,000, but the number largely depends on input from other government agencies.

### **Measure 1b. Number of Information Products Disseminated (annual)**

This measure represents information disseminated and includes compact discs, diskettes, tapes, online subscriptions, Web site pages, as well as traditional paper and microfiche products.

The shift in information dissemination practices from traditional paper copy to electronic-based dissemination has improved NTIS's ability to provide quality products, increase the number of products distributed, and increase the number of customers that have access to valuable scientific and technical information. NTIS is continually striving to stay abreast of the latest technological advances in information dissemination processes to improve its ability to meet the demands of the public. NTIS continues to enhance its ability to stay current in the e-commerce environment, while continuing to serve customers that require the more traditional distribution methods, as demonstrated in our targets above.

#### **FY 2005 and FY 2006 Targets:**

The FY2005 and FY 2006 targets have been increased to reflect increases in expected dissemination activity, as demonstrated in the FY 2003 actual data.

### **Measure 1c. Customer Satisfaction**

This measure represents the percentage of NTIS customers that are satisfied with the quality of their order, the ease of order placement, and the timely processing of that order. Orders for NTIS's vast collection of scientific and technical information are received by phone, fax, mail, and online, and are filled in a variety of formats. NTIS's continual efforts to maintain and possibly improve this very high rate of customer satisfaction are essential to the success of NTIS's performance and mission to collect and disseminate scientific and business-related information.

The percentage of satisfied customers is derived from the number of customer complaints compared to the total number of orders taken. It does not take into account inquires about the status of an order or other general questions.

#### **Program Evaluations:**

The Office of the Inspector General (OIG) contracted with KPMG and prepared their audit (Audit Report No. FSD-16698-5-0001/November 2004) of NTIS' FY 2004 Financial Statements that includes a review of the Annual Report detailing NTIS' program activity. The audit results indicated that NTIS has established an internal control structure that facilitates the preparation of reliable financial and performance information.

#### **Cross-cutting Activities:**

##### **Other government agencies**

NTIS provides a variety of services that assist other agencies in developing, producing, and disseminating their information. These services include fax management services; reproduction of paper, computer, and microfiche products; billing and collection services; product storage and distribution; Web hosting; and database management and distribution. Specific examples are listed below:

- Department of Agriculture (Team Nutrition) - NTIS provides USDA with bulk order processing and distribution of its nutrition education materials to its constituents.
- Department of Treasury (U.S. Customs) - NTIS hosts a Web site on behalf of U. S. Customs Service allowing the dissemination of information on legal rulings.
- Department of Defense (Defense Acquisition University) - NTIS provides DAU with hardware, a database platform and technical help desk support for their web based distance-learning site.

**External Factors and Mitigating Circumstances:**

NTIS's requirement to operate on a substantially self-sustaining basis precludes it from making all information in its collection available on the Web for free, despite the public's desire for this information and its aversion to paying for government information on the Web. NTIS is currently addressing this concern by putting its bibliographic database, from 1990 to the present, on the Internet for free. In addition, if available, documents smaller than twenty pages can be downloaded for free from NTIS's Web site. Documents greater than twenty pages, if available in electronic form, can be downloaded for a fee. Of course, all documents in the NTIS collection can be ordered in the traditional formats (i.e. paper and microfiche), if desired.

## Data Validation and Verification

### *NIST*

NIST's Program Office conducts an annual review of its quantitative performance data to ensure that it is complete and accurate. During this process, Program Office staff discuss the data with appropriate offices to assess results relative to forecasts and to understand long-term trends and drivers of performance. Program Office staff also evaluate the verification and validation procedures used by the offices that provide the source data and verify that the source data itself is identical to or consistent with the reported data. For its qualitative performance measure, the NIST Program Office provides summary findings from the annual NRC review of the NIST laboratories; the complete results of that evaluation are available for public review.

The table below summarizes the data validation and verification processes for each organization in the Technology Administration.

Performance Measure	Data Source	Frequency	Data Storage	Internal Control Procedures	Data Limitations	Actions to be Taken
NIST Measure 1a: Qualitative assessment and review of technical quality and merit using peer review	On-site interviews and discussions with NIST management and research staff by independent external scientific and technical experts, managed by the NRC.	Annual reviews; biennial reports	NRC	Oversight of laboratory-specific expert review panels provided by the NRC Board on Assessment of NIST Programs.	Data are qualitative in nature	None
NIST Measure 1b: Peer-reviewed technical publications	NIST Office of Information Services	Ongoing	Publications data are gathered and maintained by NIST Office of Information Services	Data represent direct and verifiable counts of NIST technical publications to be published in peer-reviewed journals and have been cleared for publication by the internal Washington and Boulder Editorial Review Boards. Internal controls include verification and review by the NIST Director's Office.	Output only	None

<p>NIST Measure 2a: Standard Reference Materials (SRMs) sold</p> <p>NIST Measure 2b: NIST-maintained datasets downloaded</p> <p>NIST Measure 2c: Number of items calibrated</p>	<p>NIST Technology Services</p>	<p>Ongoing</p>	<p>NIST Technology Services</p>	<p>Data represent direct and verifiable counts of: 1) the number of SRMs sold to customers at the close of the fiscal year; 2) the number of times a NIST-maintained dataset has been downloaded; and 3) counts of items calibrated by the NIST Laboratories. Internal controls include verification and review by NIST Technology Services and the NIST Director's Office and Budget Division.</p>	<p>Data provide information on output levels only. NIST measure 2b reflects the number of users accessing these datasets; it does not reflect unique users or capture how the data was used.</p>	<p>None.</p>
<p>Measure 3a: Cumulative number of publications</p> <p>NIST Measure 3b: Cumulative number of patents filed</p> <p>NIST Measure 3c: Cumulative number of technologies under commercialization</p>	<p>Data are gathered from the portfolio of ATP project participants (funded since 1993) through company filings of patent information to the NIST Grants Office (a legal requirement) and an electronic survey instrument under ATP's Business Reporting System (BRS). Separate portfolio-based telephone surveys are conducted of project participants funded prior to 1993 and for post-project data collection.</p>	<p>Annual over the course of ATP funding for projects funded since 1993; intermittent for projects funded prior to 1993; every two years (up to six years) after ATP funding ends.</p>	<p>ATP's Office of Economic Assessment maintains BRS data in an integrated set of databases covering both descriptive information about the funded organizations and survey responses for all participants in ATP-funded research projects.</p>	<p>All ATP reports using BRS data and patent reports filed through the NIST Grants Office are monitored closely by ATP for research quality and are subject to extensive NIST-wide review and critique prior to being issued.</p>	<p>The BRS electronic survey and other telephone survey instruments represent a standardized reporting system. Standard sources of uncertainty include variation in interpretation of specific questions; variation in the estimation techniques used in response to specific questions; variation in the quality of industry data; and missing values.</p>	<p>None.</p>



<p>NIST Measure 4a: Number of clients served by HMEP Centers receiving Federal funding</p> <p>NIST Measure 4b: Increased sales attributed to HMEP Centers receiving Federal funding</p> <p>NIST Measure 4c: Capital investment attributed to HMEP Centers receiving Federal funding</p> <p>NIST Measure 4d: Cost savings attributed to HMEP Centers receiving Federal funding</p>	<p>The client impact survey is administered by a private firm, Synovate located in Arlington Heights, IL.</p>	<p>The survey is conducted four times per year, and clients are selected based on when they completed the first project with an HMEP Center in the previous year. For example, a client that completed a project with an HMEP Center in February 2003 was surveyed in January/February 2004. This process is used to reduce respondent burden, raise overall response rates, and improve data quality. Clients are asked to estimate how the group of HMEP-provided services over the previous two years has affected their business performance in the 12-month period prior to the survey date.</p>	<p>Survey data is sent directly to HMEP for analysis. HMEP reviews and stores survey data received from Synovate.</p>	<p>Internal controls include verification significant review of the Synovate data by HMEP staff. Criteria are in place for identifying and verifying significant outliers in the data.</p>	<p>As with similar survey instruments, sources of uncertainty include variation in interpretation of specific questions; variation in the estimation techniques used in response to specific questions; variation in the quality of industry data; missing values; and other common survey problems. Synovate uses standard survey techniques to clean the data, ensure accuracy and reliability, and improve the response rate. Reported data reflect the impact of HMEP services primarily on small manufacturing establishments; on some occasions, Centers may elect to serve establishments with over 500 employees.</p>	<p>None.</p>
<p>NTIS Measure 1a: Number of New Items Available (Annual)</p>	<p>NTIS operates and maintains internal systems for collecting acquisition statistics.</p>	<p>Data is available daily. Reports are produced monthly.</p>	<p>All data is stored within NTIS systems.</p>	<p>NTIS' accounting and budget offices analyze and report performance data to management. Data verification is provided through regular internal independent auditor reporting.</p>	<p>Output Only</p>	<p>None</p>

<p>NTIS Measure 1b: Number of Information Products Disseminated (Annual)</p>	<p>NTIS records every transaction using a commercial order processing system modified to meet its specific needs together with a standard Web analysis software package used by industry.</p>	<p>Internal management activity reports are produced daily, summaries are produced monthly.</p>	<p>All data is stored within NTIS systems.</p>	<p>NTIS' accounting and budget offices analyze and report performance data to management. Data verification is provided through regular internal independent auditor reporting.</p>	<p>Output Only</p>	<p>None</p>
<p>NTIS Measure 1c: Customer Satisfaction</p>	<p>NTIS operates and maintains internal systems for processing collected information. NTIS records every transaction using a commercial order processing system modified to meet its specific needs.</p>	<p>Internal management activity reports are produced daily, summaries are produced monthly.</p>	<p>All information is stored within NTIS systems.</p>	<p>NTIS accounting and budget offices analyze and report performance data to management. Data verification is provided through regular internal and independent auditor reporting.</p>	<p>None</p>	<p>None</p>