Principal Financial Statements


DEPARTMENT OF COMMERCE
UNITED STATES OF AMERICA

United States Department of Commerce Consolidated Balance Sheets
As of September 30, 2007 and 2006 *(In Thousands)*

	FY 2007	FY 2006
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$ 7,596,655	$ 7,231,997
Accounts Receivable (Note 3)	65,431	95,745
Other - Advances and Prepayments	64,346	3,969
Total Intragovernmental	**7,726,432**	**7,331,711**
Cash (Note 4)	7,696	7,482
Accounts Receivable, Net (Note 3)	36,909	50,161
Loans Receivable and Related Foreclosed Property, Net (Note 5)	519,854	467,985
Inventory, Materials, and Supplies, Net (Note 6)	106,801	95,914
General Property, Plant, and Equipment, Net (Note 7)	5,729,764	5,299,093
Other (Note 8)	73,267	108,072
TOTAL ASSETS	**$ 14,200,723**	**$ 13,360,418**
Stewardship, Property, Plant, and Equipment (Note 22)		
LIABILITIES		
Intragovernmental:		
Accounts Payable	$ 104,866	$ 74,010
Debt to Treasury (Note 10)	645,997	422,071
Other		
Resources Payable to Treasury	30,197	35,484
Unearned Revenue	422,860	453,697
Other (Note 11)	98,926	96,391
Total Intragovernmental	**1,302,846**	**1,081,653**
Accounts Payable	327,328	290,240
Loan Guarantee Liabilities (Note 5)	55,732	73,675
Federal Employee Benefits (Note 12)	625,816	589,964
Environmental and Disposal Liabilities (Note 13)	67,443	74,880
Other		
Accrued Payroll and Annual Leave	396,444	370,240
Accrued Grants	404,939	420,588
Capital Lease Liabilities (Note 14)	15,558	16,568
Unearned Revenue	1,004,305	936,587
Other (Note 11)	27,685	36,521
TOTAL LIABILITIES	**$ 4,228,096**	**$ 3,890,916**
Commitments and Contingencies (Notes 5, 14, and 16)		
NET POSITION		
Unexpended Appropriations		
Unexpended Appropriations - Earmarked Funds (Note 20)	$ -	$ 27
Unexpended Appropriations - Other Funds	4,528,905	4,306,394
Cumulative Results of Operations		
Cumulative Results of Operations - Earmarked Funds (Note 20)	552,347	620,980
Cumulative Results of Operations - Other Funds	4,891,375	4,542,101
TOTAL NET POSITION	**$ 9,972,627**	**$ 9,469,502**
TOTAL LIABILITIES AND NET POSITION	**$ 14,200,723**	**$ 13,360,418**

The accompanying notes are an integral part of these statements.

United States Department of Commerce Consolidated Statements of Net Cost
For the Years Ended September 30, 2007 and 2006 (Note 17) *(In Thousands)*

	FY 2007	FY 2006
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers		
Gross Costs	$ 2,133,671	$ 2,124,582
Less: Earned Revenue	(298,730)	(308,300)
Net Program Costs	**1,834,941**	**1,816,282**
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science		
Gross Costs	2,781,232	2,528,674
Less: Earned Revenue	(1,967,068)	(1,821,454)
Net Program Costs	**814,164**	**707,220**
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship		
Gross Costs	4,062,583	4,171,133
Less: Earned Revenue	(276,781)	(277,747)
Net Program Costs	**3,785,802**	**3,893,386**
NET COST OF OPERATIONS	**$ 6,434,907**	**$ 6,416,888**

The accompanying notes are an integral part of these statements.

United States Department of Commerce Consolidated Statements of Changes in Net Position
For the Years Ended September 30, 2007 and 2006 *(In Thousands)*

	FY 2007			FY 2006		
	Earmarked Funds (Note 20)	All Other Funds	Consolidated Total	Earmarked Funds (Note 20)	All Other Funds	Consolidated Total
Cumulative Results of Operations:						
Beginning Balance	$ 620,980	$ 4,542,101	$ 5,163,081	$ 537,757	$ 4,192,109	$ 4,729,866
Budgetary Financing Sources:						
Appropriations Used	-	6,433,917	6,433,917	-	6,599,730	6,599,730
Non-exchange Revenue	16,855	36	16,891	15,521	-	15,521
Donations and Forfeitures of Cash and Cash Equivalents	-	1,216	1,216	-	515	515
Transfers In/(Out) Without Reimbursement, Net	24,176	81,921	106,097	19,440	72,184	91,624
Other Budgetary Financing Sources/(Uses), Net	-	(333)	(333)	-	820	820
Other Financing Sources (Non-exchange):						
Donations and Forfeitures of Property	-	16,535	16,535	-	-	-
Transfers In/(Out) Without Reimbursement, Net	-	220	220	(350)	2,039	1,689
Imputed Financing Sources from Cost Absorbed by Others	1,044	195,859	196,903	1,155	188,023	189,178
Downward Subsidy Reestimates Payable to Treasury	-	(36,710)	(36,710)	-	(31,447)	(31,447)
Loan Modification Savings Paid to Treasury	-	(18,910)	(18,910)	-	-	-
Other Financing Sources/(Uses), Net	6,907	(7,185)	(278)	7,935	(25,462)	(17,527)
Total Financing Sources	**48,982**	**6,666,566**	**6,715,548**	**43,701**	**6,806,402**	**6,850,103**
Net Cost of Operations	**(117,615)**	**(6,317,292)**	**(6,434,907)**	**39,522**	**(6,456,410)**	**(6,416,888)**
Net Change	**(68,633)**	**349,274**	**280,641**	**83,223**	**349,992**	**433,215**
Cumulative Results of Operations	**552,347**	**4,891,375**	**5,443,722**	**620,980**	**4,542,101**	**5,163,081**
Unexpended Appropriations:						
Beginning Balance	27	4,306,394	4,306,421	27	4,238,294	4,238,321
Budgetary Financing Sources:						
Appropriations Received (Note 18)	-	6,683,664	6,683,664	-	6,771,140	6,771,140
Appropriations Transferred In/(Out), Net	(27)	13,500	13,473	-	22,366	22,366
Other Adjustments (Note 18)	-	(40,736)	(40,736)	-	(125,676)	(125,676)
Appropriations Used	-	(6,433,917)	(6,433,917)	-	(6,599,730)	(6,599,730)
Total Budgetary Financing Sources	**(27)**	**222,511**	**222,484**	**-**	**68,100**	**68,100**
Unexpended Appropriations	**-**	**4,528,905**	**4,528,905**	**27**	**4,306,394**	**4,306,421**
NET POSITION	**$ 552,347**	**$ 9,420,280**	**$ 9,972,627**	**$ 621,007**	**$ 8,848,495**	**9,469,502**

The accompanying notes are an integral part of these statements.

United States Department of Commerce Combined Statements of Budgetary Resources
For the Years Ended September 30, 2007 and 2006 (Note 18) *(In Thousands)*

	FY 2007		FY 2006	
	Budgetary	**Non-budgetary Credit Program Financing Accounts**	**Budgetary**	**Non-budgetary Credit Program Financing Accounts**
BUDGETARY RESOURCES:				
Unobligated Balance, Brought Forward, October 1	$ 799,694	$ 86,727	$ 739,626	$ 153,108
Adjustments to Unobligated Balance, Brought Forward	(857)	-	(528)	-
Recoveries of Prior-years Unpaid Obligations	120,391	2,477	106,597	5,807
Budget Authority				
Appropriations	6,695,491	4,936	6,788,085	13
Borrowing Authority	1,084,164	72,583	-	171,224
Spending Authority From Offsetting Collections				
Earned				
Collected	3,212,048	64,940	3,003,538	73,438
Change in Receivables	(38,872)	518	14,787	-
Change in Unfilled Customer Orders				
Advances Received	31,143	-	126,971	-
Without Advances	7,232	(355)	46,229	698
Previously Unavailable	1,341	-	1,627	-
Total Budget Authority	**10,992,547**	**142,622**	**9,981,237**	**245,373**
Nonexpenditure Transfers, Net	118,736	-	110,129	-
Temporarily Not Available Pursuant to Public Law	(12,189)	-	-	-
Permanently Not Available	(36,429)	(48,538)	(126,837)	(39,530)
TOTAL BUDGETARY RESOURCES	**$ 11,981,893**	**$ 183,288**	**$ 10,810,224**	**$ 364,758**
STATUS OF BUDGETARY RESOURCES:				
Obligations Incurred				
Direct	$ 8,125,038	$ 91,071	$ 7,119,851	$ 189,104
Reimbursable	3,034,573	33,206	2,890,679	88,927
Total Obligations Incurred	**11,159,611**	**124,277**	**10,010,530**	**278,031**
Unobligated Balance				
Apportioned	442,461	1,932	475,201	993
Exempt From Apportionment	298,865	-	270,977	-
Total Unobligated Balance	**741,326**	**1,932**	**746,178**	**993**
Unobligated Balance Not Available	80,956	57,079	53,516	85,734
TOTAL STATUS OF BUDGETARY RESOURCES	**$ 11,981,893**	**$ 183,288**	**$ 10,810,224**	**$ 364,758**
CHANGE IN UNPAID OBLIGATED BALANCE, NET:				
Unpaid Obligated Balance, Net, Brought Forward, October 1				
Unpaid Obligations, Brought Forward	$ 5,763,273	$ 245,901	$ 5,502,764	$ 185,665
Less: Uncollected Customer Payments, Brought Forward	(312,947)	(1,090)	(251,931)	(392)
Total Unpaid Obligated Balance, Net, Brought Forward	**5,450,326**	**244,811**	**5,250,833**	**185,273**
Adjustments to Unpaid Obligations, Brought Forward	-	-	1,773	-
Obligations Incurred	11,159,611	124,277	10,010,530	278,031
Less: Gross Outlays	(9,794,751)	(160,846)	(9,645,197)	(211,988)
Less: Actual Recoveries of Prior-years Unpaid Obligations	(120,391)	(2,477)	(106,597)	(5,807)
Change in Uncollected Customer Payments	31,640	(163)	(61,016)	(698)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	**$ 6,726,435**	**$ 205,602**	**$ 5,450,326**	**$ 244,811**
Unpaid Obligated Balance, Net, End of Period				
Unpaid Obligations	$ 7,007,742	$ 206,855	$ 5,763,273	$ 245,901
Less: Uncollected Customer Payments	(281,307)	(1,253)	(312,947)	(1,090)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	**$ 6,726,435**	**$ 205,602**	**$ 5,450,326**	**$ 244,811**
NET OUTLAYS:				
Gross Outlays	$ 9,794,751	$ 160,846	$ 9,645,197	$ 211,988
Less: Offsetting Collections	(3,243,191)	(64,940)	(3,130,509)	(73,438)
Less: Distributed Offsetting (Receipts)/Outlays, Net	(72,871)	-	(139,872)	-
NET OUTLAYS	**$ 6,478,689**	**$ 95,906**	**$ 6,374,816**	**$ 138,550**

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

(All Tables are Presented in Thousands)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Reporting Entity

The Department of Commerce (the Department) is a cabinet-level agency of the Executive Branch of the U.S. government. Established in 1903 to promote U.S. business and trade, the Department's broad range of responsibilities includes predicting the weather, granting patents and registering trademarks, measuring economic growth, gathering and disseminating statistical data, expanding U.S. exports, developing innovative technologies, helping local communities improve their economic development capabilities, promoting minority entrepreneurial activities, and monitoring the stewardship of national assets. The Department is composed of 13 bureaus, the Emergency Oil and Gas and Steel Loan Guarantee Programs, the National Intellectual Property Law Enforcement Coordination Council, and Departmental Management.

For the *Consolidating Statements of Net Cost* (see Note 17), some of the Department's entities have been grouped together, based on their organizational structures, as follows:

- National Oceanic and Atmospheric Administration (NOAA)
- U.S. Patent and Trademark Office (USPTO)
- Economics and Statistics Administration (ESA)
    - Bureau of Economic Analysis (BEA)
    - Census Bureau
- Technology Administration (TA)
    - National Institute of Standards and Technology (NIST)
    - National Technical Information Service (NTIS)
- Others
    - Bureau of Industry and Security (BIS)
    - Economic Development Administration (EDA)
    - International Trade Administration (ITA)
    - Minority Business Development Agency (MBDA)
    - National Intellectual Property Law Enforcement Coordination Council (NIPC)
    - National Telecommunications and Information Administration (NTIA)
    - Emergency Oil and Gas and Steel Loan Guarantee Programs (ELGP)

- Departmental Management (DM)
    - Franchise Fund
    - Gifts and Bequests (G&B)
    - Office of Inspector General (OIG)
    - Salaries and Expenses (S&E)
    - Working Capital Fund (WCF)

B *Basis of Accounting and Presentation*

The Department's fiscal year ends September 30. These financial statements reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash. Budgetary accounting is designed to recognize the obligation of funds according to legal requirements, which, in many cases, is made prior to the occurrence of an accrual-based transaction. Budgetary accounting is essential for compliance with legal constraints and controls over the use of federal funds.

These financial statements have been prepared from the accounting records of the Department in conformance with U.S. generally accepted accounting principles (GAAP) and the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in Circular No. A-136, *Financial Reporting Requirements*. GAAP for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board, which is the official body for setting the accounting standards of the U.S. government.

Throughout these financial statements, intragovernmental assets, liabilities, earned revenue, and costs have been classified according to the type of entity with whom the transactions were made. Intragovernmental assets and liabilities are those from or to other federal entities. Intragovernmental earned revenue represents collections or accruals of revenue from other federal entities, and intragovernmental costs are payments or accruals to other federal entities.

The Department is a party to allocation transfers with other federal agencies as both a transferring (parent) entity and/or a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activity related to these allocation transfers (e.g. budget authority, obligations, and outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations, and budget apportionments are derived. Within the Department, EDA allocates funds, as the parent to the U.S. Department of Agriculture's Rural Development Administration. Therefore, all financial activity related to these funds are reported in the Department's financial statements. NIST, NOAA, EDA, Census Bureau, BEA, NTIS, and USPTO receive allocation transfers, as the child, from the General Services Administration, Environmental Protection Agency, Delta Regional Authority, and Appalachian Regional Commission. Activity relating to these child allocation transfers are not reported in the Department's financial statements.

C Earmarked Funds

Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the government's general revenues. Earmarked funds include trust funds, public enterprise revolving funds (not including credit reform financing funds), and special funds. (See Note 20, Earmarked Funds.)

D Elimination of Intra-entity and Intra-Departmental Transactions and Balances

Transactions and balances within a reporting entity (intra-entity) have been eliminated from the financial statements, except as noted below. Transactions and balances among the Department's entities (intra-Departmental) have been eliminated from the *Consolidated Balance Sheets* and the *Consolidated Statements of Net Cost*. There are no intra-Departmental eliminations for the *Consolidated Statements of Changes in Net Position*. The *Statements of Budgetary Resources* are presented on a combined basis; therefore, intra-Departmental and intra-entity transactions and balances have not been eliminated from these statements.

E Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of funds in the Department's accounts with the U.S. Department of the Treasury (Treasury). Deposit Funds primarily represent the amounts held in customer deposit accounts.

Treasury processes cash receipts and disbursements for the Department's domestic operations. Cash receipts and disbursements for the Department's overseas operations are primarily processed by the U.S. Department of State's financial service centers.

F Accounts Receivable, Net

Accounts Receivable are recognized primarily when the Department performs reimbursable services or sells goods. Accounts Receivable are reduced to net realizable value by an Allowance for Uncollectible Accounts. This allowance is estimated periodically using methods such as the identification of specific delinquent receivables, and the analysis of aging schedules and historical trends adjusted for current market conditions.

G Advances and Prepayments

Advances are payments the Department has made to cover a part or all of a grant recipient's anticipated expenses, or are advance payments for the cost of goods and services to be acquired. For grant awards, the recipient is required to periodically (monthly or quarterly) report the amount of costs incurred. Prepayments are payments the Department has made to cover certain periodic expenses before those expenses are incurred, such as subscriptions and rent. Advances and Prepayments are included in Other Assets.

H *Loans Receivable and Related Foreclosed Property, Net*

A direct loan is recorded as a receivable after the Department disburses funds to a borrower. The Department also makes loan guarantees with respect to the payment of all or part of the principal or interest on debt obligations of non-federal borrowers to non-federal lenders. A borrower-defaulted loan guaranteed by the Department is recorded as a receivable from the borrower after the Department disburses funds to the lender.

Interest Receivable generally represents uncollected interest income earned on loans. For past-due loans, only up to 180 days of interest income is generally recorded.

Foreclosed Property is acquired primarily through foreclosure and voluntary conveyance, and is recorded at the fair market value at the time of acquisition.

Direct Loans and Loan Guarantees Obligated before October 1, 1991 (pre-FY 1992): Loans Receivable are reduced by an Allowance for Loan Losses, which is based on an analysis of each loan's outstanding balance. The value of each receivable, net of any Allowance for Loan Losses, is supported by the values of pledged collateral and other assets available for liquidation, and by the Department's analysis of financial information of parties against whom the Department has recourse for the collection of these receivables.

The Economic Development Revolving Fund is required to make annual interest payments to Treasury after each fiscal year-end, based on its outstanding receivables at September 30.

Direct Loans and Loan Guarantees Obligated after September 30, 1991 (post-FY 1991): Post-FY 1991 obligated direct loans and loan guarantees and the resulting receivables are governed by the Federal Credit Reform Act of 1990.

For a direct or guaranteed loan disbursed during a fiscal year, a subsidy cost is initially recognized. Subsidy costs are intended to estimate the long-term cost to the U.S. government of its loan programs. The subsidy cost equals the present value of estimated cash outflows over the life of the loan, minus the present value of estimated cash inflows, discounted at the applicable Treasury interest rate. Administrative costs such as salaries are not included in the subsidy costs. Subsidy costs can arise from interest rate differentials, interest subsidies, delinquencies and defaults, loan origination and other fees, and other cash flows. The Department calculates its subsidy costs based on a model created and provided by OMB.

A Loan Receivable is recorded at the present value of the estimated cash inflows less cash outflows. The difference between the outstanding principal of the loan and the present value of its net cash inflows is recorded as the Allowance for Subsidy Cost. A subsidy reestimate is normally performed annually, as of September 30. The subsidy reestimate takes into account all factors that may have affected the estimated cash flows. Any adjustment resulting from the reestimate is recognized as a subsidy expense (or a reduction in subsidy expense). The portion of the Allowance for Subsidy Cost related to subsidy modifications and reestimates is calculated annually, as of September 30.

The amount of any downward subsidy reestimates as of September 30 must be disbursed to Treasury in the subsequent fiscal year.

I *Inventory, Materials, and Supplies, Net*

Inventory, Materials, and Supplies, Net are stated at the lower of cost or net realizable value primarily under the weighted-average and first-in, first-out methods, and are adjusted for the results of physical inventories. Inventory, Materials, and Supplies are expensed when consumed. There are no restrictions on their sale, use, or disposition.

J *General Property, Plant, and Equipment, Net*

General Property, Plant, and Equipment, Net (General PP&E) is composed of capital assets used in providing goods or services. General PP&E is stated at full cost, including all costs related to acquisition, delivery, and installation, less Accumulated Depreciation. General PP&E also includes assets acquired through capital leases, which are initially recorded at the amount recognized as a liability for the capital lease at its inception.

Capitalization Thresholds: The Department's general policy is to capitalize General PP&E if the initial acquisition price is $25 thousand or more and the useful life is two years or more. NOAA is an exception to this policy, based on a cost vs. benefits and materiality analysis given the size of NOAA, having a capitalization threshold of $200 thousand. General PP&E with an acquisition cost less than the capitalization threshold is expensed when purchased. When the purchase of a large quantity of items, each costing less than the capitalization threshold, would materially distort the amount of costs reported in a given period, the purchase is capitalized as a group.

Depreciation: Depreciation is expensed on a straight-line basis over the estimated useful life of the asset with the exception of leasehold improvements, which are depreciated over the remaining life of the lease or over the useful life of the improvement, whichever is shorter. Land and Construction-in-progress are not depreciated.

Real Property: The U.S. General Services Administration (GSA) provides most of the facilities in which the Department operates, and generally charges rent based on comparable commercial rental rates. Accordingly, GSA-owned properties are not included in the Department's General PP&E. The Department's real property primarily consists of facilities for NIST and NOAA. Land Improvements consist of a retaining wall to protect against shoreline erosion.

Construction-in-progress: Costs for the construction, modification, or modernization of General PP&E are initially recorded as Construction-in-progress. Upon completion of the work, the costs are transferred to the appropriate General PP&E account for capitalization.

K *Notes Receivable*

Notes Receivable, included in Other Assets, arise through the NOAA sale of foreclosed property to non-federal parties. The property is used as collateral, and an Allowance for Uncollectible Amounts is established if the net realizable value of the collateral is less than the outstanding balance of the Notes Receivable. An analysis of the collectibility of receivables is performed periodically. Any gains realized through the sale of foreclosed property are initially deferred and recognized in proportion to the percentage of principal repaid.

L *Non-entity Assets*

Non-entity assets are assets held by the Department that are not available for use in its operations. The non-entity Fund Balance with Treasury primarily represents customer deposits held by the Department until customer orders are received. Non-entity Loans Receivable and Related Foreclosed Property, Net represents EDA's Drought Loan Portfolio. The Portfolio collections are submitted to Treasury monthly.

M *Liabilities*

A liability for federal accounting purposes is a probable and measurable future outflow or other sacrifice of resources as a result of past transactions or events.

Accounts Payable: Accounts Payable are amounts primarily owed for goods, services, or capitalized assets received, progress on contract performance by others, and other expenses due.

Debt to Treasury: The Department has borrowed funds from Treasury for its various credit programs: Fisheries Finance Traditional, Tuna Fleet, and Individual Fishing Quota (IFQ) Direct Loans, Fishing Vessel Obligation Guarantee (FVOG) Program, Bering Sea Pollock Fishery Buyout, Pacific Groundfish Buyback Loans, Crab Buyback Loans, Bering Sea and Aleutian Islands Non-Pollock Buyback Loans, and Emergency Steel Loan Guarantee Program. To simplify interest calculations, all borrowings are dated October 1. Interest rates are based on a weighted average of rates during the term of the borrowed funds. The weighted average rate for each cohort's borrowing is recalculated at the end of each fiscal year during which disbursements are made. Annual interest payments on unpaid principal balances as of September 30 are required. Principal repayments are required only at maturity, but are permitted at any time during the term of the loan. The Department's primary financing source for repayments of Debt to Treasury is the collection of principal on the associated Loans Receivable. Balances of any borrowed but undisbursed funds will earn interest at the same rate used in calculating interest expense. The amount reported for Debt to Treasury includes accrued interest payable.

As of September 30, 2007, the Department has also borrowed funds from Treasury for its Digital Television Transition and Public Safety Fund. This NTIA fund, which was created by the Digital Television Transition and Public Safety Act of 2005, will receive proceeds from the auction of licenses for recovered analog spectrum from discontinued analog television signals, and provides funding for several Departmental programs from these receipts. This Act, as well as the Security and Accountability For Every Port Act of 2006, also provides borrowing authority to the Department to commence specified programs prior to the availability of auction receipts. NTIA shall reimburse Treasury for the borrowings, without interest, as funds are deposited into the Fund. For more information on certain programs under the Digital Television Transition and Public Safety Fund, see Note 18, *Combined Statements of Budgetary Resources.*

Resources Payable to Treasury: Resources Payable to Treasury includes liquidating fund assets in excess of liabilities that are being held as working capital for the Economic Development Revolving Fund loan programs and the FVOG loan guarantee program. EDA's Drought Loan Portfolio is a non-entity asset; therefore, the amount of the Portfolio is also recorded as a liability to Treasury. The Portfolio collections are returned to Treasury monthly, and the liability is reduced accordingly.

Unearned Revenue: Unearned Revenue is the portion of monies received for which goods and services have not yet been provided or rendered by the Department. Revenue is recognized as reimbursable costs are incurred, and the Unearned Revenue balance is reduced accordingly. Unearned Revenue also includes the balances of customer deposit accounts held by the Department. The intragovernmental Unearned Revenue primarily relates to monies collected in advance under reimbursable agreements. The majority of the Unearned Revenue with the public represents patent and trademark application and user fees that are pending action.

Accrued FECA Liability: The Federal Employees Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the U.S. Department of Labor (DOL), which pays valid claims against the Department and subsequently seeks reimbursement from the Department for these paid claims. Accrued FECA Liability, included in Intragovernmental Other Liabilities, represents amounts due to DOL for claims paid on behalf of the Department.

Loan Guarantee Liabilities: Post-FY 1991 obligated loan guarantees are governed by the Federal Credit Reform Act of 1990. For a guaranteed loan disbursed during a fiscal year, a subsidy cost is initially recognized. Subsidy costs are intended to estimate the long-term cost to the U.S. government of its loan programs. The subsidy cost equals the present value of estimated cash outflows over the lives of the loans, minus the present value of estimated cash inflows, discounted at the applicable Treasury interest rate.

Administrative costs such as salaries are not included in the subsidy costs. Subsidy costs can arise from interest rate differentials, interest subsidies, delinquencies and defaults, loan origination and other fees, and other cash flows. The Department calculates its subsidy costs based on a model created and provided by OMB.

For a non-acquired guaranteed loan outstanding, the present value of the estimated cash inflows less cash outflows of the loan guarantee is recognized as a Loan Guarantee Liability. The Loan Guarantee Liability is normally reestimated annually each year, as of September 30. The subsidy reestimate takes into account all factors that may have affected the estimated cash flows. Any adjustment resulting from the reestimate is recognized as a subsidy expense (or a reduction in subsidy expense).

Federal Employee Benefits:

Actuarial FECA Liability: Actuarial FECA Liability represents the liability for future workers' compensation (FWC) benefits, which includes the expected liability for death, disability, medical, and miscellaneous costs for approved cases. The liability is determined by DOL annually, as of September 30, using a method that utilizes historical benefits payment patterns related to a specific incurred period to predict the ultimate payments related to that period. The projected annual benefit payments are discounted to present value using OMB's economic assumptions for ten-year Treasury notes and bonds. To provide more specifically for the effects of inflation on the liability for FWC benefits, wage inflation factors (Cost of Living Allowance) and medical inflation factors (Consumer Price Index - Medical) are applied to the calculation of projected future benefits. These factors are also used to adjust historical payments of benefits by the Department to current-year constant dollars.

The model's resulting projections are analyzed by DOL to ensure that the amounts are reliable. The analysis is based on two tests: (1) a comparison of the percentage change in the liability amount by agency to the percentage change in the actual payments; and (2) a comparison of the ratio of the estimated liability to the actual payment of the beginning year calculated for the current projection to the liability-payment ratio calculated for the prior projection.

NOAA Corps Retirement System Liability and NOAA Corps Post-retirement Health Benefits Liability: These liabilities are recorded at the actuarial present value of projected benefits, calculated annually, as of September 30. The actuarial cost method used to determine these liabilities is the aggregate entry age normal method. Under this method, the actuarial present value of projected benefits is allocated on a level basis over the earnings or the service of the group between entry age and assumed exit ages. The portion of this actuarial present value allocated to the valuation year is called the normal cost. Actuarial gains and losses, and prior and past service costs, if any, are recognized immediately in the year they occur, without amortization. The actuarial calculations use U.S. Department of Defense Retirement Board of Actuaries economic assumptions (as used by the U.S. Military Retirement System) for investment earnings on federal securities, annual basic pay increases, and annual inflation. The medical claim rates used for the NOAA Corps Post-retirement Health Benefits Liability actuarial calculations are based on the claim rates used for the U.S. Department of Defense Medicare-Eligible Retiree Health Care Fund actuarial valuations. Demographic assumptions appropriate to covered personnel are also used. For background information about these plans, see Note 1.Q, *Employee Retirement Benefits*.

Environmental and Disposal Liabilities: NIST operates a nuclear reactor licensed by the U.S. Nuclear Regulatory Commission, in accordance with NIST's mission of setting standards and examining new technologies. The Department currently estimates the cost of decommissioning this facility to be $67.4 million. This estimated cost is being accrued on a straight-line basis over the expected life of the facility. Under current legislation, funds to cover the expense of decommissioning the facility's nuclear reactor should be requested in a separate appropriation when the decommissioning date becomes relatively certain.

The Department has incurred cleanup costs related to the costs of removing, containing, and/or disposing of hazardous waste from facilities used by NOAA. The Department has estimated its liabilities for environmental cleanup costs at all NOAA-used facilities, including the decommissioning of ships. The largest of NOAA's environmental liabilities relates to the clean-up of the Pribilof Island in Alaska, which contains waste from the U.S. Department of Defense's use during World War II. The Department does not recognize a liability for environmental cleanup costs for NOAA-used facilities that are less than $25 thousand per project. When an estimate of cleanup costs includes a range of possible costs, the most likely cost is reported. When no cost is more likely than another, the lowest estimated cost in the range is reported. The liability is reduced as progress payments are made.

The Department may have liabilities associated with asbestos-containing materials (ACM) and lead-based paints (LBP) at certain NOAA facilities. The Department has scheduled surveys to assess the potential for liabilities for ACM and LBP contamination. All known issues, however, are contained, and NOAA facilities meet current environmental standards. No cost estimates are presently available for facilities that have not yet been assessed for ACM or LBP issues.

Accrued Payroll and Annual Leave: These categories include salaries, wages, and other compensation earned by employees, but not disbursed as of September 30. Annually, as of September 30, the balances of Accrued Annual Leave are adjusted to reflect current pay rates. Sick leave and other types of non-vested leave are expensed as taken.

Accrued Grants: The Department administers a diverse array of financial assistance programs and projects concerned with the entire spectrum of business and economic development efforts that promote activities such as expanding U.S. exports, creating jobs, contributing to economic growth, developing innovative technologies, promoting minority entrepreneurship, protecting coastal oceans, providing weather services, managing worldwide environmental data, and using telecommunications and information technologies to better provide public services. Disbursements of funds under the Department's grant programs are generally made when requested by grantees. These drawdown requests may be received and fulfilled before grantees make the program expenditures. When the Department has disbursed funds but the grant recipient has not yet reported expenditures, these disbursements are recorded as advances. If a recipient, however, reports program expenditures that have not been advanced by the Department by September 30, such amounts are recorded as grant expenses and grants payable as of September 30.

Capital Lease Liabilities: Capital leases are leases for property, plant, and equipment that transfer substantially all the benefits and risks of ownership to the Department.

ITA Foreign Service Nationals' Voluntary Separation Pay: This liability, included in Other Liabilities, is based on the salaries and benefit statuses of employees in countries where governing laws require a provision for separation pay.

Contingent Liabilities and Contingencies: A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. A contingent liability (included in Other Liabilities) and an expense are recognized when a past event has occurred, and a future outflow or other sacrifice of resources is measurable and probable. A contingency is considered probable when the future confirming event or events are more likely than not to occur, with the exception of pending or threatened litigation and unasserted claims. For pending or threatened litigation and unasserted claims, the future confirming event or events are likely to occur. A contingency is disclosed in the Notes to the Financial Statements if any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred. A contingency is considered reasonably possible when the chance of the future confirming event or events occurring is more than remote but less than probable. A contingency is not recognized as a contingent liability and an expense nor disclosed in the Notes to the Financial Statements when the chance of the future event or events occurring is remote. A contingency is considered remote when the chance of the future event or events occurring is slight.

Liabilities Not Covered by Budgetary Resources: These are liabilities for which congressional actions are needed before budgetary resources can be provided. The Department anticipates that liabilities not covered by budgetary resources will be funded from future budgetary resources when required. These amounts are detailed in Note 15.

Debt to Treasury for the Department's Digital Television Transition and Public Safety Fund is considered not covered by budgetary resources in accordance with financial reporting guidance issued by OMB.

Under accrual accounting, the expense for annual leave is recognized when the leave is earned. However, for most of the Department's fund groups, appropriations are provided to pay for the leave when it is taken. As a result, budgetary resources do not cover a large portion of Accrued Annual Leave.

The Department generally receives budgetary resources for Federal Employee Benefits when they are needed for disbursements.

N *Commitments*

Commitments are preliminary actions that will ultimately result in an obligation to the U.S. government if carried through, such as purchase requisitions, estimated travel orders, or unsigned contracts/grants. Major long-term commitments are disclosed in Note 16.

O *Net Position*

Net Position is the residual difference between assets and liabilities, and is composed of Unexpended Appropriations and Cumulative Results of Operations.

Unexpended Appropriations represent the total amount of unexpended budget authority, both obligated and unobligated. Unexpended Appropriations are reduced for Appropriations Used and adjusted for other changes in budgetary resources, such as transfers and rescissions. Cumulative Results of Operations is the net result of the Department's operations since inception.

P *Revenues and Other Financing Sources*

Appropriations Used: Most of the Department's operating funds are provided by congressional appropriations of budget authority. The Department receives appropriations on annual, multiple-year, and no-year bases. Upon expiration of an annual or multiple-year appropriation, the obligated and unobligated balances retain their fiscal year identity, and are maintained separately within an expired account. The unobligated balances can be used to make legitimate obligation adjustments, but are otherwise not available for expenditures. Annual and multiple-year appropriations are canceled at the end of the fifth year after expiration. No-year appropriations do not expire. Appropriations of budget authority are recognized as used when costs are incurred, for example, when goods and services are received or benefits and grants are provided.

Exchange and Non-exchange Revenue: The Department classifies revenue as either exchange revenue or non-exchange revenue. Exchange revenue is derived from transactions in which both the government and the other party receive value, including processing patents and registering trademarks, the sale of weather data, nautical charts, and navigation information, and other sales of goods and services. This revenue is presented on the Department's *Consolidated Statements of Net Cost*, and serves to reduce the reported cost of operations borne by the taxpayer. Non-exchange revenue is derived from the government's sovereign right to demand payment, including fines for violations of fisheries and marine protection laws. Non-exchange revenue is recognized when a specifically identifiable, legally enforceable claim to resources arises, and to the extent that collection is probable and

the amount is reasonably estimable. This revenue is not considered to reduce the cost of the Department's operations, and, is, therefore, reported on the *Consolidated Statements of Changes in Net Position*.

In certain cases, law or regulation sets the prices charged by the Department, and, for program and other reasons, the Department may not receive full cost (e.g., the processing of patents and registering of trademarks, and the sale of weather data, nautical charts, and navigation information). Prices set for products and services offered through the Department's working capital funds are intended to recover the full costs incurred by these activities.

Imputed Financing Sources From Costs Absorbed by Others (and Related Imputed Costs): In certain cases, operating costs of the Department are paid for by funds appropriated to other federal entities. For example, pension benefits for most Department employees are paid for by the U.S. Office of Personnel Management (OPM), and certain legal judgments against the Department are paid from the Judgment Fund maintained by Treasury. OMB limits Imputed Costs to be recognized by federal entities to the following: (1) employees' pension benefits; (2) health insurance, life insurance, and other benefits for retired employees; (3) other post-employment benefits for retired, terminated, and inactive employees, including severance payments, training and counseling, continued health care, and unemployment and workers' compensation under FECA; and (4) losses in litigation proceedings. The Department includes applicable Imputed Costs on the *Consolidated Statements of Net Cost*. In addition, an Imputed Financing Source From Costs Absorbed by Others is recognized on the *Consolidated Statements of Changes in Net Position*.

Transfers In/(Out): Intragovernmental transfers of budget authority (i.e., appropriated funds) or of assets without reimbursement are recorded at book value.

Q *Employee Retirement Benefits*

Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS): Most employees of the Department participate in either the CSRS or FERS defined-benefit pension plans. FERS went into effect on January 1, 1987. FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired prior to January 1, 1984 could elect to either join FERS and Social Security, or remain in CSRS.

The Department is not responsible for and does not report CSRS or FERS assets, accumulated plan benefits, or liabilities applicable to its employees. OPM, which administers the plans, is responsible for and reports these amounts.

For CSRS-covered regular employees, the Department was required to make contributions to the plan equal to 7.0 percent of an employee's basic pay. Employees contributed 7.0 percent of basic pay. For each fiscal year, OPM calculates the U.S. government's service cost for covered employees, which is an estimate of the amount of funds, that, if accumulated annually and invested over an employee's career, would be enough to pay that employee's future benefits. Since the U.S. government's estimated service cost exceeds contributions made by employer agencies and covered employees, this plan is not fully funded by the Department and its employees. The Department has recognized an Imputed Cost and an Imputed Financing Source From Costs Absorbed by Others for the difference between the estimated service cost and the contributions made by the Department and its covered employees.

For FERS-covered regular employees, the Department was required to make contributions of 11.2 percent (since FY 2005) of basic pay. Employees contributed .8 percent of basic pay. Employees participating in FERS are covered under the Federal Insurance Contributions Act (FICA), for which the Department contributes a matching amount to the Social Security Administration. For both FY 2007 and FY 2006, this plan was fully funded by the Department and its employees.

NOAA Corps Retirement System: Active-duty officers of the NOAA Corps are covered by the NOAA Corps Retirement System, an unfunded, pay-as-you-go, defined-benefit plan administered by the Department. Participants do not contribute to this plan. Plan benefits are based primarily on years of service and compensation. Participants, as of September 30, 2007, included 291 active duty officers, 331 nondisability retiree annuitants, 20 disability retiree annuitants, and 47 surviving families. Key provisions include voluntary nondisability retirement after 20 years of active service, disability retirement, optional survivor benefits, Consumer Price Index (CPI) optional survivor benefits, and CPI adjustments for benefits.

Foreign Service Retirement and Disability System, and the Foreign Service Pension System: Foreign Commercial Officers are covered by the Foreign Service Retirement and Disability System and the Foreign Service Pension System. ITA makes contributions to the systems based on a percentage of an employee's pay. Both systems are multi-employer plans administered by the U.S. Department of State. The Department is not responsible for and does not report plan assets, accumulated plan benefits, or liabilities applicable to its employees. The U.S. Department of State, which administers the plan, is responsible for and reports these amounts.

Thrift Savings Plan (TSP): Employees covered by CSRS and FERS are eligible to contribute to the U.S. government's TSP, administered by the Federal Retirement Thrift Investment Board. A TSP account is automatically established for FERS-covered employees, and the Department makes a mandatory contribution of one percent of basic pay. Beginning in January 2007, FERS and CSRS covered employees have no limit on the percentage of pay contributed to their TSP account. However, the total contribution for 2007 may not exceed the IRS limit of $15.5 thousand. The Department makes no matching contributions for CSRS-covered employees. TSP participants age 50 or older who are already contributing the maximum amount of contributions for which they are eligible may also make catch-up contributions, subject to the IRS dollar amount limits.

Federal Employees Health Benefit (FEHB) Program: Most Departmental employees are enrolled in the FEHB Program, which provides post-retirement health benefits. OPM administers this program and is responsible for the reporting of liabilities. Employer agencies and covered employees are not required to make any contributions for post-retirement health benefits. OPM calculates the U.S. government's service cost for covered employees each fiscal year. The Department has recognized the entire service cost of these post-retirement benefits for covered employees as an Imputed Cost and an Imputed Financing Source From Costs Absorbed by Others.

NOAA Corps Post-retirement Health Benefits: Active-duty officers of the NOAA Corps are covered by the health benefits program for the NOAA Corps, which provides post-retirement health benefits. This is a pay-as-you-go plan administered by the Department. Participants do not make any contributions to this plan.

Federal Employees Group Life Insurance (FEGLI) Program: Most Department employees are entitled to participate in the FEGLI Program. Participating employees can obtain basic term life insurance, with the employee paying two-thirds of the cost and the Department paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. OPM administers this program and is responsible for the reporting of liabilities. For each fiscal year, OPM calculates the U.S. government's service cost for the post-retirement portion of basic life coverage. Because the Department's contributions to the basic life coverage are fully allocated by OPM to the pre-retirement portion of coverage, the Department has recognized the entire service cost of the post-retirement portion of basic life coverage as an Imputed Cost and an Imputed Financing Source From Costs Absorbed by Others.

R Use of Estimates

The preparation of financial statements requires the Department to make estimates and assumptions that affect these financial statements. Actual results may differ from those estimates.

S Tax Status

The Department is not subject to federal, state, or local income taxes. Accordingly, no provision for income taxes is recorded.

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury, by type, is as follows:

	FY 2007	FY 2006
General Funds	$ 6,397,039	$ 6,161,808
Revolving Funds	695,616	680,172
Special Funds		
Patent and Trademark Surcharge Fund	233,529	233,529
Digital Television Transition and Public Safety Fund	104,505	–
Other Special Funds	50,494	44,806
Deposit Funds	113,834	99,520
Trust Funds	646	1,125
Other Fund Types	992	11,037
Total	$ 7,596,655	$ 7,231,997

Status of Fund Balance with Treasury is as follows:

	FY 2007	FY 2006
Temporarily Not Available Pursuant to Public Law	$ 558,468	$ 545,582
Unobligated Balance		
Available	728,805	747,171
Unavailable	137,860	138,860
Obligated Balance Not Yet Disbursed	5,823,173	5,455,597
Non-budgetary	348,349	344,787
Total	$ 7,596,655	$ 7,231,997

See Note 18, *Combined Statements of Budgetary Resources*, for legal arrangements affecting the Department's use of Fund Balance with Treasury for FY 2007 and FY 2006.

NOTE 3. ACCOUNTS RECEIVABLE, NET

FY 2007

	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ 65,431	$ -	$ 65,431
With the Public	$ 45,261	$ (8,352)	$ 36,909

FY 2006

	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ 95,745	$ -	$ 95,745
With the Public	$ 59,561	$ (9,400)	$ 50,161

NOTE 4. CASH

	FY 2007	FY 2006
Cash Not Yet Deposited with Treasury	$ 7,205	$ 6,990
Imprest Funds	491	412
Other Cash	-	80
Total	$ 7,696	$ 7,482

Cash Not Yet Deposited with Treasury primarily represents patent and trademark fees that were not processed as of September 30, due to the lag time between receipt and initial review. Certain bureaus maintain imprest funds for operational necessity, such as law enforcement activities, and for environments that do not permit the use of electronic payments.

NOTE 5. LOANS RECEIVABLE AND RELATED FORECLOSED PROPERTY, NET

The Department operates the following direct loan and loan guarantee programs:

Direct Loan Programs:

EDA	Drought Loan Portfolio
EDA	Economic Development Revolving Fund
NOAA	Alaska Purse Seine Fishery Buyback Loans[1]
NOAA	Bering Sea and Aleutian Islands Non-Pollock Buyback Loans
NOAA	Bering Sea Pollock Fishery Buyback
NOAA	Coastal Energy Impact Program (CEIP)
NOAA	Crab Buyback Loans
NOAA	Federal Gulf of Mexico Reef Fish Buyback Loans[1]
NOAA	Fisheries Finance Individual Fishing Quota (IFQ) Loans
NOAA	Fisheries Finance Traditional Loans
NOAA	Fisheries Finance Tuna Fleet Loans
NOAA	Fisheries Loan Fund
NOAA	New England Groundfish Buyback Loans[1]
NOAA	New England Lobster Buyback Loans[1]
NOAA	Pacific Groundfish Buyback Loans

[1] *No loans have been issued under these programs as of September 30, 2007*.

Loan Guarantee Programs:

EDA	Economic Development Revolving Fund
ELGP-Oil/Gas	Emergency Oil and Gas Loan Guarantee Program
ELGP-Steel	Emergency Steel Loan Guarantee Program
NOAA	Fishing Vessel Obligation Guarantee Program (FVOG Program)

The net assets for the Department's loan programs consist of:

	FY 2007	FY 2006
Direct Loans Obligated Prior to FY 1992	$ 34,961	$ 36,812
Direct Loans Obligated After FY 1991	479,967	417,202
Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees	4	4
Defaulted Guaranteed Loans from Post-FY 1991 Guarantees	4,922	13,967
Total	$ 519,854	$ 467,985

Direct Loans Obligated Prior to FY 1992 consist of:

FY 2007

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
CEIP	$ 21,240	$ 4,892	$ (17,401)	$ 8,731
Drought Loan Portfolio	17,389	220	(177)	17,432
Economic Development Revolving Fund	8,807	77	(86)	8,798
Fisheries Loan Fund	354	39	(393)	-
Total	$ 47,790	$ 5,228	$ (18,057)	$ 34,961

FY 2006

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
CEIP	$ 21,752	$ 4,734	$ (21,060)	$ 5,426
Drought Loan Portfolio	20,883	257	(211)	20,929
Economic Development Revolving Fund	10,469	93	(105)	10,457
Fisheries Loan Fund	474	40	(514)	-
Total	$ 53,578	$ 5,124	$ (21,890)	$ 36,812

Direct Loans Obligated After FY 1991 consist of:

FY 2007

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans, Net
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	$ 35,000	$ 712	$ 8,734	$ 44,446
Bering Sea Pollock Fishery Buyback	53,935	-	4,142	58,077
Crab Buyback Loans	97,163	3,134	13,506	113,803
Fisheries Finance IFQ Loans	16,851	131	3,317	20,299
Fisheries Finance Traditional Loans	155,931	1,515	32,192	189,638
Fisheries Finance Tuna Fleet Loans	7,005	56	900	7,961
Pacific Groundfish Buyback Loans	35,354	1,152	9,237	45,743
Total	$ 401,239	$ 6,700	$ 72,028	$ 479,967

FY 2006

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans, Net
Bering Sea Pollock Fishery Buyback	$ 57,969	$ 11	$ 5,632	$ 63,612
Crab Buyback Loans	97,162	3,136	27,936	128,234
Fisheries Finance IFQ Loans	16,954	158	2,798	19,910
Fisheries Finance Traditional Loans	133,498	841	21,017	155,356
Fisheries Finance Tuna Fleet Loans	11,204	99	1,443	12,746
Pacific Groundfish Buyback Loans	35,609	1,158	577	37,344
Total	$ 352,396	$ 5,403	$ 59,403	$ 417,202

New Disbursements of Direct Loans (Post-FY 1991):

Direct Loan Program	FY 2007	FY 2006
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	$ 35,000	$ -
Fisheries Finance IFQ Loans	1,564	3,155
Fisheries Finance Traditional Loans	47,441	67,816
Total	$ 84,005	$ 70,971

Subsidy Expense for Direct Loans by Program and Component:

Subsidy Expense for New Disbursements of Direct Loans:

FY 2007

Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	$ -	$ -	$ -	$ 350	$ 350
Fisheries Finance IFQ Loans	(299)	9	(11)	119	(182)
Fisheries Finance Traditional Loans	(6,206)	114	(329)	2,219	(4,202)
Total	$ (6,505)	$ 123	$ (340)	$ 2,688	$ (4,034)

FY 2006

Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	$ (641)	$ 21	$ (22)	$ 216	$ (426)
Fisheries Finance Traditional Loans	(9,761)	613	(466)	3,577	(6,037)
Total	$ (10,402)	$ 634	$ (488)	$ 3,793	$ (6,463)

Modifications and Reestimates:

	FY 2007	FY 2007		
Direct Loan Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	$ -	$ -	$ 8,119	$ 8,119
Bering Sea Pollock Fishery Buyback	-	-	(968)	(968)
Crab Buyback Loans	-	-	(15,974)	(15,974)
Fisheries Finance IFQ Loans	-	-	523	523
Fisheries Finance Traditional Loans	-	-	9,555	9,555
Fisheries Finance Tuna Fleet Loans	-	-	(343)	(343)
Pacific Groundfish Buyback Loans	-	-	9,304	9,304
Total	$ -	$ -	$ 10,216	$ 10,216

	FY 2006	FY 2006		
Direct Loan Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Bering Sea Pollock Fishery Buyback	$ -	$ -	$ 228	$ 228
Crab Buyback Loans	-	-	(6,437)	(6,437)
Fisheries Finance IFQ Loans	-	-	(66)	(66)
Fisheries Finance Traditional Loans	-	(460)	(7,289)	(7,749)
Fisheries Finance Tuna Fleet Loans	-	-	(28)	(28)
Pacific Groundfish Buyback Loans	-	-	(1,683)	(1,683)
Total	$ -	$ (460)	$ (15,275)	$ (15,735)

Total Direct Loan Subsidy Expense:

Direct Loan Program	FY 2007	FY 2006
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	$ 8,470	$ -
Bering Sea Pollock Fishery Buyback	(968)	228
Crab Buyback Loans	(15,974)	(6,437)
Fisheries Finance IFQ Loans	340	(492)
Fisheries Finance Traditional Loans	5,353	(13,786)
Fisheries Finance Tuna Fleet Loans	(343)	(28)
Pacific Groundfish Buyback Loans	9,304	(1,683)
Total	$ 6,182	$ (22,198)

Subsidy Rates for Direct Loans by Program and Component:

Budget Subsidy Rates for Direct Loans for the Current Fiscal-year's Cohorts:

FY 2007

Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	(18.88) %	0.37 %	(0.71) %	11.14 %	(8.08) %
Fisheries Finance Traditional Loans	(13.56) %	0.23 %	(0.70) %	6.02 %	(8.01) %

FY 2006

Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	- %	- %	- %	1.00 %	1.00 %
Fisheries Finance IFQ Loans	(18.88) %	0.37 %	(0.71) %	7.34 %	(11.88) %
Fisheries Finance Traditional Loans	(12.10) %	0.23 %	(0.70) %	4.50 %	(8.07) %

The budget subsidy rates disclosed pertain only to the reporting period's cohorts. These rates cannot be applied to the new disbursements of direct loans during the reporting period to yield the subsidy expense. The subsidy expense for new disbursements of direct loans for the reporting period could result from disbursements of loans from both the reporting period's cohorts and prior fiscal-year(s) cohorts. The subsidy expense for the reporting period may also include modifications and reestimates.

Schedule for Reconciling Allowance for Subsidy Cost (Post-FY 1991 Direct Loans):

	FY 2007	FY 2006
Beginning Balance of the Allowance for Subsidy Cost	$ 59,403	$ 37,589
Add Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component:		
Interest Rate Differential Costs	6,505	10,402
Default Costs (Net of Recoveries)	(123)	(634)
Fees and Other Collections	340	488
Other Subsidy Costs	(2,688)	(3,793)
Total of the above Subsidy Expense Components	4,034	6,463
Adjustments:		
Fees Received	(358)	(359)
Subsidy Allowance Amortization	4	(3,075)
Other	(1,271)	3,050
Ending Balance of the Allowance for Subsidy Cost Before Reestimates	61,812	43,668
Add or Subtract Subsidy Reestimates by Component:		
Interest Rate Reestimates	-	460
Technical/Default Reestimates	10,216	15,275
Total of the above Reestimate Components	10,216	15,735
Ending Balance of the Allowance for Subsidy Cost	$ 72,028	$ 59,403

Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees:

FY 2007

Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	$ 12,209	$ 5	$ (12,210)	$ 4

FY 2006

Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	$ 12,537	$ 5	$ (12,538)	$ 4

Defaulted Guaranteed Loans from Post-FY 1991 Guarantees:

FY 2007

Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	$ 17,661	$ 1,254	$ 526	$ (14,519)	$ 4,922

FY 2006

Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
Emergency Steel Loan Guarantee Program	$ 500	$ 38	$ -	$ 2,218	$ 2,756
FVOG Program	15,446	1,254	3,031	(8,520)	11,211
Total	$ 15,946	$ 1,292	$ 3,031	$ (6,302)	$ 13,967

Loan Guarantees:

Guaranteed Loans Outstanding:

Outstanding non-acquired guaranteed loans as of September 30, 2007 and 2006, which are not reflected in the financial statements, are as follows:

	FY 2007		FY 2006	
Loan Guarantee Program	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Emergency Steel Loan Guarantee Program	$ 149,900	$ 131,912	$ 199,900	$ 175,912
FVOG Program	12,673	12,673	17,106	17,106
Total	$ 162,573	$ 144,585	$ 217,006	$ 193,018

New Guaranteed Loans Disbursed:

There were no new guaranteed loans disbursed during FY 2007 and FY 2006.

Loan Guarantee Liabilities:

Loan Guarantee Program	FY 2007 Loan Guarantee Liabilities for Post-FY 1991 Guarantees, Present Value	FY 2006 Loan Guarantee Liabilities for Post-FY 1991 Guarantees, Present Value
Emergency Oil and Gas Loan Guarantee Program	$ -	$ 245
Emergency Steel Loan Guarantee Program	54,734	67,652
FVOG Program	998	5,778
Total	$ 55,732	$ 73,675

Subsidy Expense for Loan Guarantees by Program and Component:

Subsidy Expense for New Loan Guarantees Disbursed:

As there were no new loan guarantees disbursed during FY 2007 and FY 2006, there is not any related subsidy expense.

Modifications and Reestimates:

FY 2007 Loan Guarantee Program	FY 2007 Total Modifications	FY 2007 Interest Rate Reestimates	FY 2007 Technical Reestimates	FY 2007 Total Reestimates
Emergency Oil and Gas Loan Guarantee Program	$ -	$ -	$ (253)	$ (253)
Emergency Steel Loan Guarantee Program	(18,910)	-	2,739	2,739
FVOG Program	-	-	(1,322)	(1,322)
Total	$ (18,910)	$ -	$ 1,164	$ 1,164

FY 2006 Loan Guarantee Program	FY 2006 Total Modifications	FY 2006 Interest Rate Reestimates	FY 2006 Technical Reestimates	FY 2006 Total Reestimates
Emergency Oil and Gas Loan Guarantee Program	$ -	$ -	$ (64)	$ (64)
Emergency Steel Loan Guarantee Program	(12)	-	(13,598)	(13,598)
FVOG Program	-	-	2,332	2,332
Total	$ (12)	$ -	$ (11,330)	$ (11,330)

Total Loan Guarantee Subsidy Expense:

Loan Guarantee Program	FY 2007	FY 2006
Emergency Oil and Gas Loan Guarantee Program	$ (253)	$ (64)
Emergency Steel Loan Guarantee Program	(16,171)	(13,610)
FVOG Program	(1,322)	2,332
Total	$ (17,746)	$ (11,342)

Subsidy Rates for Loan Guarantees by Program and Component:

Budget Subsidy Rates for Loan Guarantees for the Current Fiscal-year's Cohorts:

There were no new cohorts of guaranteed loans during FY 2007 and FY 2006.

Schedule for Reconciling Loan Guarantee Liabilities (Post-FY 1991 Loan Guarantees):

	FY 2007	FY 2006
Beginning Balance of Loan Guarantee Liabilities	$ 73,675	$ 81,812
Adjustments:		
Loan Guarantee Modifications	(18,910)	(12)
Fees Received	63	204
Interest Accumulation on the Liabilities Balance	(710)	3,103
Other	4,934	1
Ending Balance of Loan Guarantee Liabilities Before Reestimates	59,052	85,108
Add or Subtract Subsidy Reestimates by Component:		
Technical/Default Reestimates	(662)	(11,433)
Total of the above Reestimate Components	(662)	(11,433)
Transfer of Subsidy Cost for Defaulted Guaranteed Loans to Loans Receivable and Related Foreclosed Property, Net	(2,658)	-
Ending Balance of Loan Guarantee Liabilities	$ 55,732	$ 73,675

Administrative Expenses:

Administrative expenses in support of the Department's direct loan and loan guarantee programs consist of:

Direct Loan Program	FY 2007	FY 2006
Drought Loan Portfolio and Economic Development Revolving Fund	$ 925	$ 1,248
NOAA Direct Loan Programs	1,037	3,159
Total	$ 1,962	$ 4,407

Loan Guarantee Program	FY 2007	FY 2006
Emergency Oil and Gas Loan Guarantee Program	$ 4	$ (13)
Emergency Steel Loan Guarantee Program	857	119
FVOG Program	88	389
Total	$ 949	$ 495

NOTE 6. INVENTORY, MATERIALS, AND SUPPLIES, NET

Category	Cost Flow Assumption	FY 2007	FY 2006
Inventory			
Items Held for Current Sale			
NIST Standard Reference Materials	First-in, first-out	$ 20,732	$ 19,805
Other	Various	288	1,022
Allowance for Excess, Obsolete, and Unserviceable Items		(95)	(314)
Total Inventory, Net		20,925	20,513
Materials and Supplies			
Items Held for Use			
NOAA's National Logistics Support Center	Weighted-average	$ 51,775	$ 50,722
NOAA's National Reconditioning Center	Weighted-average	45,248	43,649
Other	Various	4,401	2,157
Allowance for Excess, Obsolete, and Unserviceable Items		(15,548)	(21,127)
Total Materials and Supplies, Net		85,876	75,401
Total		$ 106,801	$ 95,914

NIST's Standard Reference Materials Program provides reference materials for quality assurance of measurements, while NOAA's Materials and Supplies are primarily repair parts for weather forecasting equipment.

NOTE 7. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

FY 2007

Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	$ 16,656	$ -	$ 16,656
Land Improvements	30-40	2,996	(1,010)	1,986
Structures, Facilities, and Leasehold Improvements	2-60	1,186,066	(395,995)	790,071
Satellites/Weather Systems Personal Property	3-20	4,194,763	(3,337,220)	857,543
Other Personal Property	2-30	1,823,209	(1,127,281)	695,928
Assets Under Capital Lease	3-40	31,269	(21,434)	9,835
Construction-in-progress	N/A	3,357,745	-	3,357,745
Total		$ 10,612,704	$ (4,882,940)	$ 5,729,764

FY 2006

Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	$ 16,349	$ -	$ 16,349
Land Improvements	30-40	2,996	(918)	2,078
Structures, Facilities, and Leasehold Improvements	2-60	1,071,948	(361,191)	710,757
Satellites/Weather Systems Personal Property	3-20	4,090,252	(3,534,582)	555,670
Other Personal Property	2-30	1,572,122	(1,037,072)	535,050
Assets Under Capital Lease	3-40	32,831	(21,637)	11,194
Construction-in-progress	N/A	3,467,995	-	3,467,995
Total		$ 10,254,493	$ (4,955,400)	$ 5,299,093

NOTE 8. OTHER ASSETS

	FY 2007	FY 2006
With the Public		
Advances and Prepayments	$ 66,113	$ 100,966
Notes Receivable	1,857	1,843
Bibliographic Database	5,293	5,259
Other	4	4
Total	$ 73,267	$ 108,072

As of September 30, 2007 and 2006, there is one Note Receivable with a maturity date of July 2024 and an interest rate of 7.0 percent. The balances include accrued interest. This note is considered fully collectible.

The bibliographic database relates to NTIS's scientific and technical information used to prepare products and services for sale. The database is stated at capitalized costs of $53.3 million and $50.9 million, less accumulated amortization of $48.0 million and $45.6 million, at September 30, 2007 and 2006, respectively.

NOTE 9. NON-ENTITY ASSETS

The assets that are not available for use in the Department's operations are summarized below:

	FY 2007	FY 2006
Intragovernmental		
Fund Balance with Treasury	$ 112,882	$ 105,524
Total Intragovernmental	112,882	105,524
With the Public		
Cash	1,022	571
Accounts Receivable, Net	5,660	5,216
Loans Receivable and Related Foreclosed Property, Net - Drought Loan Portfolio	17,432	20,929
Total	$ 136,996	$ 132,240

NOTE 10. DEBT TO TREASURY

FY 2007

Loan Program	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	$ 406,568	$ 62,958	$ 469,526
Loan Guarantee Program			
Emergency Steel Loan Guarantee Program	3,231	(680)	2,551
FVOG Program	12,272	(2,841)	9,431
Digital Television Transition and Public Safety Fund	-	164,489	164,489
Total	$ 422,071	$ 223,926	$ 645,997

For the Direct Loan and Loan Guarantee Programs, maturity dates range from September 2008 to September 2037, and interest rates range from 3.26 to 7.17 percent.

The funds borrowed for the Digital Television Transition and Public Safety Fund shall be reimbursed to Treasury, without interest, as funds are deposited into the Digital Television Transition and Public Safety Fund. The maturity date for these borrowings is September 30, 2008.

FY 2006

Loan Program	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	$ 346,575	$ 59,993	$ 406,568
Loan Guarantee Program			
Emergency Steel Loan Guarantee Program	-	3,231	3,231
FVOG Program	11,006	1,266	12,272
Total	$ 357,581	$ 64,490	$ 422,071

Maturity dates range from September 2007 to September 2034, and interest rates range from 3.26 to 7.17 percent.

NOTE 11. OTHER LIABILITIES

	FY 2007			FY 2006
	Current Portion	Non-current Portion	Total	Total
Intragovernmental				
Accrued FECA Liability	$ 21,766	$ 11,441	$ 33,207	$ 33,746
Accrued Benefits	25,697	-	25,697	24,064
Custodial Activity	1,004	-	1,004	4,086
Downward Subsidy Reestimates Payable to Treasury	36,710	-	36,710	31,447
Other	2,308	-	2,308	3,048
Total	$ 87,485	$ 11,441	$ 98,926	$ 96,391
With the Public				
ITA Foreign Service Nationals' Voluntary Separation Pay	$ 2,170	$ 7,380	$ 9,550	$ 9,436
Contingent Liabilities	6,634	2,083	8,717	13,063
Employment-related	2,328	-	2,328	2,450
Other	7,090	-	7,090	11,572
Total	$ 18,222	$ 9,463	$ 27,685	$ 36,521

The Current Portion represents liabilities expected to be paid by September 30, 2008, while the Non-current Portion represents liabilities expected to be paid after September 30, 2008.

NOTE 12. FEDERAL EMPLOYEE BENEFITS

These liabilities consist of:

	FY 2007	FY 2006
Actuarial FECA Liability	$ 164,416	$ 170,164
NOAA Corps Retirement System Liability	416,000	370,600
NOAA Corps Post-retirement Health Benefits Liability	45,400	49,200
Total	$ 625,816	$ 589,964

Actuarial FECA Liability:

Actuarial FECA liability is calculated annually, as of September 30. For discounting projected annual future benefit payments to present value, the interest rate assumptions used by DOL were as follows:

	FY 2007	FY 2006
Year 1	4.93%	5.17%
Year 2 and Thereafter	5.08%	5.31%

The wage inflation factors (Cost of Living Allowance) and medical inflation factors (Consumer Price Index - Medical) applied to the calculation of projected future benefits, and also used to adjust the methodology's historical payments to current year constant dollars, were as follows:

FY 2007

Fiscal Year	Cost of Living Allowance	Consumer Price Index - Medical
2008	2.63%	3.74%
2009	2.90%	4.04%
2010	2.47%	4.00%
2011	2.37%	3.94%
2012	2.30%	3.94%

FY 2006

Fiscal Year	Cost of Living Allowance	Consumer Price Index - Medical
2007	3.50%	4.00%
2008	3.13%	4.01%
2009	2.40%	4.01%
2010	2.40%	4.03%
2011	2.43%	4.09%

NOAA Corps Retirement System Liability:

This liability represents the unfunded actuarial present value of projected plan benefits. The actuarial calculation is performed annually, as of September 30. The September 30, 2007 and 2006 actuarial calculations used the following U.S. Department of Defense Retirement Board of Actuaries economic assumptions:

	FY 2007	FY 2006
Investment Earnings on Federal Securities	6.00%	6.25%
Annual Basic Pay Scale Increases	3.75%	3.75%
Annual Inflation	3.00%	3.00%

The related pension costs included in the *Consolidated Statements of Net Cost* are as follows:

	FY 2007	FY 2006
Normal Cost	$ 5,100	$ 6,000
Interest on the Unfunded Liability	22,600	21,400
Prior and Past Service Cost from Plan Amendments	10,200	-
Actuarial (Gains)/Losses, Net		
Impact of New Investment Return	14,600	-
Impact of Updated Data for Active Duty Members, Retirees, and Survivors	6,100	12,200
Impact of New Demographic Assumptions	5,500	(1,900)
Total Pension Costs	$ 64,100	$ 37,700

The Prior and Past Service Cost from Plan Amendments for FY 2007 results from two recent law changes: a) effective January 1, 2007, the 75 percent of base pay maximum for non-disability retirements was eliminated; and b) effective April 1, 2008, the reduction in benefits payable under the Survivor Benefits Plan that applied when the survivor reached age 62 will be fully phased out.

NOAA Corps Post-retirement Health Benefits Liability:

This liability represents the unfunded actuarial present value of projected post-retirement plan benefits. The actuarial calculation is performed annually, as of September 30. The actuarial calculations used the same U.S. Department of Defense Retirement Board of Actuaries economic assumptions as used for the NOAA Corps Retirement System actuarial calculations.

The related post-retirement health benefits costs included in the *Consolidated Statements of Net Cost* are as follows:

	FY 2007	FY 2006
Normal Cost	$ 1,200	$ 2,800
Interest on the Unfunded Liability	2,900	2,700
Actuarial (Gains)/Losses, Net	(4,900)	1,300
Total Post-retirement Health Benefits Costs	$ (800)	$ 6,800

NOTE 13. ENVIRONMENTAL AND DISPOSAL LIABILITIES

	FY 2007	FY 2006
Pribilof Island Cleanup	$ 17,508	$ 24,322
Nuclear Reactor	46,969	47,439
Other	2,966	3,119
Total	$ 67,443	$ 74,880

NOTE 14. LEASES

Capital Leases:

Assets under capital leases are as follows:

	FY 2007	FY 2006
Structures, Facilities, and Leasehold Improvements	$ 28,084	$ 29,463
Equipment	3,185	3,368
Less: Accumulated Depreciation	(21,434)	(21,637)
Net Assets Under Capital Leases	$ 9,835	$ 11,194

Capital Lease Liabilities are primarily related to NOAA. NOAA has real property capital leases covering both land and buildings. The majority of these leases are for weather forecasting offices, but the leases are also for radar system sites, river forecasting centers, and National Weather Service enforcement centers. NOAA's real property capital leases range from 10 to 40 years.

Capital Lease Liabilities:

Future payments due under capital leases are as follows:

FY 2007

	General PP&E Category		
Fiscal Year	Real Property	Personal Property	Total
2008	$ 4,238	$ 1,935	$ 6,173
2009	3,934	1,929	5,863
2010	3,965	22	3,987
2011	4,000	12	4,012
2012	3,782	-	3,782
Thereafter	19,623	-	19,623
Total Future Lease Payments	39,542	3,898	43,440
Less: Imputed Interest	(17,233)	(245)	(17,478)
Less: Executory Cost	(7,105)	(3,299)	(10,404)
Net Capital Lease Liabilities	$ 15,204	$ 354	$ 15,558

FY 2006

	General PP&E Category		
Fiscal Year	Real Property	Personal Property	Total
2007	$ 4,218	$ 1,899	$ 6,117
2008	3,926	1,928	5,854
2009	3,958	1,920	5,878
2010	3,989	12	4,001
2011	4,024	12	4,036
Thereafter	23,516	-	23,516
Total Future Lease Payments	43,631	5,771	49,402
Less: Imputed Interest	(19,736)	(440)	(20,176)
Less: Executory Cost	(7,800)	(4,858)	(12,658)
Net Capital Lease Liabilities	$ 16,095	$ 473	$ 16,568

Operating Leases:

Most of the Department's facilities are rented from the GSA, which generally charges rent that is intended to approximate commercial rental rates. For federal-owned property rented from GSA, the Department generally does not execute an agreement with GSA; the Department, however, is normally required to give 120 to 180 days notice to vacate. For non-federal owned property rented from GSA, an occupancy agreement is generally executed, and the Department may normally cancel these agreements with 120 days notice.

The Department's (1) estimated real property rent payments to GSA for FY 2008 through FY 2012; and (2) future payments due under noncancellable operating leases (non-GSA real property and personal property) are as follows:

FY 2007

	General PP&E Category	
Fiscal Year	GSA Real Property	Non-GSA Real Property
2008	$ 246,082	$ 19,329
2009	252,357	16,678
2010	253,741	14,580
2011	244,685	13,741
2012	248,144	12,799
Thereafter	[1]	52,497
Total Future Lease Payments		$ 129,624

[1] *Not estimated.*

NOTE 15. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

	FY 2007	FY 2006
Intragovernmental		
Debt to Treasury	$ 164,489	$ -
Accrued FECA Liability	32,008	30,954
Other	1,232	2,501
Total Intragovernmental	197,729	33,455
Accrued Payroll	28,896	23,584
Accrued Annual Leave	214,415	201,612
Federal Employee Benefits	625,816	589,964
Environmental and Disposal Liabilities	67,443	74,880
Contingent Liabilities	8,717	13,063
Unearned Revenue	795,468	762,463
ITA Foreign Service Nationals' Voluntary Separation Pay	9,550	9,436
Other	983	1,137
Total	$ 1,949,017	$ 1,709,594

Due to USPTO's funding structure, budgetary resources do not cover a portion of its Unearned Revenue. The Unearned Revenue reported above is the portion of USPTO's Unearned Revenue that is considered not covered by budgetary resources. USPTO's Unearned Revenue is a liability for revenue received before the patent or trademark work has been completed. Budgetary resources derived from the current reporting period's revenue have been partially used to cover the current reporting period's costs associated with unearned revenue from a prior reporting period. In addition, the current patent fee structure sets low initial application fees that are followed by income from maintenance fees as a supplement in later years to cover the full cost of the patent examination and issuance processes. The combination of these funding circumstances requires USPTO to obtain additional budgetary resources to cover its liability for unearned revenue.

NOTE 16. COMMITMENTS AND CONTINGENCIES

Commitments:

The Department has entered into long-term contracts for the purchase, construction, and modernization of environmental satellites and weather measuring and monitoring systems. A summary of major long-term commitments is shown below.

Major Long-term Commitments:

	FY 2007						
Description	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	Thereafter	Total
Geostationary Operational Environmental Satellites	$ 359,400	$ 550,300	$ 672,600	$ 638,500	$ 497,900	$ 3,719,000	$ 6,437,700
Convergence Satellites	331,300	288,000	381,800	420,300	415,800	2,532,400	4,369,600
Polar Operational Environmental Satellites	114,900	61,900	43,600	41,400	41,400	146,900	450,100
Other Weather Service	99,822	102,306	100,817	95,786	91,818	171,773	662,322
Other	1,357	-	-	-	-	-	1,357
Total	$ 906,779	$ 1,002,506	$ 1,198,817	$ 1,195,986	$ 1,046,918	$ 6,570,073	$ 11,921,079

Legal Contingencies:

The Department is subject to potential liabilities in various administrative proceedings, legal actions, environmental suits, and claims brought against it. In the opinion of the Department's management and legal counsel, the ultimate resolution of these proceedings, actions, suits, and claims will not materially affect the financial position or net costs of the Department.

Probable Likelihood of an Adverse Outcome:

The Department is subject to potential liabilities where adverse outcomes are probable, and claims are approximately $8.7 million and $13.1 million as of September 30, 2007 and 2006, respectively. Accordingly, $8.7 million and $13.1 million of contingent liabilities were included in Other Liabilities on the *Consolidated Balance Sheets* as of September 30, 2007 and 2006, respectively. For a majority of these claims, any amounts ultimately due will be paid out of Treasury's Judgment Fund. For the claims to be paid by Treasury's Judgment Fund, once the claims are settled or court judgments are assessed relative to the Department, the liability will be removed and an Imputed Financing Source From Cost Absorbed by Others will be recognized.

Reasonably Possible Likelihood of an Adverse Outcome:

The Department and other federal agencies are subject to potential liabilities for a variety of environmental cleanup costs, many of which are associated with the Second World War, at various sites within the U.S. Since some of the potential liabilities represent claims with no stated amount, the exact amount of total potential liabilities is unknown, but may exceed $214.5 million as of September 30, 2007. For these potential liabilities, it is reasonably possible that an adverse outcome will result. It is not possible, however, to speculate as to a range of loss. In the absence of a settlement agreement, decree, or judgment, there is neither an allocation of response costs between the U.S. government and other potentially responsible parties, nor is there an attribution of such costs to or among the federal agencies implicated in the claims. Although the Department has been implicated as a responsible party, the U.S. Department of Justice was unable to provide an amount for these potential liabilities that is attributable to the Department. Of these potential liabilities, all will be funded by Treasury's Judgment Fund, if any amounts are ultimately due.

The Department and other federal agencies are subject to other potential liabilities. Since some of the potential liabilities represent claims with no stated amount, the exact amount of total potential liabilities is unknown, but may exceed $138.2 million as of September 30, 2007. For these potential liabilities, it is reasonably possible that an adverse outcome will result. It is not possible, however, to speculate as to a range of loss. Of these potential liabilities, most will be funded by Treasury's Judgment Fund, if any amounts are ultimately due.

Guaranteed Loan Contingencies:

Fishing Vessels Obligation Guarantee Program: This loan guarantee program has outstanding non-acquired guaranteed loans (fully guaranteed by the Department) as of September 30, 2007 and 2006, with outstanding principal balances totaling $12.7 million and $17.1 million, respectively. A loan guarantee liability of $1.0 million and $5.8 million is recorded for the outstanding guarantees at September 30, 2007 and 2006, respectively.

Emergency Steel Loan Guarantee Program: This program has one outstanding non-acquired guaranteed loan as of September 30, 2007 and 2006, with the guaranteed portion of the outstanding principal balance totaling $131.9 million and $175.9 million as of September 30, 2007 and 2006, respectively. The Department's guarantee percentage is 88 percent for this loan as of September 30, 2006 to present. A loan guarantee liability of $54.7 million and $67.7 million is recorded for the outstanding guarantee at September 30, 2007 and 2006, respectively.

Emergency Oil and Gas Loan Guarantee Program: As of June 30, 2007, the loan guarantee ended for this program. As of September 30, 2006, this program had one outstanding non-acquired guaranteed loan with a guaranteed portion of the outstanding principal balance of zero dollars. A loan liability of $245 thousand was recorded for the outstanding guarantee at September 30, 2006, which relates to an outstanding revolving loan for which no draws have been made as of September 30, 2006.

Contingent Loss Related to the National Polar-orbiting Operational Environmental Satellite System (NPOESS) Program:

In a joint effort with the Department of Defense (DOD) and the National Aeronautics and Space Administration (NASA), NOAA is developing the NPOESS. NPOESS is expected to be a state-of-the-art environment-monitoring satellite system that will replace two existing polar-orbiting satellite systems. NOAA and DOD share the costs of funding NPOESS, while NASA funds specific technology projects and studies. Over the last several years, the NPOESS program has experienced schedule delays, cost increases and technical challenges. In FY 2006, the NPOESS program underwent a statutorily required review, known as a Nunn-McCurdy review. Under the law, any DOD-funded program that is more than 25 percent over budget must be reviewed to see if it should be continued, and if so, in what manner. As a result of the review, the NPOESS program will be continued, however the number of satellites and their capabilities will be scaled back. Additionally, NOAA, NASA and DOD agreed to restructure the NPOESS program from a three-orbit to a two-orbit program and to renegotiation of the contracts for the construction of the NPOESS program. The process may take several years.

As of September 30, 2007, the Department of Commerce Balance Sheet includes approximately $1.63 billion construction-in-progress general property, plant and equipment related to the NPOESS program. This balance is net of a $17 million write-off that NOAA recorded in FY 2006, based on a determination that certain sensors were going to be eliminated from the program, thus triggering an impairment to the property value. The potential impairment for one additional sensor, currently recorded at $108 million in the construction-in-progress account, will not be determinable until a new contract for that sensor is in place.

NOTE 17. CONSOLIDATED STATEMENTS OF NET COST

FY 2007 Consolidating Statement of Net Cost:

	NOAA	USPTO	ESA	TA	Others	Departmental Management	Combining Total	Intra-Departmental Eliminations	Consolidating Total
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers									
Intragovernmental Gross Costs	$ -	$ -	$ 331,723	$ -	$ 183,097	$ 74,612	$ 589,432	$ (90,690)	$ 498,742
Gross Costs With the Public	-	-	956,602	-	633,400	44,927	1,634,929	-	1,634,929
Total Gross Costs	-	-	1,288,325	-	816,497	119,539	2,224,361	(90,690)	2,133,671
Intragovernmental Earned Revenue	-	-	(240,473)	-	(33,214)	(93,426)	(367,113)	90,690	(276,423)
Earned Revenue From the Public	-	-	(13,981)	-	(8,326)	-	(22,307)	-	(22,307)
Total Earned Revenue	-	-	(254,454)	-	(41,540)	(93,426)	(389,420)	90,690	(298,730)
Net Program Costs	**-**	**-**	**1,033,871**	**-**	**774,957**	**26,113**	**1,834,941**	**-**	**1,834,941**
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science									
Intragovernmental Gross Costs	-	338,979	-	125,907	53,596	74,615	593,097	(89,589)	503,508
Gross Costs With the Public	-	1,430,679	-	739,512	62,609	44,924	2,277,724	-	2,277,724
Total Gross Costs	-	1,769,658	-	865,419	116,205	119,539	2,870,821	(89,589)	2,781,232
Intragovernmental Earned Revenue	-	(7,944)	-	(123,852)	(30,984)	(93,426)	(256,206)	89,589	(166,617)
Earned Revenue From the Public	-	(1,727,762)	-	(72,590)	(99)	-	(1,800,451)	-	(1,800,451)
Total Earned Revenue	-	(1,735,706)	-	(196,442)	(31,083)	(93,426)	(2,056,657)	89,589	(1,967,068)
Net Program Costs	**-**	**33,952**	**-**	**668,977**	**85,122**	**26,113**	**814,164**	**-**	**814,164**
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship									
Intragovernmental Gross Costs	628,808	-	-	-	-	74,637	703,445	(80,375)	623,070
Gross Costs With the Public	3,394,576	-	-	-	-	44,937	3,439,513	-	3,439,513
Total Gross Costs	4,023,384	-	-	-	-	119,574	4,142,958	(80,375)	4,062,583
Intragovernmental Earned Revenue	(189,027)	-	-	-	-	(93,453)	(282,480)	80,375	(202,105)
Earned Revenue From the Public	(74,676)	-	-	-	-	-	(74,676)	-	(74,676)
Total Earned Revenue	(263,703)	-	-	-	-	(93,453)	(357,156)	80,375	(276,781)
Net Program Costs	**3,759,681**	**-**	**-**	**-**	**-**	**26,121**	**3,785,802**	**-**	**3,785,802**
NET COST OF OPERATIONS	**$ 3,759,681**	**$ 33,952**	**$ 1,033,871**	**$ 668,977**	**$ 860,079**	**$ 78,347**	**$ 6,434,907**	**$ -**	**$ 6,434,907**

FY 2006 Consolidating Statement of Net Cost:

	NOAA	USPTO	ESA	TA	Others	Departmental Management	Combining Total	Intra-Departmental Eliminations	Consolidating Total
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers									
Intragovernmental Gross Costs	$ -	$ -	$ 298,130	$ -	$ 192,762	$ 71,902	$ 562,794	$ (77,055)	$ 485,739
Gross Costs With the Public	-	-	888,687	-	699,939	50,217	1,638,843	-	1,638,843
Total Gross Costs	-	-	1,186,817	-	892,701	122,119	2,201,637	(77,055)	2,124,582
Intragovernmental Earned Revenue	-	-	(239,522)	-	(29,555)	(91,988)	(361,065)	77,055	(284,010)
Earned Revenue From the Public	-	-	(17,234)	-	(7,053)	(3)	(24,290)	-	(24,290)
Total Earned Revenue	-	-	(256,756)	-	(36,608)	(91,991)	(385,355)	77,055	(308,300)
Net Program Costs	**-**	**-**	**930,061**	**-**	**856,093**	**30,128**	**1,816,282**	**-**	**1,816,282**
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science									
Intragovernmental Gross Costs	-	305,019	-	128,200	16,243	71,898	521,360	(85,282)	436,078
Gross Costs With the Public	-	1,209,150	-	775,724	57,502	50,220	2,092,596	-	2,092,596
Total Gross Costs	-	1,514,169	-	903,924	73,745	122,118	2,613,956	(85,282)	2,528,674
Intragovernmental Earned Revenue	-	(7,121)	-	(131,797)	(30,851)	(91,988)	(261,757)	85,282	(176,475)
Earned Revenue From the Public	-	(1,587,316)	-	(57,593)	(67)	(3)	(1,644,979)	-	(1,644,979)
Total Earned Revenue	-	(1,594,437)	-	(189,390)	(30,918)	(91,991)	(1,906,736)	85,282	(1,821,454)
Net Program Costs	**-**	**(80,268)**	**-**	**714,534**	**42,827**	**30,127**	**707,220**	**-**	**707,220**
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship									
Intragovernmental Gross Costs	712,777	-	-	-	-	71,922	784,699	(77,511)	707,188
Gross Costs With the Public	3,413,712	-	-	-	(1)	50,234	3,463,945	-	3,463,945
Total Gross Costs	4,126,489	-	-	-	(1)	122,156	4,248,644	(77,511)	4,171,133
Intragovernmental Earned Revenue	(187,050)	-	-	-	-	(92,015)	(279,065)	77,511	(201,554)
Earned Revenue From the Public	(76,190)	-	-	-	-	(3)	(76,193)	-	(76,193)
Total Earned Revenue	(263,240)	-	-	-	-	(92,018)	(355,258)	77,511	(277,747)
Net Program Costs	**3,863,249**	**-**	**-**	**-**	**(1)**	**30,138**	**3,893,386**	**-**	**3,893,386**
NET COST OF OPERATIONS	**$ 3,863,249**	**$ (80,268)**	**$ 930,061**	**$ 714,534**	**$ 898,919**	**$ 90,393**	**$ 6,416,888**	**$ -**	**$ 6,416,888**

Major Programs: The following tables illustrate major programs of the Department. "Other Programs" refers to the other programs within each strategic goal. The "Others" column refers to the Department's reporting entities that are not listed. The Others column data and the Other Programs data are presented solely to reconcile these tables to the Combining Totals columns on the *Consolidating Statements of Net Cost*.

FY 2007 Statement of Net Cost by Major Program (Combining Basis):

PROGRAM COSTS	NOAA	Census Bureau	NIST	USPTO	Others	Combining Total
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers						
Decennial and Periodic Censuses						
Gross Costs	$ -	$ 230,925	$ -	$ -	$ -	$ 230,925
Less: Earned Revenue	-	-	-	-	-	-
Net Program Costs	**-**	**230,925**	**-**	**-**	**-**	**230,925**
Other Programs						
Gross Costs	-	966,290	-	-	1,027,146	1,993,436
Less: Earned Revenue	-	(249,661)	-	-	(139,759)	(389,420)
Net Program Costs	**-**	**716,629**	**-**	**-**	**887,387**	**1,604,016**
Net Program Costs for Strategic Goal 1	**-**	**947,554**	**-**	**-**	**887,387**	**1,834,941**
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science						
Measurement and Standards Laboratories						
Gross Costs	-	-	618,910	-	-	618,910
Less: Earned Revenue	-	-	(128,288)	-	-	(128,288)
Net Program Costs	**-**	**-**	**490,622**	**-**	**-**	**490,622**
Patents						
Gross Costs	-	-	-	1,533,051	-	1,533,051
Less: Earned Revenue	-	-	-	(1,506,994)	-	(1,506,994)
Net Program Costs	**-**	**-**	**-**	**26,057**	**-**	**26,057**
Trademarks						
Gross Costs	-	-	-	204,527	-	204,527
Less: Earned Revenue	-	-	-	(228,712)	-	(228,712)
Net Program Costs	**-**	**-**	**-**	**(24,185)**	**-**	**(24,185)**
Other Programs						
Gross Costs	-	-	219,339	32,080	262,914	514,333
Less: Earned Revenue	-	-	(45,491)	-	(147,172)	(192,663)
Net Program Costs	**-**	**-**	**173,848**	**32,080**	**115,742**	**321,670**
Net Program Costs for Strategic Goal 2	**-**	**-**	**664,470**	**33,952**	**115,742**	**814,164**
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship						
Ecosystems						
Gross Costs	1,534,426	-	-	-	-	1,534,426
Less: Earned Revenue	(101,166)	-	-	-	-	(101,166)
Net Program Costs	**1,433,260**	**-**	**-**	**-**	**-**	**1,433,260**
Other Programs						
Gross Costs	2,488,958	-	-	-	119,574	2,608,532
Less: Earned Revenue	(162,537)	-	-	-	(93,453)	(255,990)
Net Program Costs	**2,326,421**	**-**	**-**	**-**	**26,121**	**2,352,542**
Net Program Costs for Strategic Goal 3	**3,759,681**	**-**	**-**	**-**	**26,121**	**3,785,802**
NET COST OF OPERATIONS	**$3,759,681**	**$ 947,554**	**$ 664,470**	**$ 33,952**	**$1,029,250**	**$ 6,434,907**

FY 2006 Statement of Net Cost by Major Program (Combining Basis):

PROGRAM COSTS	NOAA	Census Bureau	NIST	USPTO	Others	Combining Total
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers						
Decennial and Periodic Censuses						
Gross Costs	$ -	$ 156,060	$ -	$ -	$ -	$ 156,060
Less: Earned Revenue	-	-	-	-	-	-
Net Program Costs	-	**156,060**	-	-	-	**156,060**
Other Programs						
Gross Costs	-	941,013	-	-	1,104,564	2,045,577
Less: Earned Revenue	-	(252,986)	-	-	(132,369)	(385,355)
Net Program Costs	-	**688,027**	-	-	**972,195**	**1,660,222**
Net Program Costs for Strategic Goal 1	-	**844,087**	-	-	**972,195**	**1,816,282**
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science						
Measurement and Standards Laboratories						
Gross Costs	-	-	593,630	-	-	593,630
Less: Earned Revenue	-	-	(111,338)	-	-	(111,338)
Net Program Costs	-	-	**482,292**	-	-	**482,292**
Patents						
Gross Costs	-	-	-	1,335,632	-	1,335,632
Less: Earned Revenue	-	-	-	(1,384,274)	-	(1,384,274)
Net Program Costs	-	-	-	**(48,642)**	-	**(48,642)**
Trademarks						
Gross Costs	-	-	-	178,537	-	178,537
Less: Earned Revenue	-	-	-	(210,163)	-	(210,163)
Net Program Costs	-	-	-	**(31,626)**	-	**(31,626)**
Other Programs						
Gross Costs	-	-	279,316	-	226,841	506,157
Less: Earned Revenue	-	-	(52,387)	-	(148,574)	(200,961)
Net Program Costs	-	-	**226,929**	-	**78,267**	**305,196**
Net Program Costs for Strategic Goal 2	-	-	**709,221**	**(80,268)**	**78,267**	**707,220**
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship						
Ecosystems						
Gross Costs	1,428,984	-	-	-	-	1,428,984
Less: Earned Revenue	(121,513)	-	-	-	-	(121,513)
Net Program Costs	**1,307,471**	-	-	-	-	**1,307,471**
Other Programs						
Gross Costs	2,697,504	-	-	-	122,156	2,819,660
Less: Earned Revenue	(141,726)	-	-	-	(92,019)	(233,745)
Net Program Costs	**2,555,778**	-	-	-	**30,137**	**2,585,915**
Net Program Costs for Strategic Goal 3	**3,863,249**	-	-	-	**30,137**	**3,893,386**
NET COST OF OPERATIONS	**$ 3,863,249**	**$ 844,087**	**$ 709,221**	**$ (80,268)**	**$1,080,599**	**$ 6,416,888**

NOTE 18. COMBINED STATEMENTS OF BUDGETARY RESOURCES

The amount of Budget Authority, Appropriations on the *Combined Statements of Budgetary Resources* (SBR) reconciles to the amount of Budgetary Financing Sources, Appropriations Received reported on the *Consolidated Statements of Changes in Net Position* (SCNP) as follows:

	FY 2007	FY 2006
Budget Authority, Appropriations (SBR)	$ 6,700,427	$ 6,788,098
Less:		
Other Special Receipts for NOAA and DM/G&B, Classified as Exchange Revenue	(17,836)	(17,048)
Other	1,073	90
Budgetary Financing Sources, Appropriations Received (SCNP)	$ 6,683,664	$ 6,771,140

Total borrowing authority available for NTIA's Digital Television Transition and Public Safety Fund amounted to $919.7 million and $0.0 at September 30, 2007 and 2006, respectively, while total borrowing authority available for NOAA's loan programs amounted to $204.4 million and $239.6 million at September 30, 2007 and 2006, respectively. The Borrowing Authority amounts reported in the SBR Budgetary Resources section represent only borrowing authority realized during the fiscal year being reported. See Note 1M, *Debt to Treasury*, for debt repayment requirements, financing sources for repayments, and other terms of borrowing authority used.

Eighty-five percent of the Department's reporting entities have one or more permanent no-year appropriations to finance operations.

Reductions to the Department's appropriations under Public Law 110-05 amounted to $32.0 million for FY 2007, while reductions for FY 2006 under Public Law 109-108 and Public Law 109-148 amounted to $116.1 million. These reductions are included in the SBR Budgetary Resources line Permanently Not Available. These reductions are also part of the amounts reported on the line Other Adjustments in the Unexpended Appropriations section, Budgetary Financing Sources subsection of the SCNP.

Legal arrangements affecting the Department's use of Unobligated Balances of Budget Authority and/or Fund Balance with Treasury during FY 2007 and FY 2006 include the following:

- The Department's Deposits Funds, reported in Note 2, *Fund Balance with Treasury*, are not available to finance operating activities. These funds are also included in Note 2, *Fund Balance with Treasury*, on the line Non-budgetary (breakdown by status).
- The Department's Fund Balance with Treasury as of September 30, 2007 and 2006 includes $528.7 and $516.5 million, respectively, of USPTO offsetting collections exceeding prior years' appropriations. USPTO may use these funds only as authorized by the U.S. Congress, and only as made available by the issuance of a Treasury warrant. These funds are included in Note 2, *Fund Balance with Treasury*, on the lines General Funds (breakdown by type), and Temporarily Not Available Pursuant to Public Law (breakdown by status).
- The Omnibus Budget Reconciliation Act of 1990 established revenue withholding on certain statutory patent fees collected by USPTO. Subsequent legislation extended the revenue withholding through the end of FY 1998. These withheld revenues were deposited into the Patent and Trademark Surcharge Fund, a Special Fund Receipt Account at

Treasury. USPTO may use monies from this account only as authorized by Congress and made available by the issuance of a Treasury warrant. As of September 30, 2007 and 2006, $233.5 million is held in the Patent and Trademark Surcharge Fund. These funds are included in Note 2, *Fund Balance with Treasury*, on the lines Special Fund (Patent and Trademark Surcharge Fund) (breakdown by type), and Non-budgetary (breakdown by status).

- The Department's Fund Balance with Treasury as of September 30, 2007 and 2006 includes $27.7 and $30.7 million, respectively, of funds temporarily not available for the Coastal Zone Management Fund, which accounts for the Coastal Energy Impact Program direct loans. These funds are included in Note 2, *Fund Balance with Treasury*, on the lines Revolving Funds (breakdown by type), and Temporarily Not Available Pursuant to Public Law (breakdown by status).
- For loan programs prior to the Federal Credit Reform Act of 1990 (pre-FY 1992 loans), most or all liquidating fund unobligated balances in excess of working capital needs are required to be transferred to Treasury as soon as practicable during the following fiscal year.
- For direct loan programs under the Federal Credit Reform Act of 1990 (post-FY 1991 loans) that have outstanding debt to Treasury, regulations require that most unobligated balances be returned to Treasury on September 30, or require that the borrowing authority be cancelled on September 30.
- For loan guarantee programs under the Federal Credit Reform Act of 1990 that have outstanding debt to Treasury, regulations require that unobligated balances in excess of the outstanding guaranteed loans' principal and interest be returned to Treasury on September 30.

There are no material differences between the amounts reported in the Combined Statement of Budgetary Resources for the year ended September 30, 2006 and the actual amounts reported in the FY 2008 budget of the U.S. government.

Apportionment Categories of Obligations Incurred:

The amounts of direct and reimbursable obligations incurred against amounts apportioned under Categories A, B, and Exempt from Apportionment are as follows:

	FY 2007		
	Direct	Reimbursable	Total
Category A	$ 6,461,301	$ 2,173,881	$ 8,635,182
Category B	1,584,885	144,267	1,729,152
Exempt from Apportionment	169,923	749,631	919,554
Total	$ 8,216,109	$ 3,067,779	$ 11,283,888

	FY 2006		
	Direct	Reimbursable	Total
Category A	$ 2,303,837	$ 2,043,598	$ 4,347,435
Category B	4,814,049	204,337	5,018,386
Exempt from Apportionment	191,069	731,671	922,740
Total	$ 7,308,955	$ 2,979,606	$ 10,288,561

Undelivered Orders:

Undelivered orders were $6.41 billion and $5.24 billion at September 30, 2007 and 2006, respectively.

Digital Television Transition and Public Safety Fund:

The Digital Television Transition and Public Safety Fund (Fund) was created by the Digital Television Transition and Public Safety Act of 2005. This NTIA fund receives proceeds from the auction of licenses for recovered analog spectrum from discontinued analog television signals, and provides funding for several Departmental programs from these receipts. Funding for these programs, prior to the availability of auction receipts, is also provided by Treasury borrowings, as discussed in Note 1, *Summary of Significant Accounting Policies.* There was no financial activity during FY 2006 for this Fund.

The Federal Communications Commission will conduct the auction of the licenses for recovered analog spectrum by commencing the bidding not later than January 28, 2008, and shall deposit the proceeds of such auction into the Fund no later than June 30, 2008. On September 30, 2009, the Fund shall transfer $7.36 billion to the general fund of the Treasury.

As of September 30, 2007, payments for the programs under this Fund may currently not exceed $2.29 billion, while Treasury borrowings under this Fund may not exceed $2.65 billion.

Below is a brief summary of the three largest programs under this Fund, and significant financial activity recorded in the FY 2007 Combined Statement of Budgetary Resources for each program:

Public Safety Interoperable Communications (PSIC): This is a grant program to assist public safety agencies in the acquisition of, deployment of, or training for the use of interoperable communications systems that can utilize reallocated public safety spectrum for radio communication. The Fund may make payments not to exceed $1.00 billion through FY 2010. The Department has in place a Memorandum of Understanding with the Federal Emergency Management Agency (FEMA), in which FEMA administers the PSIC grant program. NTIA provides FEMA with funds for the grants under the program, and for the charges for FEMA's management and administrative services. NTIA records budgetary obligations with FEMA, while FEMA records the grants activity under the program. Budgetary obligations for FY 2007 to FEMA under the PSIC program amounted to $974.7 million, while Treasury borrowings for FY 2007 amounted to $56.0 million. As of September 30, 2007, FEMA executed all of the grant awards, totaling $968.4 million.

Digital-to-Analog Converter Box Program: This program is to provide households in the U.S. with forty dollar coupons (two-per-household maximum) that can be applied toward the purchase of digital-to-analog converter boxes. The Fund may make payments not to exceed $990.0 million through FY 2009. Furthermore, if the Department transmits to the House and Senate a statement certifying that the sum of $990.0 million is insufficient, then maximum payments may be increased to not exceed $1.50 billion. Budgetary obligations for FY 2007 for this program, funded by Treasury borrowings, amounted to $87.3 million.

National Alert and Tsunami Warning Program: This program is to implement a unified national alert system capable of alerting the public, on a national, regional, or local basis to emergency situations by using a variety of communications technologies. The Fund may make payments not to exceed $156.0 million during FY 2007 through FY 2012. The Department shall use $50.0 million of such amounts to implement a tsunami warning and coastal vulnerability program. There were no budgetary obligations for FY 2007 for this program. Treasury borrowings for FY 2007 amounted to $10.0 million.

NOTE 19. CUSTODIAL NONEXCHANGE ACTIVITY

NOAA receives interest, penalties, and fines primarily related to its past due Accounts Receivable, while BIS receives civil monetary penalties from private entities that violate the Export Administration Act. These collections are required to be transferred to Treasury. For the period ended September 30, 2007, the Department had custodial nonexchange revenue of $14.5 million; custodial nonexchange revenue of $1.0 million was payable to Treasury at September 30, 2007. For the period ended September 30, 2006, the Department had custodial nonexchange revenue of $14.6 million; custodial nonexchange revenue of $4.1 million was payable to Treasury.

NOTE 20. EARMARKED FUNDS

The following tables depict major earmarked funds separately chosen based on their significant financial activity and importance to taxpayers. All other earmarked funds not shown are aggregated as "Other Earmarked Funds."

United States Department of Commerce Consolidated Balance Sheet
As of September 30, 2007 (In Thousands)

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
ASSETS							
Fund Balance with Treasury	$ 1,302,303	$ 104,505	$ 27,742	$ 26,856	$ 33,392	$ 50,494	$ 1,545,292
Cash	5,990	-	-	-	-	-	5,990
Accounts Receivable, Net	422	-	-	1,321	36	2	1,781
Loans Receivable and Related Foreclosed Property, Net	-	-	8,731	-	-	-	8,731
Inventory, Materials, and Supplies, Net	-	-	-	207	-	-	207
General Property, Plant, and Equipment, Net	204,577	-	-	212	-	-	204,789
Other	6,133	17,467	-	5,635	349	349	29,933
TOTAL ASSETS	**$ 1,519,425**	**$ 121,972**	**$ 36,473**	**$ 34,231**	**$ 33,777**	**$ 50,845**	**$ 1,796,723**
LIABILITIES							
Accounts Payable	$ 95,419	$ 2,854	$ 12	$ 7,754	$ 695	$ 213	$ 106,947
Debt to Treasury	-	164,489	-	-	-	-	164,489
Federal Employee Benefits	7,929	-	-	571	-	-	8,500
Other							
Accrued Payroll and Annual Leave	113,481	104	-	1,367	32	102	115,086
Accrued Grants	-	914	-	-	-	852	1,766
Unearned Revenue	828,070	-	-	8,828	-	-	836,898
Other	10,506	-	-	176	8	-	10,690
TOTAL LIABILITIES	**$ 1,055,405**	**$ 168,361**	**$ 12**	**$ 18,696**	**$ 735**	**$ 1,167**	**$ 1,244,376**
NET POSITION							
Unexpended Appropriations	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Results of Operations	464,020	(46,389)	36,461	15,535	33,042	49,678	552,347
TOTAL NET POSITION	**$ 464,020**	**$ (46,389)**	**$ 36,461**	**$ 15,535**	**$ 33,042**	**$ 49,678**	**$ 552,347**
TOTAL LIABILITIES AND NET POSITION	**$ 1,519,425**	**$ 121,972**	**$ 36,473**	**$ 34,231**	**$ 33,777**	**$ 50,845**	**$ 1,796,723**

United States Department of Commerce Consolidated Balance Sheet
As of September 30, 2006 (In Thousands)

	USPTO Earmarked Funds	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
ASSETS						
Fund Balance with Treasury	$ 1,310,612	$ 29,083	$ 21,917	$ 28,438	$ 44,805	$ 1,434,855
Cash	6,248	80	-	-	-	6,328
Accounts Receivable, Net	1,752	-	1,772	20	5	3,549
Loans Receivable and Related Foreclosed Property, Net	-	5,426	-	-	-	5,426
Inventory, Materials, and Supplies, Net	-	-	200	-	-	200
General Property, Plant, and Equipment, Net	164,538	-	252	-	-	164,790
Other	4,315	-	5,635	-	480	10,430
TOTAL ASSETS	**$1,487,465**	**$ 34,589**	**$ 29,776**	**$ 28,458**	**$ 45,290**	**$1,625,578**
LIABILITIES						
Accounts Payable	$ 101,902	$ 12	$ 7,841	$ 736	$ 45	$ 110,536
Federal Employee Benefits	7,471	-	572	-	-	8,043
Other						-
Accrued Payroll and Annual Leave	95,194	-	1,273	38	80	96,585
Accrued Grants	-	-	-	-	744	744
Unearned Revenue	774,425	-	3,508	-	-	777,933
Other	10,474	-	198	58	-	10,730
TOTAL LIABILITIES	**$ 989,466**	**$ 12**	**$ 13,392**	**$ 832**	**$ 869**	**$1,004,571**
NET POSITION						
Unexpended Appropriations	$ 27	$ -	$ -	$ -	$ -	$ 27
Cumulative Results of Operations	497,972	34,577	16,384	27,626	44,421	620,980
TOTAL NET POSITION	**$ 497,999**	**$ 34,577**	**$ 16,384**	**$ 27,626**	**$ 44,421**	**$ 621,007**
TOTAL LIABILITIES AND NET POSITION	**$1,487,465**	**$ 34,589**	**$ 29,776**	**$ 28,458**	**$ 45,290**	**$1,625,578**

United States Department of Commerce Consolidated Statement of Net Cost
For the Year Ended September 30, 2007 (In Thousands)

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers							
Gross Costs	$ -	$ -	$ -	$ -	$ -	$ 5,332	$ 5,332
Less: Earned Revenue	-	-	-	-	-	-	-
Net Program Costs	**-**	**-**	**-**	**-**	**-**	**5,332**	**5,332**
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science							
Gross Costs	1,769,658	46,389	-	24,518	-	-	1,840,565
Less: Earned Revenue	(1,735,706)	-	-	(22,625)	-	-	(1,758,331)
Net Program Costs	**33,952**	**46,389**	**-**	**1,893**	**-**	**-**	**82,234**
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship							
Gross Costs	-	-	(3,657)	-	19,744	15,189	31,276
Less: Earned Revenue	-	-	(1,227)	-	-	-	(1,227)
Net Program Costs	**-**	**-**	**(4,884)**	**-**	**19,744**	**15,189**	**30,049**
NET COST OF OPERATIONS	**$ 33,952**	**$ 46,389**	**$ (4,884)**	**$ 1,893**	**$ 19,744**	**$ 20,521**	**$ 117,615**

United States Department of Commerce Consolidated Statement of Net Cost
For the Year Ended September 30, 2006 (In Thousands)

	USPTO Earmarked Funds	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers						
Gross Costs	$ -	$ -	$ -	$ -	$ 10,664	$ 10,664
Less: Earned Revenue	-	-	-	-	-	-
Net Program Costs	**-**	**-**	**-**	**-**	**10,664**	**10,664**
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science						
Gross Costs	1,514,169	-	26,419	-	-	1,540,588
Less: Earned Revenue	(1,594,437)	-	(25,554)	-	-	(1,619,991)
Net Program Costs	**(80,268)**	**-**	**865**	**-**	**-**	**(79,403)**
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship						
Gross Costs	-	139	-	8,674	21,360	30,173
Less: Earned Revenue	-	(956)	-	-	-	(956)
Net Program Costs	**-**	**(817)**	**-**	**8,674**	**21,360**	**29,217**
NET COST OF OPERATIONS	**$ (80,268)**	**$ (817)**	**$ 865**	**$ 8,674**	**$ 32,024**	**$ (39,522)**

United States Department of Commerce Consolidated Statement of Changes in Net Position
For the Year Ended September 30, 2007 (In Thousands)

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
Cumulative Results of Operations:							
Beginning Balance	$ 497,972	$ -	$ 34,577	$ 16,384	$ 27,626	$ 44,421	$ 620,980
Budgetary Financing Sources:							
Non-exchange Revenue	-	-	-	-	7,133	9,722	16,855
Transfers In/(Out) Without Reimbursement, Net	-	-	(3,000)	-	18,027	9,149	24,176
Other Financing Sources (Non-exchange):							
Imputed Financing Sources from Cost Absorbed by Others	-	-	-	1,044	-	-	1,044
Other Financing Sources/(Uses), Net	-	-	-	-	-	6,907	6,907
Total Financing Sources	**-**	**-**	**(3,000)**	**1,044**	**25,160**	**25,778**	**48,982**
Net Cost of Operations	**(33,952)**	**(46,389)**	**4,884**	**(1,893)**	**(19,744)**	**(20,521)**	**(117,615)**
Net Change	**(33,952)**	**(46,389)**	**1,884**	**(849)**	**5,416**	**5,257**	**(68,633)**
Cumulative Results of Operations	**464,020**	**(46,389)**	**36,461**	**15,535**	**33,042**	**49,678**	**552,347**
Unexpended Appropriations:							
Beginning Balance	27	-	-	-	-	-	27
Budgetary Financing Sources	(27)	-	-	-	-	-	(27)
Unexpended Appropriations	**-**	**-**	**-**	**-**	**-**	**-**	-
NET POSITION	**$ 464,020**	**$ (46,389)**	**$ 36,461**	**$ 15,535**	**$ 33,042**	**$ 49,678**	**$ 552,347**

United States Department of Commerce Consolidated Statement of Changes in Net Position
For the Year Ended September 30, 2006 (In Thousands)

	USPTO Earmarked Funds	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
Cumulative Results of Operations:						
Beginning Balance	$ 417,804	$ 36,760	$ 16,094	$ 24,136	$ 42,963	$ 537,757
Budgetary Financing Sources:						
Non-exchange Revenue	-	-	-	7,590	7,931	15,521
Transfers In/(Out) Without Reimbursement, Net	(100)	(3,000)	-	4,924	17,616	19,440
Other Financing Sources (Non-exchange):						
Transfers In/(Out) Without Reimbursement, Net	-	-	-	(350)	-	(350)
Imputed Financing Sources from Cost Absorbed by Others	-	-	1,155	-	-	1,155
Other Financing Sources/(Uses), Net	-	-	-	-	7,935	7,935
Total Financing Sources	**(100)**	**(3,000)**	**1,155**	**12,164**	**33,482**	**43,701**
Net Cost of Operations	**80,268**	**817**	**(865)**	**(8,674)**	**(32,024)**	**39,522**
Net Change	**80,168**	**(2,183)**	**290**	**3,490**	**1,458**	**83,223**
Cumulative Results of Operations	**497,972**	**34,577**	**16,384**	**27,626**	**44,421**	**620,980**
Unexpended Appropriations:						
Beginning Balance	27	-	-	-	-	27
Budgetary Financing Sources	-	-	-	-	-	-
Unexpended Appropriations	**27**	**-**	**-**	**-**	**-**	**27**
NET POSITION	**$ 497,999**	**$ 34,577**	**$ 16,384**	**$ 27,626**	**$ 44,421**	**$ 621,007**

Below is a description of major earmarked funds shown in the above tables.

The **USPTO Earmarked Funds** consist of its Salaries and Expenses Fund, and the Patent and Trademark Surcharge Fund.

The Salaries and Expenses Fund contains monies used for the administering of the laws relevant to patents and trademarks and advising the Secretary of Commerce, the President of the United States, and the Administration on patent, trademark, and copyright protection, and trade-related aspects of intellectual property. This fund is used for USPTO's two core business activities – granting patents and registering trademarks – that promote the use of intellectual property rights as a means of achieving economic prosperity. These activities give innovators, businesses, and entrepreneurs the protection and encouragement they need to turn their creative ideas into tangible products, and also provide protection for their inventions and trademarks. Since FY 1993, the Salaries and Expenses Fund has been funded primarily by the collection of fees for patent and trademark services. The USPTO may use monies from this fund only as authorized by Congress via appropriations.

The Patent and Trademark Surcharge Fund, a Special Fund Receipt Account at Treasury, is discussed in Note 18, *Combined Statements of Budgetary Resources*. The USPTO may use monies from this account only as authorized by Congress and made available by the issuance of a Treasury warrant. As of September 30, 2007, $233.5 million is held in this fund.

The **NTIA Digital Television Transition and Public Safety Fund** makes digital television available to every home in America, improves communications between local, State, and federal agencies, assists in moving satellites that were once on the World Trade Centers, allows smaller television stations to broadcast digital television, and improves how warnings are received when disasters occur. NTIA receives funding from borrowings from the Bureau of Public Debt, and will repay the Bureau of Public Debt through the sale of Analog Spectrum which will be auctioned. The additional funds from the auction will be used to reduce the National Deficit. The law establishing this program can be found in Deficit Reduction Act of 2005, P.L. 109-171 Section 3001-3014.

The **Coastal Zone Management Fund** is primarily used for interstate projects, demonstration projects for improving coastal zone management, and emergency grants to State coastal zone management agencies to address unforeseen or disaster-related circumstances. The law establishing the Coastal Zone Management Fund can be found in 16 USC Section 1456a.

The **NTIS Revolving Fund** is used to collect, process, market, and disseminate government-sponsored and foreign scientific, technical, and business information; and, to assist other agencies with their information programs. Activities funded by the NTIS Revolving Fund allow customers, both public and private, access to scientific and technical information produced by and for the federal government. All receipts from the sale of products and services are deposited in this fund, and all expenses, including capital expenditures, are paid from it.

The **Damage Assessment and Restoration Revolving Fund** is established by the reimbursement of expenses related to oil or hazardous substance spill response activities, or natural resource damages assessment, restoration, rehabilitation, replacement, or acquisition activities conducted by NOAA. The recovered sums by a federal, state, indian, or foreign trustee for natural resource damages is retained by the trustee and is only used to reimburse or pay costs incurred by the trustee for the damaged natural resources. The law establishing the Damage Assessment and Restoration Revolving Fund can be found in 33 USC Section 2706. Natural Resources.

NOTE 21. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

The Reconciliation of Net Cost of Operations to Budget reconciles the Department's *Resources Used to Finance Activities* (first section), which consists of the budgetary basis of accounting Net Obligations plus the proprietary basis of accounting Other Resources, to the proprietary basis of accounting Net Cost of Operations. The second section, *Resources Used to Finance Items Not Part of Net Cost of Operations*, reverses out items included in the first section that are not included in Net Cost of Operations. The third section, *Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period*, adds items included in Net Cost of Operations that are not included in the first section.

The third section's subsection, Components Requiring or Generating Resources in Future Periods, includes costs reported in the current period that are included in the Liabilities Not Covered by Budgetary Resources reported in Note 15. This subsection does not include costs reported in prior fiscal years that are also included in Liabilities Not Covered by Budgetary Resources.

In accordance with Revised OMB Circular No. A-136, *Financial Reporting Requirements*, dated June 29, 2007, the Statement of Financing is presented as a footnote disclosure and is no longer a basic financial statement, as had been presented in prior years. The information provided in the FY 2006 Statement of Financing is also presented in this footnote, to provide comparative disclosures, as required. The reconciliation of net cost of operations to budget for FY 2007 and FY 2006 is as follows:

	FY 2007	FY 2006
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 11,283,888	$ 10,288,561
Less: Spending Authority From Offsetting Collections and Recoveries	(3,400,863)	(3,379,692)
Obligations Net of Offsetting Collections and Recoveries	7,883,025	6,908,869
Less: Distributed Offsetting (Receipts)/Outlays, Net	(72,871)	(139,872)
Net Obligations	7,810,154	6,768,997
Other Resources		
Donations and Forfeitures of Property	16,535	-
Transfers In/(Out) Without Reimbursement, Net	220	1,689
Imputed Financing From Costs Absorbed by Others	196,903	189,178
Downward Subsidy Reestimates Payable to Treasury	(36,710)	(31,447)
Loan Modification Savings Paid to Treasury	(18,910)	-
Other Financing Sources/(Uses), Net	(278)	(17,527)
Net Other Resources Used to Finance Activities	157,760	141,893
Total Resources Used to Finance Activities	**7,967,914**	**6,910,890**
Resources Used to Finance Items Not Part of Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	(1,174,919)	(344,059)
Resources that Fund Expenses Recognized in Prior Periods	(45,317)	(29,055)
Budgetary Obligation for Downward Subsidy Reestimates Payable to Treasury	(29,056)	(87,264)
Budgetary Obligation for Loan Modification Savings Payable to Treasury	(18,910)	-
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations:		
Distributed Offsetting (Receipts)/Outlays, Net (excludes Clearing Accounts' Gross Costs)	72,871	139,872
Credit Program Collections which Increase Loan Guarantee Liabilities or Allowance for Subsidy Cost	44,231	49,353
Budgetary Financing Sources/(Uses), Net	11,069	11,615
Resources that Finance the Acquisition of Assets	(1,008,933)	(991,262)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations:		
Change in Unfilled Customer Orders	38,020	173,898
Donations and Forfeitures of Property	(16,535)	-
Transfers In/(Out) Without Reimbursement, Net	(220)	(1,689)
Downward Subsidy Reestimates Payable to Treasury	36,710	31,447
Loan Modification Savings Paid to Treasury	18,910	-
Other Financing Sources/(Uses), Net	278	17,527
Other	(66)	-
Total Resources Used to Finance Items Not Part of Net Cost of Operations	**(2,071,867)**	**(1,029,617)**
Total Resources Used to Finance Net Cost of Operations	**5,896,047**	**5,881,273**
Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods		
Increase in Accrued Annual Leave Liability	12,803	6,841
Increases in NOAA Corps Retirement System Liability and NOAA Corps Post-retirement Health Benefits Liability	41,600	24,100
Increase (Decrease) in Contingent Liabilities	(4,346)	9,680
Reestimates of Credit Subsidy Expense	14,170	(7,308)
Other	5,627	6,179
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	69,854	39,492
Components Not Requiring or Generating Resources		
Depreciation and Amortization	468,925	439,774
NOAA Issuances of Materials and Supplies	22,658	15,063
Revaluation of Assets or Liabilities	(922)	49,995
Loan Modification Savings	(18,910)	-
Other	(2,745)	(8,709)
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	469,006	496,123
Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period	**538,860**	**535,615**
NET COST OF OPERATIONS	**$ 6,434,907**	**$ 6,416,888**

The accompanying notes are an integral part of these statements.

NOTE 22. STEWARDSHIP PROPERTY, PLANT, AND EQUIPMENT

This note provides information on certain resources entrusted to the Department and certain stewardship responsibilities assumed by the Department. The physical properties of stewardship property, plant, and equipment (Stewardship PP&E) resemble those of the General PP&E that is capitalized traditionally in the financial statements of federal entities. Due to the nature of these assets, however, valuation would be difficult and matching costs with specific periods would not be meaningful. Therefore, federal accounting standards require the disclosure of the nature and quantity of these assets. NOAA is the only entity within the Department that has Stewardship PP&E.

Stewardship Marine Sanctuaries, National Marine Monument, and Conservation Area:

NOAA maintains the following Stewardship PP&E, which are similar in nature to stewardship land:

National Marine Sanctuaries: These protected waters provide a secure habitat for species close to extinction, and also protect historically-significant shipwrecks and prehistoric artifacts. Each of the 13 individual sanctuary sites, which include near-shore coral reefs and open ocean, conducts research and monitoring activities to characterize existing resources and document changes.

Papahãnaumokuăkea Marine National Monument: The majority of all coral reef habitats located in U.S. waters surround the Northwestern Hawaiian Islands (NWHI). The Papahãnaumokuăkea Marine National Monument, located off the coast of NWHI, encompasses nearly 140,000 square miles of U.S. waters, including 5,178 square miles of relatively undisturbed coral reef habitat that is home to more than 7,000 species. The Monument will be managed by NOAA, with the Department of the Interior, and the State of Hawaii.

Aleutian Islands Habitat Conservation Area: This conservation area in Alaska may harbor among the highest diversity of deep-water corals in the world, and protects habitat for deep water corals and other sensitive features that are slow to recover once disturbed by fishing gear or other activities.

Additional information on the above Stewardship PP&E is presented in the Required Supplementary Information section. Written policies to guide the acquisition, maintenance, use, and disposal of the above stewardship responsibilities are currently being developed.

Heritage Assets*:*

Heritage assets are unique for their historical or natural significance, for their cultural, educational, or artistic importance, or for their significant architectural characteristics. The Department generally expects that these assets will be preserved indefinitely.

In cases where a heritage asset also has a practical and predominant use for general government operations, the asset is considered a multi-use heritage asset. The cost of a multi-use heritage asset is capitalized as General PP&E and is depreciated over the useful life of the asset.

Historical artifacts are designated heritage assets if they help illustrate the social, educational, and cultural heritage of NOAA and its predecessor agencies (U. S. Coast and Geodetic Survey, U.S. Fish Commission, the Weather Bureau, the Institutes for Environmental Research, the Environmental Science Services Administration, etc.). These include, but are not limited to, bells, gyro compasses, brass citations, flags, pennants, chronometers, ship's seals, clocks, compasses, shipbuilders' contracts, personal equipment, clothing, medals and insignia, barometers, rain gauges, and any items which represent the uniqueness of the mission of NOAA and its predecessor agencies.

NOAA has established policies for heritage assets to ensure the proper care and handling of these assets under its control or jurisdiction. The Deputy Under Secretary of NOAA has established the Heritage Assets Working Committee to administer NOAA's stewardship policies and procedures. In carrying out these policies and procedures, the NOAA Heritage Assets Working Committee:

- Maintains a nationwide inventory of heritage assets, ensuring that they are identified and recorded in the Personal Property Heritage Asset Accountability System;
- Establishes nationwide NOAA policies, procedures, and standards for the preservation, security, handling, storage, and display of NOAA heritage assets;
- Tracks and updates each loan of NOAA heritage assets, including assigning current values and inventory numbers, and reporting the current condition of heritage assets;
- Determines the feasibility of new asset loans, such as meters, standard tide gauges, portraits, and books for exhibit loans;
- Collects heritage assets and properties of historic, cultural, artistic, or educational significance to NOAA.

NOAA maintains the following heritage assets:

Galveston Laboratory: Galveston Laboratory is comprised of seven buildings that were originally part of Fort Crockett, an Army coastal defense facility built shortly after 1900. These buildings are eligible for placement on the National Register. Due to their historic significance, exterior architectural features, and predominant use in government operations, the Galveston Laboratory is considered a multi-use heritage asset. This facility is undergoing a renovation in three phases. Phases I and II are complete.

Phase III commenced in October 2004, and is subdivided into four different projects. Phase III-A, renovation of Building 306 and mechanical/electrical site work, was completed in January 2006. Phase III-B, renovation of Buildings 301, 305, and 307, was completed of March 2007. Phase III-C-1, renovation of Building 303 and site work was completed in May 2007. Phase III-C-2 New SS Cooling Tower is ongoing with an expected completion date of October 2007. The overall renovation for the Galveston Laboratory is 90 percent complete as of September 30, 2007.

National Marine Fisheries Service (NMFS) St. George Sealing Plant: On St. George Island, in the Pribilof Islands group, Alaska is the only remaining northern fur seal pelt processing building in the world. In 1986, the building was listed on the National Register of Historic Properties, within the Seal Islands National Historic Landmark. The Pribilof Island commercial fur seal harvest was an extremely profitable business for the U.S. government, and, by the early 1900's, had covered the purchase price of Alaska. The building is the largest on the island, and is comprised of four distinct work areas from the seal pelt processing area. In 1950, the original wood-framed pelt processing plant was destroyed in a fire and rebuilt in 1951 with concrete walls on remnants of the original foundation. Harsh weather, remodeling to accommodate fur seal experimental research, and a lack of maintenance funding after the expiration of the Northern Fur Seal Convention in 1985, resulted in significant deterioration of the building by the early 1990s.

In November 1999, after numerous site surveys and assessments, the building was rehabilitated by NOAA to facilitate continued use by the National Marine Fisheries Service Alaska Region and Alaska Fisheries Science Center to achieve NOAA's mission. In addition, the U.S. Fish and Wildlife Service (USFWS) Alaska Maritime National Wildlife Refuge also use the building. The rehabilitation of the four areas of the plant has allowed the Traditional Council of St. George Island's Tribal Government to use pelt processing infrastructure to fully utilize products from the subsistence harvest of northern fur seals. NOAA's Preserve America program funded an interpretive display project in the Seal Plant to promote public outreach and education for the modest tourism program on St. George. The NMFS Sealing Plant is considered a multi-use heritage asset.

NMFS Cottage M, St. George: The last remnants of the United States commercial harvest of northern fur seals can be found on St. George Island, in the Pribilof Islands group, Alaska. In 1986, Cottage M (locally known as Cottage C), was listed on the National Register of Historic Places within the Seal Islands National Historic Landmark. The Pribilof Island commercial fur seal harvest was an extremely profitable business for the U.S. government and by the early 1900's had covered the purchase price of Alaska. This building was constructed in the 1930s, and was the residence of the island doctor and hospital through 1955, when the current clinic/hospital was built. Later, the construction of a health clinic on St. George Cottage M provided housing for government scientists and managers. In recent years, U.S. Fish and Wildlife Service (USFWS) Alaska Maritime National Wildlife Refuge staff also use the building. The NMFS Cottage M is considered a multi-use heritage asset because of the critical housing for NOAA's research and management staff, along with USFWS staff.

NMFS St. Paul Old Clinic/Hospital: On St. Paul Island, in the Pribilof Islands group, Alaska, fewer historic structures remain than on St. George Island. In 1986, the clinic/hospital was listed on the National Register of Historic Places within the Seal Islands National Historic Landmark. The old clinic/hospital is the combination of three historic buildings (physician's house, 1929; dispensary, 1929; and hospital, 1934) connected in 1974 with an addition. The building was used as a clinic/hospital under a Memorandum of Agreement between NMFS and the Department of Health, Education and Welfare, and later, the Indian Health Service/Bureau of Indian Affairs (IHS/BIA) through 2006. A new health center was constructed on St. Paul in 2006 and a closeout procedure and custody transfer between NMFS and IHS/BIA is still being negotiated. The NMFS has not used the building to meet its mission for at least the past 20 years.

NMFS Aquarium: In Woods Hole, Massachusetts, this aquarium was established in 1885 by Spencer Baird, the originator of NMFS. In addition to being part of the first laboratory of today's NMFS, this aquarium is the oldest marine research display aquarium in the world. It is used to educate the public, raise public awareness of NMFS activities, and accommodate in-house research for the Northeast Fisheries Science Center, part of NOAA's mission. The aquarium houses 16 permanent exhibition tanks and approximately 12 free standing aquaria and touch tanks holding more than 140 species of fish and invertebrates. The tanks range in size from 75 to 2,800 gallons. A 10,000 gallon outdoor habitat for resident harbor seals is scheduled for renovation in 2007. The general condition of the aquarium is good. The NMFS Aquarium is considered a multi-use heritage asset because it is also used for NOAA's scientific research, which is part of its mission.

Office of Atmospheric Research (OAR) Great Lakes Environmental Research Laboratory (GLERL), Lake Michigan Field Station (LMFS): In Muskegon, Michigan, the GLERL main building, constructed in 1904 by the U.S. Life Saving Service, is eligible for National Register designation and has been recognized by state and local historical societies for its maritime significance. With the creation of the U.S. Coast Guard in 1915, the facility was transferred and served as a base for search and rescue operations for 75 years. In 2004, a renovation project was completed that restored the exterior to its original architecture and color scheme - a style that is considered rare. Today, GLERL carries out research and provides scientific products, expertise, and services required for effective management and protection of Great Lakes and coastal ecosystems. GLERL/LMFS includes three buildings and a research vessel dockage. The function of the field station is to provide a base of operations for GLERL's primary research vessel, which is presently the Research Vessel Laurentian, and to provide a focal point for GLERL's research on Lake Michigan. Due to its historic significance, exterior architectural features, and predominant use in government operations, GLERL/LMFS is considered a multi-use heritage asset.

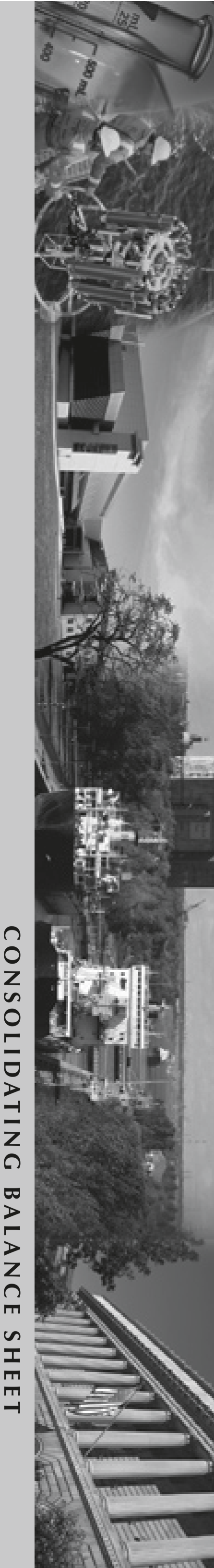
Collection-type Heritage Assets: The NOAA's collection-type heritage assets are comprised primarily of books, publications, manuscripts, records, nautical chart plates, and artifacts. Many of these heritage assets are maintained by the NOAA Central Library (Library). The Library has an extensive collection of historical Coast and Geodetic Survey materials (from 1807) and Weather Bureau materials (from the 1830s), including foreign and historical meteorological data, information on instruments, and metadata. As evidenced by a search of international catalogs, 35 to 50 percent of the Library's collection is unique. Historically, 40 percent of the items catalogued are not found anywhere else. Many older books cannot be replaced. The works include 17th

century works of Francis Bacon and Robert Boyle, 18th century works of Daniel Bernouilli, Daniel Defoe, and Pierre Bougher, and 19th and 20th century works of Benjamin Franklin and George Washington Carver. Collections of the Library include a) the Charles Fitshugh Talman Special Collections Room – approximately 3 thousand titles and over 5 thousand items; b) the Coast and Geodetic Survey Collection – approximately 35 thousand items; and c) the Weather Bureau Collections – approximately 75,000 items. NOAA is currently reviewing the Library's total inventory of approximately 2 million items to determine additional items that should be classified as heritage assets. Many Library items are contemporary documents that are not expected to qualify as heritage assets. The Library's Regular Collection consists of over 700 thousand journal items (pre-1970 and current) and approximately 200 thousand books. Many Regular Collection items that are from pre-NOAA organizations are expected to be designated as additional heritage assets. NOAA expects to complete this review in FY 2008.

The NOAA's collection-type heritage assets also include items in the Thunder Bay Sanctuary Research Collection (Collection). In 2004, the Thunder Bay National Marine Sanctuary (jointly managed by NOAA and the State of Michigan to protect and interpret a nationally significant collection of shipwrecks and other maritime heritage resources) established an agreement with the Alpena County George N. Fletcher Public Library to jointly manage this Collection. Amassed over a period of more than 40 years by historian C. Patrick Labadie, the Collection includes information about such diverse subjects as Great Lakes ports and waterways, docks, cargoes, ships, shipbuilders, owners and fleets, machinery and rigging, notable maritime personalities, and shipwrecks. Special features of the Collection are extensive collections of a) data cards listing most of the ships on the Great Lakes before year 1900, a roster of some 15,000 vessels complete with descriptive data and highlights of the ships' careers and their ultimate losses; and b) ship photograph negatives of 19th and 20th century Great Lakes ships. Heritage assets also include copies of vessel ownership documents, contemporary ship photographs, books, and other items documenting the Great Lakes history.

Consolidating Balance Sheet


DEPARTMENT OF COMMERCE
UNITED STATES OF AMERICA



United States Department of Commerce Consolidating Balance Sheet
As of September 30, 2007 *(In Thousands)*

	Consolidating Total	Intra-Departmental Eliminations	BIS	Census Bureau	DM/G&B	DM/S&E	DM/WCF	EDA	ELGP	ESA/BEA	Franchise Fund	ITA	MBDA	NIPC	NIST	NOAA	NTIA	NTIS	OIG	TA	USPTO
ASSETS																					
Intragovernmental:																					
Fund Balance with Treasury	$ 7,596,655	$ -	$ 18,736	$ 421,152	$ 646	$ 74,465	$ 37,147	$ 805,467	$ 104,844	$ 13,366	$ 3,635	$ 118,798	$ 12,178	$ 310	$ 768,272	$ 3,580,037	$ 202,645	$ 28,083	$ 1,795	$ 2,416	$ 1,402,663
Accounts Receivable	65,431	(5,100)	821	9,906	-	8,562	-	436	701	-	511	386	1	-	1,414	47,003	3	787	-	-	-
Other - Advances and Prepayments	64,346	(96,297)	1,663	10,731	-	4,161	4,736	732	-	1,858	774	12,326	399	8	16,034	84,826	18,997	263	1,133	52	1,950
Total Intragovernmental	**7,726,432**	**(101,397)**	**21,220**	**441,789**	**646**	**87,188**	**41,883**	**806,635**	**105,545**	**15,224**	**4,920**	**131,510**	**12,578**	**318**	**785,720**	**3,711,866**	**221,645**	**29,133**	**2,928**	**2,468**	**1,404,613**
Cash	7,696	-	-	-	-	-	-	-	-	-	-	193	-	-	-	490	-	3	-	-	7,010
Accounts Receivable, Net	36,909	-	1,456	1,509	-	17	11	84	-	5	-	119	13	1	7,405	20,656	19	534	2	-	5,078
Loans Receivable and Related Foreclosed Property, Net	519,854	-	-	-	-	-	-	26,230	-	-	-	-	1	-	-	493,623	-	-	-	-	-
Inventory, Materials, and Supplies, Net	106,801	-	-	267	-	-	12	-	-	-	-	-	-	-	24,840	81,475	-	207	-	-	-
General Property, Plant, and Equipment, Net	5,729,764	-	380	97,485	9,136	966	14,351	-	-	26	643	9,532	143	-	580,171	4,804,596	7,546	212	-	-	204,577
Other	73,267	-	-	38	4	-	2	272	-	1	-	213	(5)	-	54	63,134	1	5,370	-	-	4,183
TOTAL ASSETS	**$ 14,200,723**	**$ (101,397)**	**$ 23,056**	**$ 541,088**	**$ 9,786**	**$ 88,171**	**$ 56,259**	**$ 833,221**	**$ 105,545**	**$ 15,256**	**$ 5,563**	**$ 141,567**	**$ 12,730**	**$ 319**	**$ 1,398,190**	**$ 9,175,840**	**$ 229,211**	**$ 35,459**	**$ 2,930**	**$ 2,468**	**$ 1,625,461**
LIABILITIES																					
Intragovernmental:																					
Accounts Payable	$ 104,866	$ (5,100)	$ 293	$ 9,432	$ -	$ 325	$ 259	$ 345	$ -	$ 690	$ 6	$ 1,425	$ 1	$ -	$ 1,269	$ 84,608	$ 159	$ 6,610	$ 15	$ 38	$ 4,491
Debt to Treasury	645,997	-	-	-	-	-	-	-	2,551	-	-	-	(1)	-	-	478,958	164,489	-	-	-	-
Other																					
Resources Payable to Treasury	30,197	-	-	-	-	-	-	28,336	-	-	-	-	(1)	-	-	1,862	-	-	-	-	-
Unearned Revenue	422,860	(96,297)	3,255	99,690	-	55,339	39,534	83,735	-	50	2,017	106	14	-	142,421	53,959	28,949	5,144	30	135	4,779
Other	98,926	-	1,787	16,121	-	682	1,212	382	253	395	12	2,880	582	-	3,737	60,150	308	176	389	6	9,854
Total Intragovernmental	**1,302,846**	**(101,397)**	**5,335**	**125,243**	**-**	**56,346**	**41,005**	**112,798**	**2,804**	**1,135**	**2,035**	**4,411**	**595**	**-**	**147,427**	**679,537**	**193,905**	**11,930**	**434**	**179**	**19,124**
Accounts Payable	327,328	-	1,587	45,784	64	11,099	6,111	359	-	1,170	871	4,707	1,499	-	24,822	132,072	4,928	1,144	21	162	90,928
Loan Guarantee Liabilities	55,732	-	-	-	-	-	-	-	54,735	-	-	-	(1)	-	-	998	-	-	-	-	-
Federal Employee Benefits	625,816	-	1,962	61,402	-	1,720	3,912	1,216	-	15	97	7,881	2,473	-	8,985	524,508	1,664	571	1,481	-	7,929
Environmental and Disposal Liabilities	67,443	-	-	-	-	-	-	-	-	-	-	-	-	-	46,969	20,474	-	-	-	-	-
Other																					
Accrued Payroll and Annual Leave	396,444	-	4,400	52,895	-	3,790	7,579	2,361	-	5,769	276	25,757	1,371	-	32,393	139,526	3,709	1,367	1,706	65	113,480
Accrued Grants	404,939	-	-	-	-	-	-	259,968	-	-	-	8,910	2,666	-	26,421	85,247	21,677	-	-	50	-
Capital Lease Liabilities	15,558	-	-	-	-	-	-	-	-	-	-	-	(1)	-	164	15,395	-	-	-	-	-
Unearned Revenue	1,004,305	-	1,559	5,845	-	-	-	7	-	704	103	9,034	-	-	11,730	41,019	64	4,913	-	-	929,327
Other	27,685	-	55	1,518	-	3,476	2,143	-	(1)	2	-	10,058	2	-	1,267	8,316	199	(1)	(1)	(1)	653
TOTAL LIABILITIES	**$ 4,228,096**	**$ (101,397)**	**$ 14,898**	**$ 292,687**	**$ 64**	**$ 76,431**	**$ 60,750**	**$ 376,709**	**$ 57,538**	**$ 8,795**	**$ 3,382**	**$ 70,758**	**$ 8,604**	**$ -**	**$ 300,178**	**$ 1,647,092**	**$ 226,146**	**$ 19,924**	**$ 3,641**	**$ 455**	**$ 1,161,441**
NET POSITION																					
Unexpended Appropriations																					
Unexpended Appropriations - Earmarked Funds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unexpended Appropriations - Other Funds	4,528,905	-	12,412	117,069	-	17,636	-	459,552	50,746	9,426	-	94,884	7,636	319	499,142	3,210,006	45,753	-	2,277	2,047	-
Cumulative Results of Operations																					
Cumulative Results of Operations - Earmarked Funds	552,347	-	-	-	-	-	-	-	-	-	-	-	-	-	-	119,181	(46,389)	15,535	-	-	464,020
Cumulative Results of Operations - Other Funds	4,891,375	-	(4,254)	131,332	9,722	(5,896)	(4,491)	(3,040)	(2,739)	(2,965)	2,181	(24,075)	(3,510)	-	598,870	4,199,561	3,701	-	(2,988)	(34)	-
TOTAL NET POSITION	**$ 9,972,627**	**$ -**	**$ 8,158**	**$ 248,401**	**$ 9,722**	**$ 11,740**	**$ (4,491)**	**$ 456,512**	**$ 48,007**	**$ 6,461**	**$ 2,181**	**$ 70,809**	**$ 4,126**	**$ 319**	**$ 1,098,012**	**$ 7,528,748**	**$ 3,065**	**$ 15,535**	**$ (711)**	**$ 2,013**	**$ 464,020**
TOTAL LIABILITIES AND NET POSITION	**$ 14,200,723**	**$ (101,397)**	**$ 23,056**	**$ 541,088**	**$ 9,786**	**$ 88,171**	**$ 56,259**	**$ 833,221**	**$ 105,545**	**$ 15,256**	**$ 5,563**	**$ 141,567**	**$ 12,730**	**$ 319**	**$ 1,398,190**	**$ 9,175,840**	**$ 229,211**	**$ 35,459**	**$ 2,930**	**$ 2,468**	**$ 1,625,461**

See accompanying independent auditors' report.

Required Supplementary Information

(UNAUDITED)


DEPARTMENT OF COMMERCE
UNITED STATES OF AMERICA

Required Supplementary Information (unaudited)

A *Deferred Maintenance*

Deferred maintenance is maintenance that was not performed when it should have been, that was scheduled and not performed, or that was delayed for a future period. Maintenance is the act of keeping property, plant, and equipment (PP&E) in acceptable operating condition and includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it can deliver acceptable performance and achieve its expected life. Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from or significantly greater than those originally intended. The significant portions of Departmental deferred maintenance relate to the PP&E of both NOAA and NIST (see below for abbreviations). These two entities represent 94 percent of the Department's General PP&E, Net balance as of September 30, 2007.

National Oceanic and Atmospheric Administration (NOAA):

NOAA uses the Condition Assessment Survey (CAS) method to identify and quantify deferred maintenance for assets meeting NOAA's $200 thousand capitalization threshold. The CAS method employs a periodic inspection of real property to determine its current condition and to estimate costs to correct any deficiencies.

The following shows NOAA's deferred maintenance for projects with estimated costs greater than $50 thousand, as of September 30, 2007:

(In Thousands)

PP&E Category	Asset Condition	Estimated Cost to Return to Acceptable Condition
Buildings and Structures	4	$ 6,671 to $ 8,153
Heritage Assets	5,4,3	11,760 to 14,370
Total		**$ 18,431 to $ 22,523**

NOAA has established a facility condition code to classify the condition of the Buildings and Structures. Each Building and Structure is assessed an individual facility condition code. The average of the individual facility condition codes determines the CAS Asset Condition. The CAS method for Buildings and Structures is based on a five-point scale, with 1 representing excellent condition; 2 – good condition; 3 – fair condition; 4 – poor condition; and 5 – very poor condition. The amounts reported represent non-critical maintenance to bring the assets to good condition. The CAS method for heritage assets is based on the same five-point scale as the Buildings and Structures. Acceptable condition is considered to be those assets rated in fair, good, or excellent condition. There is an annual call each year to the NOAA components, requesting their submissions of new projects and updates to existing unfunded projects to reflect changes in requirements or costs.

National Institute of Standards and Technology (NIST):

NIST also uses the CAS method to estimate deferred maintenance. NIST values the condition of assets using a five-point scale, with 1 representing excellent condition; 2 – good condition; 3 – acceptable condition; 4 – poor condition; and 5 – very poor condition. Assets that are assessed at 4 or 5 require repairs and maintenance to increase their value to 3, or acceptable condition. The following shows NIST's deferred maintenance as of September 30, 2007:

(In Thousands)

PP&E Category	Asset Condition	Estimated Cost to Return to Acceptable Condition
Mechanical and Electrical Devices	5	$ 376,900 to $ 419,100
Buildings (Internal Structures)	4	57,400 to 73,800
Buildings (External Structures)	4	40,300 to 47,900
Total		**$ 474,600 to $ 540,800**

B *Stewardship Marine Sanctuaries, Marine National Monument, and Conservation Area:*

NOAA maintains the following sanctuaries, Marine National Monument, and conservation area, which are similar in nature to stewardship land:

National Marine Sanctuaries: In 1972, Congress passed the Marine Protection, Research, and Sanctuaries Act (Act) in response to a growing awareness of the intrinsic environmental and cultural value of coastal waters. The Act authorized the Secretary of Commerce to designate discrete areas as National Marine Sanctuaries. These protected waters provide a secure habitat for species close to extinction, and also protect historically significant shipwrecks and prehistoric artifacts. The sanctuaries are also used for recreational diving and sport fishing, and support valuable commercial industries such as fishing and kelp harvesting. As of September 30, 2007, 13 National Marine Sanctuaries, which include near-shore coral reefs and open ocean, have been designated, covering a total area of 19 thousand square miles. The waters and resources of the National Marine Sanctuaries are generally in good condition, though some specific resources (e.g. certain coral reefs, some commercial and recreational fisheries, and some benthic habitats) are threatened. Each individual sanctuary site (Monterey Bay, the Florida Keys, the Olympic Coast, and Channel Island are the largest four) conducts research and monitoring activities to characterize existing resources and document changes.

Papahãnaumokuăkea Marine National Monument: The majority of all coral reef habitats located in U.S. waters surround the Northwestern Hawaiian Islands (NWHI). The NWHI Coral Reef Ecosystem Reserve is the nation's largest marine protected area, and was established by Executive Orders in December 2000 and January 2001 in accordance with the National Marine Sanctuaries Amendments Act of 2000. On June 15, 2006, the President created the world's largest marine conservation area off the coast of the northern Hawaiian Islands. This conservation area, designated the Papahãnaumokuăkea Marine National Monument, encompasses nearly 140,000 square miles of U.S. waters, including 5,178 square miles of relatively undisturbed coral reef habitat that is home to more than 7,000 species. The Monument will be managed by the NOAA National Marine Sanctuary, with the Department of the Interior, and the State of Hawaii.

Aleutian Islands Habitat Conservation Area: On July 28, 2006, NOAA Fisheries Service formally established the Aleutian Islands Habitat Conservation Area in Alaska, which covers 279,114 square nautical miles and may harbor among the highest diversity of deep-water corals in the world. The conservation area established a network of fishing closures in the Aleutian Islands and Gulf of Alaska, and protects habitat for deep water corals and other sensitive features that are slow to recover once disturbed by

fishing gear or other activities. Six small areas that include fragile coral gardens discovered by NOAA Fisheries Service scientists will be closed to all bottom-contact fishing gear. This effort is part of a network of new marine protected areas in Alaskan waters designed to protect essential fish habitat.

C *Collection-type Heritage Assets*

The NOAA's collection-type heritage assets are comprised primarily of books, publications, manuscripts, records, nautical chart plates, and artifacts. Many of these heritage assets are maintained by the NOAA Central Library (Library). NOAA is currently reviewing the Library's total inventory of approximately 2 million items to determine additional items that should be classified as heritage assets. Many Library items are contemporary documents that are not expected to qualify as heritage assets. The Library's Regular Collection consists of over 700 thousand journal items (pre-1970 and current) and approximately 200 thousand books. Many Regular Collection items that are from pre-NOAA organizations are expected to be designated as additional heritage assets. NOAA expects to complete this review in FY 2008.

The NOAA's collection-type heritage assets also include items in the Thunder Bay Sanctuary Research Collection, comprised primarily of a) data cards listing most of the ships on the Great Lakes before year 1900, a roster of some 15,000 vessels complete with descriptive data and highlights of the ships' careers and their ultimate losses; and b) ship photograph negatives of 19th and 20th century Great Lakes ships.

The table below summarizes NOAA's collection-type heritage assets balance as of September 30, 2007. NOAA uses the Condition Assessment Survey (CAS) method to describe the condition of its assets. The CAS method is based on a five-point scale with 1 representing excellent condition; 2 – good condition; 3 – fair condition; 4 – poor condition; and 5 – very poor condition. Assets with the condition assessment level between 1 through 3 are defined as being suitable for public display. The books, publications, and manuscripts, which make up the majority of the NOAA Central Library's heritage assets, are in 4 – poor condition, and 5 – very poor condition. The heritage assets of the Thunder Bay Sanctuary Research Collection are in 2 – good condition.

Collection-type Heritage Assets					
Entity	**Description of Assets**	**Quantity of Items Held September 30, 2006**	**FY 2007 Additions**	**FY 2007 Withdrawals**	**Quantity of Items Held September 30, 2007**
NOAA Central Library	Publications, books, manuscripts, photographs, and maps	150,725	4,163	–	154,888
National Ocean Service–Thunder Bay Sanctuary Research Collection	Data cards, photograph negatives, document copies, photographs, books, and other items	108,179	–	–	108,179
Others	Artifacts, artwork, books, films, instruments, maps, and records	4,343	43	–	4,386
Total		**263,247**	**4,206**	**–**	**267,453**

D *Schedule of Budgetary Resources by Major Budget Account*

The following table illustrates the Departments budgetary resources by major budget accounts. The 'Other Programs" column refers to the Department's reporting entities and their budget accounts that are not listed.

United States Department of Commerce Schedule of Budgetary Resources by Major Budget Account
For the Year Ended September 30, 2007 *(In Thousands)*

	Combining Total	NOAA Operations, Research, and Facilities	USPTO Salaries and Expenses	NOAA Procurement, Acquisition, and Construction	NTIA Digital Television Transition and Public Safety Fund	ITA Operations and Administration	Census Bureau Periodic Censuses and Programs	EDA Grant Fund	Other Programs
BUDGETARY RESOURCES:									
Unobligated Balance, Brought Forward, October 1	$ 886,421	$ 197,613	$ 5,716	$ 65,722	$ -	$ 11,012	$ 6,602	$ 13,859	$ 585,897
Adjustments to Unobligated Balance, Brought Forward	(857)	-	-	-	-	-	(7)	-	(850)
Recoveries of Prior-years Unpaid Obligations	122,868	22,049	9,866	7,050	-	14,347	10,692	20,649	38,215
Budget Authority									
Appropriations	6,700,427	2,928,217	-	1,110,118	-	395,706	696,365	250,741	1,319,280
Borrowing Authority	1,156,747	-	-	-	1,084,164	-	-	-	72,583
Spending Authority From Offsetting Collections									
Earned									
Collected	3,276,988	279,476	1,735,310	1,223	-	15,156	13	18,573	1,227,237
Change in Receivables	(38,354)	(39,576)	459	-	-	(808)	-	-	1,571
Change in Unfilled Customer Orders									
Advances Received	31,143	(31,860)	55,325	-	-	(286)	-	(1,625)	9,589
Without Advances	6,877	6,700	-	-	-	99	-	-	78
Previously Unavailable	1,341	-	-	-	-	-	-	-	1,341
Total Budget Authority	**11,135,169**	**3,142,957**	**1,791,094**	**1,111,341**	**1,084,164**	**409,867**	**696,378**	**267,689**	**2,631,679**
Nonexpenditure Transfers, Net	118,736	83,153	(27)	(1,086)	-	2,095	-	-	34,601
Temporarily Not Available Pursuant to Public Law	(12,189)	-	(12,189)	-	-	-	-	-	-
Permanently Not Available	(84,967)	(57)	-	(24,001)	-	(129)	(1,453)	-	(59,327)
TOTAL BUDGETARY RESOURCES	**$ 12,165,181**	**$ 3,445,715**	**$ 1,794,460**	**$ 1,159,026**	**$ 1,084,164**	**$ 437,192**	**$ 712,212**	**$ 302,197**	**$ 3,230,215**
STATUS OF BUDGETARY RESOURCES:									
Obligations Incurred									
Direct	$ 8,216,109	$ 3,000,835	$ -	$ 1,118,288	$ 1,070,272	$ 413,201	$ 705,965	$ 277,453	$ 1,630,095
Reimbursable	3,067,779	251,374	1,766,424	-	-	14,452	-	15,305	1,020,224
Total Obligations Incurred	**11,283,888**	**3,252,209**	**1,766,424**	**1,118,288**	**1,070,272**	**427,653**	**705,965**	**292,758**	**2,650,319**
Unobligated Balance									
Apportioned	444,393	161,283	28,036	37,399	13,892	4,671	2,223	9,439	187,450
Exempt From Apportionment	298,865	-	-	-	-	-	-	-	298,865
Total Unobligated Balance	**743,258**	**161,283**	**28,036**	**37,399**	**13,892**	**4,671**	**2,223**	9,439	**486,315**
Unobligated Balance Not Available	138,035	32,223	-	3,339	-	4,868	4,024	-	93,581
TOTAL STATUS OF BUDGETARY RESOURCES	**$ 12,165,181**	**$ 3,445,715**	**$ 1,794,460**	**$ 1,159,026**	**$ 1,084,164**	**$ 437,192**	**$ 712,212**	**$ 302,197**	**$ 3,230,215**
CHANGE IN UNPAID OBLIGATED BALANCE, NET:									
Unpaid Obligated Balance, Net, Brought Forward, October 1									
Unpaid Obligations, Brought Forward	$ 6,009,174	$ 1,980,556	$ 553,827	$ 913,829	$ -	$ 109,732	$ 156,008	$ 774,020	$ 1,521,202
Less: Uncollected Customer Payments, Brought Forward	(314,037)	(241,412)	1,043	-	-	(4,213)	-	-	(69,455)
Total Unpaid Obligated Balance, Net, Brought Forward	**5,695,137**	**1,739,144**	**554,870**	**913,829**	**-**	**105,519**	**156,008**	**774,020**	**1,451,747**
Adjustments to Unpaid Obligations, Brought Forward	-	(1)	(1)	-	-	-	-	1	1
Obligations Incurred	11,283,888	3,252,209	1,766,424	1,118,288	1,070,272	427,653	705,965	292,758	2,650,319
Less: Gross Outlays	(9,955,597)	(3,097,979)	(1,798,918)	(952,899)	(59,984)	(426,046)	(708,295)	(260,085)	(2,651,391)
Less: Actual Recoveries of Prior-years Unpaid Obligations	(122,868)	(22,049)	(9,866)	(7,050)	-	(14,347)	(10,692)	(20,648)	(38,216)
Change in Uncollected Customer Payments	31,477	32,875	(459)	-	-	709	-	-	(1,648)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	**$ 6,932,037**	**$ 1,904,199**	**$ 512,050**	**$ 1,072,168**	**$ 1,010,288**	**$ 93,488**	**$ 142,986**	**$ 786,046**	**$ 1,410,812**
Unpaid Obligated Balance, Net, End of Period									
Unpaid Obligations	$ 7,214,597	$ 2,112,736	$ 511,466	$ 1,072,168	$ 1,010,288	$ 96,992	$ 142,986	$ 786,046	$ 1,481,915
Less: Uncollected Customer Payments	(282,560)	(208,537)	584	-	-	(3,504)	-	-	(71,103)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	**$ 6,932,037**	**$ 1,904,199**	**$ 512,050**	**$ 1,072,168**	**$ 1,010,288**	**$ 93,488**	**$ 142,986**	**$ 786,046**	**$ 1,410,812**
NET OUTLAYS:									
Gross Outlays	$ 9,955,597	$ 3,097,979	$ 1,798,918	$ 952,899	$ 59,984	$ 426,046	$ 708,295	$ 260,085	$ 2,651,391
Less: Offsetting Collections	(3,308,131)	(247,616)	(1,790,635)	(1,223)	-	(14,870)	(13)	(16,948)	(1,236,826)
Less: Distributed Offsetting (Receipts)/Outlays, Net	(72,871)	-	-	-	-	-	-	-	(72,871)
NET OUTLAYS	**$ 6,574,595**	**$ 2,850,363**	**$ 8,283**	**$ 951,676**	**$ 59,984**	**$ 411,176**	**$ 708,282**	**$ 243,137**	**$ 1,341,694**

Required Supplementary Stewardship Information

(UNAUDITED)


DEPARTMENT OF COMMERCE
UNITED STATES OF AMERICA

Required Supplementary Stewardship Information (unaudited)

Stewardship Investments

Stewardship investments are substantial investments made by the federal government for the benefit of the nation, but are not physical assets owned by the federal government. Though treated as expenses when incurred to determine the Department's Net Cost of Operations, these items merit special treatment so that users of federal financial reports know the extent of investments that are made for the long-term benefit of the nation.

Investments in Non-federal Physical Property:

Non-federal physical property investments are expenses included in the Department's Net Cost of Operations for the purchase, construction, or major renovation of physical property owned by state and local governments. Based on a review of the Department's programs, NOAA and EDA have significant investments in non-federal physical property.

NOAA:

National Estuarine Research Reserves (NERR): The NERR system consists of 27 estuarine reserves protected by federal, state, and local partnerships that work to preserve and protect the nation's estuaries. The NERR system helps to fulfill NOAA's stewardship mission to sustain healthy coasts by improving the nation's understanding and stewardship of estuaries. Estuarine reserves are the areas where freshwater from rivers meet the ocean. These areas are known as bays, swamps, sloughs, and sounds. These important coastal habitats are used as spawning grounds and nurseries for the nation's commercial fish and shellfish. Estuaries filter much of the polluted runoff from rivers and streams that would otherwise contaminate oceans. The reserves were created with the passage of the Coastal Zone Management Act of 1972, and, as of September 30, 2007, encompassed approximately 1.3 million acres of estuarine waters, wetlands, and uplands. The newest reserve, Mission-Aransas, TX, was designated on May 3, 2006. The NERRs are state-operated and managed in cooperation with NOAA. The NOAA's investments in non-federal physical property are for the acquisition of lands and development or construction of facilities, auxiliary structures, and public access routes for any NERR site.

Coastal and Estuarine Land Conservation Program: This program was established under the Commerce, Justice, and State Appropriations Act of 2002, "for the purpose of protecting important coastal and estuarine areas that have significant conservation, recreation, ecological, historical, or aesthetic values, or that are threatened by conversion from their natural or recreational state to other uses." The investments in non-federal physical property include matching grants awarded to state and local governments for land acquisition in coastal and estuarine areas. Since FY 2002, matching grants have been directed to 137 such projects.

Coastal Zone Management Fund: The Coastal Zone Management Program is authorized by the Coastal Zone Management Act of 1972, and administered at the federal level by NOAA's Office of Ocean and Coastal Resource Management. The investments in non-federal physical property include incidental expenses of land acquisition, and low-cost construction on behalf of various state and local governments, for the purpose of preservation or restoration of coastal resources and habitats. The NOAA's financing supports various coastal states in their redevelopment of deteriorating and urbanized waterfronts and ports, as well as providing for public access to beaches and coastal areas. The state and local governments receive funding

for these investments through NOAA grant expenditures, and these grant expenditures also include funding for purposes other than the investments in non-federal physical property. There is currently not in place a mechanism for the state and local governments to determine and report to NOAA the amount of monies they expend for the investments in non-federal physical property. The Department, accordingly, cannot report the amount of investments in non-federal physical property for the Coastal Zone Management Fund.

The NOAA's investments in non-federal physical property for FY 2003 through FY 2007 were as follows:

(In Millions)

Program	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	Total
National Estuarine Research Reserves	$ 24.0	$ 0.5	$ 15.4	$ 6.8	$ 11.6	$ 58.3
Coastal and Estuarine Land Conservation Program	3.6	21.8	15.5	18.5	34.7	94.1
Total	**$ 27.6**	**$ 22.3**	**$ 30.9**	**$ 25.3**	**$ 46.3**	**$ 152.4**

EDA:

Public Works: The Public Works program promotes long-range economic development in distressed areas by providing investments for vital public infrastructure and development facilities. These critical investments enable communities to attract new, or support existing, businesses that will generate new jobs and income for unemployed and underemployed residents. Among the types of projects funded are water, sewer, fiber optics, access roads, and facilities such as industrial and business parks, business incubator and skill training facilities, and port improvements.

Economic and Defense Adjustments: The Economic and Defense Adjustments program provides flexible investments for communities facing sudden or severe economic distress to diversify and stabilize its economy. Factors that seriously threaten the economic survival of local communities include essential plant closures, military base closures or realignments, defense laboratory or contractor downsizings, natural resource depletion, out-migration, under-employment, and destructive impacts of foreign trade.

Disaster Recovery: The Disaster Recovery program awards grants for the repair of infrastructure and economic development related facilities damaged by floods and other natural disasters. Funding for the Disaster Recovery program is generally through supplemental funding from Congress for recovery efforts to save, sustain, and preserve private enterprise and job creation in economically distressed communities.

The EDA's investments in non-federal physical property for FY 2003 through FY 2007 were as follows:

(In Millions)

Program	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	Total
Public Works	$ 232.8	$ 194.8	$ 220.1	$ 180.1	$ 155.5	$ 983.3
Economic and Defense Adjustments	88.7	75.3	75.4	53.1	53.5	346.0
Disaster Recovery	22.5	18.5	10.1	24.2	4.4	79.7
Total	**$ 344.0**	**$ 288.6**	**$ 305.6**	**$ 257.4**	**$ 213.4**	**$ 1,409.0**

The above investments require matching funds by state and local governments of 20 to 50 percent.

Investments in Human Capital:

Human capital investments are expenses, included in the Department's Net Cost of Operations, for education and training programs that are intended to increase or maintain national economic productive capacity and produce outputs and outcomes that provide evidence of the constant or increasing national productive capacity. These investments exclude education and training expenses for federal civilian and military personnel. Based on a review of the Department's programs, the most significant dollar investments in human capital are by NOAA.

NOAA:

National Sea Grant College Program: Sea Grant is a nationwide network, administered through NOAA, of 32 university-based programs that work with coastal communities. With the adoption in 1966 of the National Sea Grant College Act, Congress established an academic/industry/government partnership that would enhance the nation's education, economy, and environment into the 21st century. The program supports activities designed to increase public awareness of coastal, ocean, and Great Lakes issues, to provide information to improve management decisions in coastal, ocean, and Great Lakes policy, and to train graduate students in marine and Great Lakes science. The Knauss Fellowship Program offers qualified masters and doctoral students the opportunity to spend a year working on Marine and Great Lakes policy issues with the Executive and Legislative branches of the federal government. There is also a Graduate Fellowship Program for Ph.D. candidates in the specialized areas of population dynamics and marine resource economics. Participants in this program can receive up to three years of funding.

National Estuarine Research Reserve Program: This program supports activities designed to increase public awareness of estuary issues, provide information to improve management decisions in estuarine areas, and train graduate students in estuarine science. The National Estuarine Research Reserve System's Graduate Research Fellowship (GRF) Program offers qualified masters and doctoral students the opportunity to address scientific questions of local, regional, and national significance. The result is high-quality research focused on improving coastal management issues. All GRF projects must be conducted in a National Estuarine Research Reserve and enhance the scientific understanding of the reserve's ecosystem. In FY 2007, 52 Graduate Research Fellowships have been awarded.

Educational Partnership Program: The NOAA **Educational Partnership Program (EPP)** with **Minority Serving Institutions (MSI)** provides financial assistance through competitive processes to minority serving institutions that support research and training of students in NOAA-related sciences. The program's goal is to increase the number of educated, trained and graduated students from underrepresented communities in science and technology directly related to NOAA's mission. The EPP/MSI also seeks to increase collaborative research efforts between NOAA scientists and researchers at minority serving academic institutions. Financial assistance is provided through four competitive program components: the Cooperative Science Centers, the Environmental Entrepreneurship Program, the Graduate Sciences Program, and the Undergraduate Scholars Program.

NOAA provides funding to eligible MSIs on a competitive basis to educate, train and graduate students in NOAA sciences, particularly atmospheric, oceanic, environmental, living marine resources, remote sensing and scientific environmental technology. The NOAA EPP Cooperative Science Center goals are to:

- Educate, train and graduate students, particularly from underrepresented communities, in NOAA mission sciences;
- Develop expertise in a NOAA scientific area;
  - Strengthen and build capacity in a NOAA scientific and management area
  - Build research experience in a NOAA scientific and management area

- Increase graduation rates of students from underrepresented communities in NOAA mission sciences;
- Impact NOAA workforce statistics by increasing representation from underrepresented communities in NOAA mission sciences;
- Leverage NOAA funds to build the education and research capacity at the MSI.

The EPP/MSI Environmental Entrepreneurship Program (EEP) provides funding to eligible minority serving institutions on a competitive basis to engage students to pursue advanced academic study and entrepreneurship opportunities in the NOAA-related sciences. NOAA's EEP supports student training and experiential learning opportunities for the purpose of stimulating job-creation, business development, and revitalizing local communities. EEP's objective is to increase the number of students at MSIs proficient in environmental business enterprises.

The Undergraduate Scholarship Program is designed to increase the number of students who undertake course work and graduate with degrees in the targeted areas integral to NOAA's mission. Appointments are for two years, and are made to students who have recently declared or are about to declare a major in atmospheric, oceanic, or environmental science. The students participate in research, training, and development activities at NOAA offices and facilities during two summer internships. There were 15 students that started the program in FY 2007.

The Graduate Sciences Program (GSP) is aimed primarily at increasing opportunities for students in NOAA-related fields to pursue research and educational training in atmospheric, environmental, remote sensing and oceanic sciences at minority serving institutions (MSI) when possible. The GSP offers between two years (master's candidates) to four years (doctoral students) of NOAA-related research and training opportunities. The GSP provides college graduates entry-level employment and hands-on research and work experience at NOAA. Currently, seven students were selected and were participating in the GSP in FY 2007. The program hopes to add five more students in FY 2008.

Ernest F. Hollings Undergraduate Scholarship Program: This program was established in 2005 to (1) increase undergraduate training in oceanic and atmospheric science, research, technology, and education, and foster multidisciplinary training opportunities; (2) increase public understanding and support for stewardship of the ocean and atmosphere and improve environmental literacy; (3) recruit and prepare students for public service careers with NOAA and other agencies at the federal, state, and local levels of government; and (4) recruit and prepare students for careers as teachers and educators in oceanic and atmospheric science and to improve scientific and environmental education in the U.S. There were 110 students starting the program in 2007. The first scholarship recipients are expected to complete the program in May 2009.

The following table summarizes NOAA's investments in human capital for FY 2003 through FY 2007:

(In Millions)

Program	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	Total
National Sea Grant College Program	$ 0.7	$ 0.6	$ 0.7	$ 0.7	$ 0.5	$ 3.2
National Estuarine Research Reserve Program	0.1	0.8	0.9	0.9	0.8	3.5
Educational Partnership Program	N/A [1]	N/A	7.0	13.9	14.2	35.1
Ernest F. Hollings Undergraduate Scholarship Program	N/A	N/A	0.3	3.8	4.1	8.2
Total	**$ 0.8**	**$ 1.4**	**$ 8.9**	**$ 19.3**	**$ 19.6**	**$ 50.0**

[1] *Not applicable*

The following table further summarizes NOAA's human capital investments for FY 2003 to FY 2007 by performance outcome:

(In Millions)

Performance Outcome	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Protect, Restore, and Manage the Use of Coastal and Ocean Resources Through an Ecosystem Approach to Management	$ 0.8	$ 1.4	$ 8.9	$ 19.3	$ 19.6

Investments in Research and Development (R&D):

Investments in R&D are expenses that are included in the Department's Net Cost of Operations. The investments are divided into three categories: (1) basic research, the systematic study to gain knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications toward processes or products in mind; (2) applied research, the systematic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met; and (3) development, the systematic use of the knowledge and understanding gained from research for the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes. The investments are made with the expectation of maintaining or increasing national economic productive capacity, or yielding other future economic and societal benefits. Based on a review of the Department's programs, the only significant investments in R&D are by NIST and NOAA.

NIST:

NIST Laboratories Program: The NIST Laboratories have been the stewards of the nation's measurement infrastructure since their inception in 1901 as the National Bureau of Standards. The NIST Laboratories foster scientific and technological leadership by helping the United States to drive and take advantage of the increased pace of technological change, fostering more efficient transactions in the domestic and global marketplace, and addressing other critical needs assigned to NIST by the Administration and Congress. In support of the American Competitiveness Initiative, NIST develops and disseminates measurement techniques, reference data, test methods, standards, and other infrastructural technologies and services required by U.S. industry, government and academia to compete in the 21st century. In this way, the laboratories promote innovation, facilitate trade, and ensure public safety and security by strengthening the nation's measurement and standards infrastructure.

Advanced Technology Program (ATP): The ATP is a cost-shared funding program for businesses that was intended to develop new technologies for commercial use. ATP was abolished by the America COMPETES Act which was signed by the President on August 9, 2007. However, this statute allows for continued support for previously awarded ATP projects and the 56 new FY 2007 awards. Special attention is being given to documenting the results of funded research to ensure maximum private sector use is made of this investment in the years ahead.

The following table summarizes NIST's R&D investments for FY 2003 through FY 2007 by R&D Category:

(In Millions)

	NIST Laboratories					Advanced Technology Program					Total				
R&D Category	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Basic Research	$ 74.2	$ 65.0	$ 66.6	$ 85.2	$ 110.7	$ -	$ -	$ -	$ -	$ -	$ 74.2	$ 65.0	$ 66.6	$ 85.2	$ 110.7
Applied Research	307.9	319.7	325.6	345.8	345.3	86.8	96.9	96.1	58.0	31.0	394.7	416.6	421.7	403.8	376.3
Development	19.4	13.7	14.3	16.7	15.3	86.9	96.9	96.0	58.0	30.9	106.3	110.6	110.3	74.7	46.2
Total	**$ 401.5**	**$ 398.4**	**$ 406.5**	**$ 447.7**	**$ 471.3**	**$ 173.7**	**$ 193.8**	**$ 192.1**	**$ 116.0**	**$ 61.9**	**$ 575.2**	**$ 592.2**	**$ 598.6**	**$ 563.7**	**$ 533.2**

The following tables further summarize NIST's R&D investments for FY 2004 through FY 2007 by performance outcome. The Department did not collect this data by performance goal prior to FY 2004.

(In Millions)

FY 2007				
Performance Outcome	**Basic Research**	**Applied Research**	**Development**	**Total**
Promote Innovation, Facilitate Trade, and Ensure Public Safety and Security by Strengthening the Nation's Measurements and Standards Infrastructure	$ 110.7	$ 345.3	$ 15.3	$ 471.3
Accelerate Private Investment in and Development of High-risk, Broad-impact Technologies	-	31.0	30.9	61.9
Total	**$ 110.7**	**$ 376.3**	**$ 46.2**	**$ 533.2**

(In Millions)

FY 2006				
Performance Outcome	**Basic Research**	**Applied Research**	**Development**	**Total**
Promote Innovation, Facilitate Trade, Ensure Public Safety and Security, and Help Create Jobs by Strengthening the Nation's Measurements and Standards Infrastructure	$ 85.2	$ 345.8	$ 16.7	$ 447.7
Accelerate Private Investment in and Development of High-risk, Broad-impact Technologies	-	58.0	58.0	116.0
Total	**$ 85.2**	**$ 403.8**	**$ 74.7**	**$ 563.7**

(In Millions)

FY 2005				
Performance Outcome	**Basic Research**	**Applied Research**	**Development**	**Total**
Promote Innovation, Facilitate Trade, Ensure Public Safety and Security and Help Create Jobs by Strengthening the Nation's Measurements and Standards Infrastructure	$ 66.6	$ 325.6	$ 14.3	$ 406.5
Accelerate Private Investment in and Development of High-risk, Broad-Impact Technologies	-	96.1	96.0	192.1
Total	**$ 66.6**	**$ 421.7**	**$ 110.3**	**$ 598.6**

(In Millions)

FY 2004				
Performance Outcome	**Basic Research**	**Applied Research**	**Development**	**Total**
Provide Technical Leadership for the Nation's Measurements and Standards Infrastructure; and	$ -	$ -	$ -	$ -
Assure the Availability and Efficient Transfer of Measurement and Standards Capabilities Essential to Established Industries	$ 65.0	$ 319.7	$ 13.7	$ 398.4
Accelerate Private Investment in and Development of High-risk, Broad-impact Technologies	-	96.9	96.9	193.8
Total	**$ 65.0**	**$ 416.6**	**$ 110.6**	**$ 592.2**

NOAA:

NOAA conducts a substantial program of environmental R&D in support of its mission, much of which is performed to improve the U.S.'s understanding of and ability to predict environmental phenomena. The scope of research includes:

- Improving predictions and warnings associated with the weather, on time scales ranging from minutes to weeks;
- Improving predictions of climate, on time scales ranging from months to centuries;
- Improving understanding of natural relationships to better predict and manage renewable marine resources and coastal and ocean ecosystems.

NOAA also conducts research that is intended to provide a solid scientific basis for environmental policy-making in government. Examples of this research include determining the stratospheric ozone-depleting potential of proposed substitutes for chlorofluorocarbons (CFCs), and identifying the causes of the episodic high rural ozone levels that significantly damage crops and forests.

NOAA conducts most R&D in-house; however, contractors to NOAA undertake most systems R&D. External R&D work supported by NOAA includes that undertaken through federal-academic partnerships such as the National Sea Grant College Program, the Cooperative Institutes of the Environmental Research Laboratories, the Climate and Global Change Program, and the Coastal Ocean Program.

Here is a brief description of the major R&D programs of NOAA:

Environmental and Climate: The Office of Oceanic and Atmospheric Research is NOAA's primary research and development office. This office conducts research in three major areas: climate research, weather and air quality research, and ocean, coastal, and Great Lakes research. The NOAA's research laboratories, Climate Program Office, and research partners conduct a wide range of research into complex climate systems, including the exploration and investigation of ocean habitats and resources. The NOAA's research organizations conduct applied research on the upper and lower atmosphere as well as the space environment.

Fisheries: The NOAA's NMFS is responsible for the management and stewardship of living marine resources and their habitat within the Nation's Exclusive Economic Zone. The NMFS manages these resources through science-based conservation and management, and the protection and restoration of healthy ecosystems to ensure their continuation as functioning components of ecosystems, while also affording economic opportunities and enhancing the quality of life for the American public. Fishery stocks and protected species are surveyed, catch data are collected, and research is conducted to better understand the variables affecting the abundance and variety of marine fishes and protected species. Protection of endangered species, restoration of coastal and estuarine fishery habitats, and enforcement of fishery regulations are primary bureau activities. The research and management of living marine resources is conducted in partnership with states, universities, other countries, and international organizations.

Marine Operations and Maintenance and Aircraft Services: These expenditures support NOAA's programs requiring operating days and flight hours to collect data at sea and in the air. The NOAA's Marine and Aviation Operations manage a wide variety of specialized aircraft and ships to complete NOAA's environmental and scientific missions. The aircraft collect the environmental and geographic data essential to NOAA hurricane and other weather and atmospheric research, conduct aerial surveys for hydrologic research to help predict flooding potential from snowmelt, and provide support to NOAA's fishery research and marine mammal assessment programs. The NOAA's ship fleet provides oceanographic and atmospheric research and fisheries research vessels to support NOAA's strategic plan elements and mission.

Weather Service: The National Weather Service conducts applied research and development, building upon research conducted by NOAA laboratories and the academic community. Applied meteorological and hydrological research is integral to providing more timely and accurate weather, water, and climate services to the public.

Other Programs: As a national lead for coastal stewardship, National Ocean Service promotes a wide range of research activities to create the strong science foundation required to advance the sustainable use of precious coastal systems. Understanding of the coastal environment is enhanced through coastal ocean activities that support science and resource management programs. The National Environmental Satellite Data and Information Service, through its Office of Research and Applications, conducts atmospheric, climatological, and oceanic research into the use of satellite data for monitoring environmental characteristics and their change. It also provides guidance for the development and evolution of spacecraft and sensors to meet future needs.

The NOAA's R&D investments by program for FY 2003 through FY 2007 were as follows:

(In Millions)

Program	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	Total
Environmental and Climate	$ 351.4	$ 317.9	$ 307.8	$ 324.2	$ 289.3	$ 1,590.6
Fisheries	156.4	70.6	53.5	56.3	49.3	386.1
Marine Operations and Maintenance and Aircraft Services	90.4	51.7	57.5	50.7	51.1	301.4
Weather Service	20.4	17.6	26.9	15.1	40.8	120.8
Other	83.3	116.5	124.9	124.1	120.2	569.0
Total	**$ 701.9**	**$ 574.3**	**$ 570.6**	**$ 570.4**	**$ 550.7**	**$ 2,967.9**

The following table summarizes NOAA's R&D investments for FY 2003 through FY 2007 by R&D category:

(In Millions)

R&D Category	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	Total
Applied Research	$ 680.8	$ 546.7	$ 514.8	$ 523.1	$ 475.7	$ 2,741.1
Development	21.1	27.6	55.8	47.3	75.0	226.8
Total	**$ 701.9**	**$ 574.3**	**$ 570.6**	**$ 570.4**	**$ 550.7**	**$ 2,967.9**

The following tables further summarize NOAA's R&D investments for FY 2004 through FY 2007 by performance outcome. The Department did not collect this data by performance goal prior to FY 2004.

(In Millions)

FY 2007			
Performance Outcome	Applied Research	Development	Total
Protect, Restore, and Manage the Use of Coastal and Ocean Resources Through an Ecosystem Approach to Management	$ 225.9	$ 12.3	$ 238.2
Understand Climate Variability and Change to Enhance Society's Ability to Plan and Respond	145.9	12.3	158.2
Serve Society's Needs for Weather and Water Information	101.6	50.2	151.8
Support the Nation's Commerce with Information for Safe, Efficient, and Environmentally Sound Transportation	2.3	0.2	2.5
Total	**$ 475.7**	**$ 75.0**	**$ 550.7**

(In Millions)

FY 2006			
Performance Outcome	**Applied Research**	**Development**	**Total**
Protect, Restore, and Manage the Use of Coastal and Ocean Resources Through an Ecosystem-based Management	$ 250.7	$ 14.0	$ 264.7
Understand Climate Variability and Change to Enhance Society's Ability to Plan and Respond	160.2	12.3	172.5
Serve Society's Needs for Weather and Water Information	109.0	20.9	129.9
Support the Nation's Commerce with Information for Safe, Efficient, and Environmentally Sound Transportation	3.2	0.1	3.3
Total	**$ 523.1**	**$ 47.3**	**$ 570.4**

(In Millions)

FY 2005			
Performance Outcome	**Applied Research**	**Development**	**Total**
Protect, Restore, and Manage the Use of Coastal and Ocean Resources Through an Ecosystem-based Management	$ 242.4	$ 8.6	$ 251.0
Understand Climate Variability and Change to Enhance Society's Ability to Plan and Respond	157.8	5.3	163.1
Serve Society's Needs for Weather and Water Information	105.4	41.9	147.3
Support the Nation's Commerce with Information for Safe, Efficient, and Environmentally Sound Transportation	9.2	-	9.2
Total	**$ 514.8**	**$ 55.8**	**$ 570.6**

(In Millions)

FY 2004			
Performance Outcome	**Applied Research**	**Development**	**Total**
Protect, Restore, and Manage the Use of Coastal and Ocean Resources Through an Ecosystem Approach to Management	$ 271.6	$ 10.1	$ 281.7
Understand Climate Variability and Change to Enhance Society's Ability to Plan and Respond	163.6	4.3	167.9
Serve Society's Needs for Weather and Water Information	94.9	9.2	104.1
Support the Nation's Commerce with Information for Safe, Efficient, and Environmentally Sound Transportation	16.6	4.0	20.6
Total	**$ 546.7**	**$ 27.6**	**$ 574.3**