

Statement of the Federal Trade Commission
Senate Appropriations Subcommittee on Financial Services and General Government
Hearing on the General Services Administration – FY 2013 Budget Request
April 18, 2012

At the Subcommittee's invitation, we write as the five members of the bipartisan Federal Trade Commission – Jon Leibowitz, J. Thomas Rosch, Edith Ramirez, Julie Brill, and Maureen Ohlhausen – to voice our serious concerns about the significant and unnecessary costs to the American taxpayer if the historic Federal Trade Commission Building is given away to the National Gallery of Art and the FTC is forced to move into commercial leased space.

Instead of saving the government money, the proposed transfer would needlessly forfeit a valuable federal building and could initially cost well over \$100 million, with substantial additional costs incurred for years to come. Such an unprecedented giveaway would be contrary to the interests of American taxpayers, especially in this time of fiscal austerity.

First, under proposals in the House of Representatives, the federal government would simply give away a federal building that was recently appraised at \$92 to \$95 million. In addition, appropriated funds still would be required to pay for the maintenance of the FTC Building if given to the National Gallery. Although the National Gallery's East and West Buildings were acquired with private money, their maintenance and operations fall to taxpayers under the National Gallery's charter. For example, over the past several years, Congress has appropriated more than \$80 million just for repairs to the marble façade of the East Building. More troubling, in its FY 2013 Congressional Budget Justification, the National Gallery identified \$45 million in additional critical maintenance and repair needs for its East and West Buildings. Although the National Gallery purports to have the ability to raise hundreds of millions of dollars to repurpose the FTC Building, if this building is given to the National Gallery, taxpayers would be responsible for paying to maintain and operate it.

Second, American taxpayers would incur \$70 to \$83 million in estimated costs to move the FTC out of its headquarters building. Moving the FTC headquarters would require the replication of the FTC's sophisticated Internet and forensic labs, litigation support technology, and pre-merger filing databases, as well as the agency's data center.

The costs to move would represent about a quarter of the FTC's annual appropriation. We would be extremely concerned if any of these costs had to be taken out of the FTC's operational budget, and the agency had to cut back on its critical work on behalf of American consumers. As this Subcommittee knows, the FTC has consumer protection and competition jurisdiction over broad sectors of the economy, including health care, privacy, technology, and energy. The FTC is also working to protect consumers struggling with the economic downturn against all manner of schemes – bogus job opportunities, sham debt relief, and fraudulent mortgage modification plans. At a time when all federal agencies face budget cuts, the FTC is particularly concerned that the agency might have to bear the wholly unnecessary cost of being moved out of the FTC Building and into commercial space.

Third, the latest proposal to transfer the FTC Building to the National Gallery would move the FTC into privately owned space. To occupy its headquarters, the FTC currently pays \$6 million annually to the Federal Building Fund in lieu of rent. If the FTC headquarters were moved to commercial space and the FTC Building given to the National Gallery, the Building Fund would lose that revenue, and more of the FTC's appropriation would be needed to pay a substantially higher rent to a commercial landlord. Moreover, the move out of a federal building into commercial space could mean that FTC costs to move, including the costs to replicate its technology systems, could recur periodically. Additional appropriations could be needed every ten years or so as leases expire and are replaced, through the competitive bidding procurement process, with new leases.

Finally, the facts do not support claims that the proposed FTC Building giveaway would save taxpayers hundreds of millions of dollars in building repair expenses because the National Gallery would pay them with private funds. The FTC Building is in excellent condition and needs no significant renovation, repair, or maintenance. In particular, the 75-year old building has up-to-date electrical, plumbing, and HVAC systems, which are in excellent working order. The General Services Administration has listed no major projects on its five-year maintenance and renovation schedule for the FTC Building.

Any money that would be privately raised to pay for hundreds of millions of dollars in renovations to the FTC Building apparently represents the costs of repurposing the FTC Building to suit the specifications of the National Gallery of Art. This constitutes no savings to taxpayers, but is an estimate of the costs associated with remodeling the building for a completely different purpose than the one for which it was designed and built.

We believe the most cost-effective plan for housing the FTC headquarters is the status quo – keep the FTC in the FTC Building. There is no need to appropriate significant additional funds to move the FTC headquarters now and every ten years or so – and there is no reason the federal taxpayer should give away a valuable asset. The historic headquarters building was designed and built for the FTC,¹ has been adapted to meet its evolving needs, and well supports the FTC's mission into the 21st Century.

¹ When laying the cornerstone for the FTC Building on July 12, 1937, President Franklin Roosevelt stated: “May this permanent home of the Federal Trade Commission stand for all time as a symbol of the purpose of the Government to insist on a greater application of the Golden Rule to the conduct of corporation and business enterprises in their relationship to the body politic.”