

FEDERAL TRADE COMMISSION

**FISCAL YEAR 2003
CONGRESSIONAL JUSTIFICATION**



Budget Summary

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FEDERAL TRADE COMMISSION FISCAL YEAR 2003 OVERVIEW STATEMENT AND BUDGET REQUEST

This statement supports a Federal Trade Commission Fiscal Year 2003 Congressional budget request of \$171,599,000, an increase of \$15,617,000 over the FTC's FY 2002 appropriation. This request supports 1,074 appropriated full-time-equivalent staff years (FTE), which are necessary to fulfill the FTC's missions. Separately, the Administration is proposing legislation requiring each agency to directly fund the full fiscal year cost of the Federal Employees Health Benefit and Civil Service Retirement System programs. Should this proposed legislation be enacted, the FTC's appropriation request would increase by \$4,910,000 to \$176,509,000.

BACKGROUND - FY 2001

The FTC is the only Federal agency with broad jurisdiction to enhance consumer welfare and protect competition in broad sectors of the economy. The FTC enforces the laws that prohibit business practices that are anticompetitive, deceptive, or unfair to consumers; promotes informed consumer choice and public understanding of the competitive process; and seeks to accomplish its mission without impeding legitimate business activity. By eliminating unfair or deceptive acts or practices in the marketing of goods and services, and by ensuring that markets function competitively, the FTC helps to bring the best products and lowest prices to consumers, to spur innovation, and to strengthen the economy.

During FY 2001, the FTC had a significant return-on-investment for consumers and businesses alike. Among other accomplishments, the FTC:

- Ⓒ Saved consumers an estimated \$3.3 billion through law enforcement actions – a savings of \$23 for each \$1 spent on FTC operations.
- Ⓒ Addressed abusive personal privacy violations. The FTC obtained \$100,000 in the first three civil penalty cases brought for violations of the Children's Online Privacy Protection Rule. In the Operation Detect Pretext enforcement effort, staff screened 1,000 Web sites, reviewed more than 500 print media advertisements, and identified approximately 200 firms that offered to obtain and sell asset or bank account information to third parties. As a result, the FTC filed three complaints in federal court against entities allegedly engaged in pretexting, and published a Consumer Alert titled "*Pretexting: Your Personal Information Revealed.*"
- Ⓒ Established the agency as a key player protecting consumers against Identity Theft. The FTC's toll-free number, 877-ID-THEFT, received 4,000 calls each week to report incidents of ID theft or request related consumer information. Through the FTC's secure Consumer Sentinel Web site, more than 235 law enforcement members had access to more than 131,000 identity theft complaints to assist them in identifying and targeting the most serious consumer problems. In addition, following an October 2000 workshop with more than 170 participants, the FTC released a universal ID Theft Affidavit for use by victims of ID Theft and distributed more than 236,000 copies of its comprehensive education booklet, *ID Theft: When Bad Things Happen to Your Good Name.*

- C Focused its antitrust enforcement resources on sectors of the economy that most directly affect consumers. In the energy sector, FTC actions in cases involving petroleum refining, distribution and marketing, and natural gas and electricity transmission will save consumers more than two billion dollars on fuel and utility bills. To ensure continued competition in a \$16 billion merger involving natural gas transportation providers,

CURRENT AND PLANNED ACTIVITIES - FY 2002

Consumer Protection Mission

Privacy.

countries. The IMSN identifies worldwide enforcement issues, facilitates the sharing of information about cross-border commercial activities affecting consumer interests and encourages international cooperation among law enforcement agencies.

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cases through settlement, it is sometimes necessary to litigate an antitrust challenge where the stakes may run into the billions of dollars. In these circumstances, the opposing parties inevitably assemble a team of the best private-sector legal, economic, and other talent that money can buy to defend against the government's challenge. While the FTC clearly cannot spend equivalent funds, to protect consumers the agency must have the resources and expertise needed to help level the playing field in these complicated and high-stakes cases.

Outreach efforts. As part of the Maintaining Competition Mission, the FTC undertakes efforts to increase its understanding and awareness of important emerging industries and issues, such as business-to-business (B2B) and business-to-consumer (B2C) electronic commerce. The FTC also increases awareness of antitrust law through guidance to the business community; outreach efforts to Federal, state and local agencies, business groups and consumers; the development and publication of antitrust guidelines and policy statements; and speeches and publications. In FY 2002, the agency will assess the need for additional workshops, and whether its ongoing outreach efforts effectively target audiences and address critical issues in the marketplace.

NEEDED RESOURCES - FISCAL YEAR 2003

The FTC's appropriation request for \$171,599,000 will support 1,074 FTE. The increase of \$15,617,000 over FY 2002 includes:

- c \$7,352,000 for mandatory base expenses.
- c \$3,265,000 for systems support and increased physical security for staff.
- c \$5,000,000 for a national Do-Not-Call list.

Separately, the FTC's appropriation request would increase by an additional \$4,910,000 to \$176,509,000 should new government-wide legislation proposed by the Administration be enacted. This proposed legislation would directly fund each agency for the full fiscal year cost of the Federal Employees Health Benefit and Civil Service Retirement System.

Mandatory base expenses. [\$7,352,000]. Mandatory base expenses include: (1) the annualized cost for three months of the FY 2002 year pay increase and nine months cost of an FY 2003 pay raise at an annual rate of 2.4 percent (\$3,106,000); (2) non-pay inflation at 2.1 percent (\$1,046,000); (3) increased rental of space (\$1,700,000); and Consumer Response Center (CRC) contract costs (\$1,500,000). An increase in CRC clients needed for newly released the previous -2

Do-Not-Call Fees.

Budget Summary

(\$ in thousands)

Budget by Mission:	Fiscal Year 2002		Fiscal Year 2003		Change	
	FTE	Dollars	FTE	Dollars	FTE	Dollars
Consumer Protection	569	\$82,585	569	\$94,472	0	\$11,887
Maintaining Competition	505	73,397	505	77,127	0	3,730
Total w/o Proposed Legislation *	1,074	\$155,982	1,074	\$171,599	0	\$15,617
Proposed Legislation *	0	4,881	0	4,910	0	29
Total	1,074	\$160,863	1,074	\$176,509	0	\$15,646

Budget by Organization:

Headquarters	928	\$140,399	928	\$155,573	0	\$15,174
Regions	146	15,583	146	16,026	0	443
Total w/o Proposed Legislation *	1,074	\$155,982	1,074	\$171,599	0	\$15,617
Proposed Legislation *	0	4,881	0	4,910	0	29
Total	1,074	\$160,863	1,074	\$176,509	0	\$15,646

Budget by Funding Source:

HSR Filing Fees Current Year	\$160,863 **	\$173,509	\$12,646
Do-Not-Call Fees	0	3,000	3,000
Total	\$160,863	\$176,509	\$15,646

* The Administration's proposal to fully fund federal employee retirement costs.

** Includes \$4,881,000 for the Administration's proposal.

Summary of Changes
(\$ in thousands)

	<u>FY 2002 Estimate</u>	<u>FY 2003 Estimate</u>	<u>Net Change</u>
Budget Authority w/o Proposed Legislation*	\$155,982	\$171,599	+\$15,617
Proposed Legislation*	<u>4,881</u>	<u>4,910</u>	<u>+29</u>
Total	<u>\$160,863</u>	\$176,509	

Explanation of Change:

FY 2002 Appropriation

<u>FTE</u>	<u>Dollars</u>
1,074	\$155,982

Base Adjustments:

To provide for the annualization of the 2002 pay increase and 2003 pay increase effective January 2003.

---	+ \$3,106
-----	-----------

To provide for increases in other non-personnel services.

---	+ 1,046
-----	---------

To provide for increased space costs.

---	+ 1,700
-----	---------

To provide for increased costs of the Consumer Response Center.

---	+ 1,500
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Sub-total Base Adjustments.

<u>0</u>	<u>+ \$7,352</u>
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* The Administration's proposal to fully fund federal employee retirement costs.

Program Increases:

To provide for increased Consumer Information System support & physical security.	---	+ \$3,265
To provide for a National Do-Not-Call List.	---	+ 5,000
	<u>0</u>	<u>+ \$8,265</u>
Sub-total Program Increases		
Total Change.	<u>0</u>	<u>+ \$15,617</u>
FY 2003 Total w/o Proposed Legislation* . . .	1,074	\$171,599
Proposed Legislation*	---	+ 4,910
	<u>1,074</u>	<u>\$176,509</u>
FY 2003 Total.	<u>1,074</u>	<u>\$176,509</u>

* The Administration's proposal to fully fund federal employee retirement costs.

Annual Performance Plan Objectives by Program FTE

Consumer Protection Mission

	Fiscal Year 2002				Fiscal Year 2003			
	CP Obj. 1	CP Obj. 2	CP Obj. 3	Prgm. Total	CP Obj. 1	CP Obj. 2	CP Obj. 3	Prgm. Total
Advertising Practices	7	56	2	65	7	56	2	65
Marketing Practices	13	128	5	146	13	128	5	146
Financial Practices	6	46	2	54	6	46	2	54
Enforcement	3	50	2	55	3	50	2	55
Planning & Information	49	6	5	60	49	6	5	60
Consumer & Business Education	0	0	15	15	0	0	15	15
Economic & Consumer Policy Analysis	0	4	2	6	0	4	2	6
Program Management	6	18	3	27	6	18	3	27
CP Mission Support	28	101	12	141	28	101	12	141
Total Mission	112	409	48	569	112	409	48	569

Maintaining Competition Mission Obj. 2 2

	Fiscal Year 2002				Fiscal Year 2003			
	MC Obj. 1	MC Obj. 2	MC Obj. 3	Prgm. Total	MC Obj. 1	MC Obj. 2	MC Obj. 3	Prgm. Total

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY 2003 Target
Measure 2.2.3: Dollar savings for consumers resulting from FTC actions stopping anticompetitive nonmerger activity.	----	----	\$164 million	\$200 million	\$200 million
<i>Objective 2.3—Prevent consumer injury through education:</i>					
Measure 2.3.1: Quantify number of education and outreach efforts.	----	----	141	determine baseline	determine baseline
Measure 2.3.2: Quantify number of hits on antitrust information on FTC Web site.	----	----	2.6 million	determine baseline	determine baseline

Proposed Appropriations Language

SALARIES AND EXPENSES

For necessary expenses of the Federal Trade Commission, including uniforms or allowances therefor, as authorized by 5 U.S.C. 5901-5902; services as authorized by 5 U.S.C. 3109; hire of passenger motor vehicles; and not to exceed \$2,000 for official reception and representation expenses, [\$155,982,000] *\$176,509,000, to remain available until expended: Provided,* That not to exceed \$300,000 shall be available for use to contract with a person or persons for

Program and Financing

Identification Code: 29-0100-0-1-376	(\$ in millions)		
	FY 2001 Actual	FY 2002 CY	FY 2003 BY
Obligations by program activity:			
01.01 Maintaining Competition	28	...	...
01.02 Consumer Protection	31	...	...
01.92 Subtotal, direct program	59	...	...
09.01 Maintaining Competition	42	75	79
09.02 Consumer Protection	50	86	98
09.03 Reimbursable Program .	1	1	1
09.99 Total Reimbursable Program	93	162	178
10.00 Total New Obligations	152	162	178
Budgetary resources available for obligation:			
21.40 Unobligated balance available, start of year	4	6	6
22.00 New budget authority (gross)	153	162	178
22.10 Resources available from recoveries of prior year obligations	1	...	...
23.90 Total budgetary resources available for obligation	158	168	184
23.95 Total new obligations	-152	-162	-178
24.40 Unobligated balance available, end of year	6	6	6
New budget authority (gross), detail:			
Discretionary:			
Spending authority from offsetting collections			
40.00 Appropriation	59	...	...
68.00 Offsetting collections (HSR Fees)	91	163	175
68.00 Offsetting collections (Do Not Call Fees)	...	...	3
68.00 Offsetting collections (Fed. Reimb. Progm.)	1	1	1
68.26 From offsetting collections (unavailable balances)	2	...	5
68.45 Portion not available for obligation (limitation on obligations)	...	-2	-6
68.90 Spending authority from offsetting collections (total)	94	162	178
70.00 Total new budget authority (gross)	153	162	178
Change in obligated balances:			
72.40 Obligated balance, start of year	17	29	27
73.10 Total new obligations			

Program and Financing

Excludes the Administration's proposal to fully fund federal employee retirement costs.

(\$ in millions)

Identification Code: 29-0100-0-1-376	FY 2001 Actual	FY 2002 CY	FY 2003 BY
Obligations by program activity:			
01.01 Maintaining Competition	28	...	...
01.02 Consumer Protection	31	...	...
01.92 Subtotal, direct program	59	...	...
09.01 Maintaining Competition	40	73	77
09.02 Consumer Protection	47	83	95
09.03 Reimbursable Program .	1	1	1
09.99 Total Reimbursable Program	88	157	173
10.00 Total New Obligations	147	157	173
Budgetary resources available for obligation:			
21.40 Unobligated balance available, start of year	4	6	6
22.00 New budget authority (gross)	148	157	173
22.10 Resources available from recoveries of prior year obligations	1	...	...
23.90 Total budgetary resources available for obligation	153	163	179
23.95 Total new obligations	-147	-157	-173
24.40 Unobligated balance available, end of year	6	6	6
New budget authority (gross), detail:			
Discretionary:			
Spending authority from offsetting collections			
40.00 Appropriation	59	...	...
68.00 Offsetting collections (HSR Fees)	86	158	175
68.00 Offsetting collections (Do Not Call Fees)	...	...	3
68.00 Offsetting collections (Fed. Reimb. Progm.)	1	1	1
68.26 From offsetting collections (unavailable balances)	2	...	...
68.45 Portion not available for obligation (limitation on obligations)	...	-2	-6
68.90 Spending authority from offsetting collections (total)	89	157	173
70.00 Total new budget authority (gross)	148	157	173
Change in obligated balances:			
72.40 Obligated balance, start of year	17	29	27
73.10 Total new obligations ¹	147	157	173
73.20 Total outlays (gross)	-134	-159	-172
73.45 Adjustments in unexpired accounts	-1	...	...
74.40 Obligated balance, end of year	29	27	28
Outlays (gross) detail:			
86.90 Outlays from new discretionary authority	132	144	159
86.93 Outlays from discretionary balances	2	15	13
87.00 Total outlays (gross)	134	159	172
Offsets:			
Against gross budget authority and outlays:			
Offsetting collections (cash) from:			
88.00 Federal sources	1	1	1
88.40 Non-Federal sources - HSR Fees	86	158	175
88.40 Non-Federal sources - Do Not Call Fees	...	...	3
88.90 Total offsetting collections (cash)	87	159	179
Net budget authority and outlays:			
89.00 Budget Authority	61	-2	-6
90.00 Outlays (net)	47	...	-7

¹ Includes \$1 million in each fiscal year for obligation of funds reimbursed by other federal agencies.

Object Classification

Excludes the Administration's proposal to fully fund federal employee retirement costs.
(\$ in millions)

Identification Code: 29-0100-0-1-376	FY 2001 Actuals	FY 2002 CY	FY 2003 BY
Direct Obligations:			
Personnel Compensation:			
11.1 Full-time permanent	28	...	...
11.3 Other than full-time permanent	3	...	...
11.5 Other personnel compensation	1	...	...
11.9 Total Personnel compensation	32	...	...
12.1 Civilian personnel benefits	7	...	...
21.0 Travel and transportation of persons	1	...	...
23.1 Rental payments to GSA	6	...	...
23.3 Communications, utilities, and misc. charges	1	...	...
25.1 Advisory and assistance services	5	...	...
25.2 Other services	1	...	...
25.3 Purchases of goods and services from government accounts	1	...	...
25.4 Operation and maintenance of facilities	1	...	...
31.0 Equipment	4	...	...
99.0 Subtotal, Direct obligations	59	...	...
Reimbursable Obligations			
Personnel Compensation:			
11.1 Full-time permanent	42	80	82
11.3 Other than full-time permanent	4	7	7
11.5 Other personnel compensation	1	2	2
11.9 Total personnel compensation	47	89	91
12.1 Civilian personnel benefits	11	20	21
21.0 Travel and transportation of persons	1	2	2
23.1 Rental payments to GSA	6	14	16
23.2 Rental payments to others	1	...	...
23.3 Comm., utilities & misc. charges	2	3	3
24.0 Printing and reproduction	1	1	1
25.1 Advisory and assistance services	7	14	22
25.2 Other services	1	2	2
25.3 Purchases of goods and services from government accounts	2	2	2
25.4 Operation & maint. of facilities	1	1	1
25.7 Operation & maint. of equipment	...	1	1
26.0 Supplies and materials	1	1	1
31.0 Equipment	7	7	10
99.0 Subtotal, Reimbursable obligations ¹	88	157	173
99.9 Total new obligations	147	157	173

¹ Includes \$1 million in each fiscal year for obligation of funds reimbursed by other federal agencies.

