OTHER AGENCIES

COMMODITY FUTURES TRADING COMMISSION

The Commodity Futures Trading Commission (CFTC) regulates U.S. futures and options markets. It strives to protect investors by preventing fraud and abuse and ensuring adequate disclosure of information. The President's Budget includes a proposed fee on each round-turn commodities futures and options transaction. The fee will be phased in during 2003. This proposal recognizes that market participants derive direct benefits from the CFTC's oversight, which provides legal certainty and contributes to the integrity and soundness of the markets. The 2003 Budget provides $83 million to fund mission critical activities (e.g., enforcement and market surveillance) and to strengthen U.S. competitiveness, as required by the Commodity Futures Modernization Act of 2001.

In 2003, the CFTC will work to review every contract market designation application and derivatives transaction execution facility registration application within 30 to 60 days and respond to applicant exchanges with a notification letter. CFTC also will review requests for approval of products and rule changes and respond to trading exchanges (e.g., Chicago Board of Trade) in writing within 90 days.

CONSUMER PRODUCT SAFETY COMMISSION

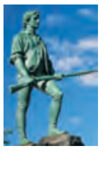
The primary responsibility of the Consumer Product Safety Commission (CPSC) is to protect the public from unreasonable risk of injury connected with consumer products. CPSC also helps develop uniform safety standards for consumer products, and conducts and promotes research into preventing product-related deaths, injuries, or illness.

A substantial portion of the CPSC's work focuses on decreasing fire hazards linked to consumer products and on reducing head injuries to children. CPSC's programs have helped drive down home fire death rates from consumer products by 46 percent since 1985, and head injury rates for children by 15 percent since 1986.

The Commission carries out its mission by emphasizing voluntary standards first, moving to mandatory standards only when necessary. CPSC also seeks to obtain major product recalls cooperatively with industry. It works actively with industry leaders to promote good product safety practices through conferences, special events, and expanded use of its toll-free hotline, 1–800–638–2772 and its website, *www.cpsc.gov*.

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

The Corporation for National and Community Service (CNCS) provides service opportunities for more than 1.5 million Americans in educational, public safety, and environmental activities through programs such as AmeriCorps and the National Senior Service Corps (NSSC). CNCS and its service opportunities are key components of the Administration's USA Freedom Corps—a



new initiative to engage citizens in promoting homeland security and civic volunteering at home and abroad. The budget requests $1,035 million, a $299 million or 41-percent increase, for the Corporation to support 75,000 AmeriCorps members, strengthen homeland security efforts, and expand service opportunities for an additional 100,000 seniors. This includes support for some 6,300 AmeriCorps VISTA members to provide outreach and technical assistance to community and faith-based organizations.

National Service and Homeland Security. Since the attacks of September 11th, the President has encouraged all Americans to help fight terrorism on the home front by "making a commitment of service in our own communities." The budget includes $118 million across all CNCS programs to support these efforts. It also places senior citizens and other volunteers in community activities to strengthen homeland security. CNCS will furnish grants to states and community organizations to support and mobilize volunteers in public safety, public health, disaster relief and preparedness.

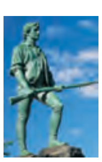
Expanding Opportunities for Service Through AmeriCorps. The AmeriCorps program enables Americans of all backgrounds to serve in local communities through programs sponsored by nonprofit organizations. The 2003 Budget includes an increase of $230 million to support an additional 25,000 AmeriCorps members. The Corporation's programs will support community-service organizations in meeting local needs and will conduct activities to promote public safety, public health, and emergency preparedness. The budget also includes $10 million for challenge grants for teaching and other national service programs under section 126 of the National and Community Service Act, where private sources provide at least 50 percent of funds required to operate the program.

Senior Service and Special Volunteer Programs. The National Senior Service Corps (NSSC) uses the talents of more than 500,000 older Americans to meet a wide range of community needs. Consisting of the Retired and Senior Volunteer Program, the Foster Grandparent Program, and the Senior Companion Program, the NSSC serves young people with special needs, helps seniors live independently in their homes, and provides support services to youth ex-offenders. The budget includes $213 million for the NSSC, a $6 million increase over 2002 and the second step of the President's five-year strategy to increase annual funding for the Senior Corps to $250 million over five years. In addition, the budget proposes $55 million for Special Volunteer Programs to provide service opportunities for an additional 100,000 seniors, including activities in homeland security and a new Parent Drugs Corps.

DISTRICT OF COLUMBIA

The nation's capital city faces new and unique challenges following the events of September 11th. The President's Budget provides additional federal funding to support the District of Columbia's public safety response to events directly related to the federal government's presence in the District. The Congress provided $200 million in 2002 to help the District address immediate security needs arising from the September 11th attacks. The 2003 Budget adds to these resources by proposing $15 million to support the District's role in homeland security.

The budget continues to support the D.C. Resident Tuition Assistance program with $17 million in funding. The program was started in 1999 and allows District residents to attend public colleges nationwide at in-state tuition rates and to receive grants to attend private colleges in the D.C. area. This program is intended to ensure that D.C. residents have the same access to postsecondary education as residents of states. The budget also proposes $1 million for Transportation Systems



Management to implement recommendations in the National Capital Planning Commission's October 2001 report.

DISTRICT OF COLUMBIA COURTS

The District of Columbia Courts receive funding from the federal government under the 1997 National Capital Revitalization and Self-Government Improvement Act. In 2002, a new Family Court of the D.C. Superior Court was created, which provides increased coordination and continuity for child- and family-related cases. The President's Budget provides $191 million to the D.C. Courts, including funding to increase staffing for the Family Court Division. This funding includes $32 million to address long-term capital infrastructure needs associated with the expansion of the Family Court Division and overall deterioration of the D.C. Court facilities.

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

The Equal Employment Opportunity Commission (EEOC) works to enforce laws that prohibit employment discrimination based on race, sex, religion, national origin, age, or disability. The EEOC sets out to enforce the nation's equal employment laws through selective litigation, mediation, and alternative dispute resolution. Beyond enforcement, EEOC strives to prevent employment discrimination through outreach, training, and technical assistance to promote employer compliance.

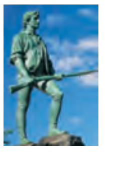
The 2003 Budget provides $324 million for EEOC. The budget reflects efficiencies that EEOC expects to realize through workforce restructuring and a reduction of decision-making layers to serve citizens more cost effectively. The budget will enable EEOC to continue to reduce its case backlog. The budget also includes $30 million for state, local, and tribal fair employment and more than $15 million for critical information technology improvements.

EXECUTIVE OFFICE OF THE PRESIDENT

The Executive Office of the President (EOP) encompasses a number of offices, councils, and accounts dedicated to serving the President. As part of the 2003 Budget, the Administration is requesting a consolidation and financial realignment for the EOP. The initiative would consolidate the 12 individual annual appropriations for the salaries and expense accounts for the EOP agencies and fund them with a single appropriation. It would consolidate the resources for common acquisition-related goods and services into the EOP's Office of Administration, including the Vice President's needs.

This proposal would give the President maximum flexibility in allocating resources and staff in support of his office and is intended to: permit a more rapid response to changing needs and priorities; allow the President to address emergent national needs; produce greater economies of scale and other efficiencies in procuring goods and services; and enhance accountability for performance.

This initiative would enable the President to effectively manage and align EOP resources consistent with decision-making in an efficient and straightforward manner, while enhancing the accuracy of the financial systems and significantly reducing the administrative volume and cost of processing transactions through the U.S. Treasury. This initiative is carefully crafted to properly



support the President and the Vice President separately as the two senior constitutional officers of the Executive Branch, while achieving substantial efficiencies.

Resources requested for the EOP in 2003 are $336 million. These resources will support approximately 2,000 personnel, information technology, and other infrastructure needs to serve the President and the Vice President. The EOP budget also includes new funding for the USA Freedom Corps. While the 2003 request is above the 2002 enacted level, the entire increase is due to additional homeland security requirements. These homeland security expenses include the establishment of the Office of Homeland Security and a separate counter-terrorism directorate in the National Security Council, and the costs associated with ensuring the security of the President, the Vice President, and the staff that serve them. If homeland security expenses are excluded, the budget for the EOP grows by less than the rate of inflation.

FEDERAL COMMUNICATIONS COMMISSION

The President's Budget requests an appropriated spending level of $278 million for the Federal Communications Commission (FCC), $248 million of which will be offset by regulatory fees. This funding level supports increased efficiency in the FCC's work processes through information technology investments and the FCC's Excellence in Engineering initiative. The FCC works to encourage a fully competitive marketplace in communications and to promote affordable communications services for all Americans. Through more efficient licensing, the FCC will ensure more rapid introduction of new services and technologies. In 2003, the FCC will complete 95 percent of its licensing activities for communications services within agency-established timeframes for each activity, such as 90 days from license application to issuance for wireless services. Also, 85 percent of all FCC applications will be filed electronically.

In 1993, the President and the Congress gave the FCC authority to assign spectrum licenses through competitive bidding, which has proven to be an efficient and effective way to allocate this finite public resource. Upcoming spectrum auctions are expected to generate more than $25 billion over the next five years.

The Administration will propose legislation to provide more certainty in upcoming auctions. The legislation will establish a framework for the FCC to develop regulations that promote clearing the spectrum in television channels 60–69 (747–762 and 777–792 MHz) for new wireless services in an effective and equitable manner. Such legislation also would shift the statutory deadlines for the auction of channels 60–69 from the elapsed 2000 date to 2004 and for the auction of channels 52–59 (698–746 MHz) from 2002 to 2006. Providing more certainty about how and when the spectrum in channels 60-69 will become available to new entrants and shifting the deadlines for both auctions would increase expected revenues by $6.7 billion.

To facilitate the clearing of analog television broadcast spectrum and provide taxpayers some compensation for use of this scarce resource, the Administration will propose legislation authorizing the FCC to establish an annual lease fee totaling $500 million for the use of analog spectrum by commercial broadcasters beginning in 2007. Upon return of their analog spectrum license to the FCC, individual broadcasters will be exempt from the fee.

FEDERAL DEPOSIT INSURANCE

The purpose of deposit insurance is to maintain stability and public confidence in the nation's financial system. Federal deposit insurance, offered by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA), is designed to protect depositors against losses from failures of insured commercial banks, thrifts (savings institutions), and credit unions. Individual deposits up to $100,000 are covered in virtually all U.S. banks, savings associations, and credit unions.

Currently, the federal government insures more than $3 trillion in deposits at more than 20,000 institutions through the FDIC and NCUA. These agencies maintain insurance reserves to use when resolving failed institutions. The FDIC and the NCUA fund these reserves through assessments on insured institutions, recoveries of assets liquidated from failed institutions, and interest earned on these reserves in U.S. Treasury securities.

The Administration is developing proposals to strengthen the deposit insurance system that draws on the framework released by the FDIC under former Chairwoman Donna Tanoue in April 2001.

- The FDIC has been prohibited from charging premiums to "well capitalized" institutions since 1996. Therefore, under the current pricing structure, only seven percent of banks and 11 percent of thrifts pay regular insurance premiums. The framework would have all institutions pay at least a nominal amount for federal deposit insurance and would assess new deposits.
- Under the current system, the FDIC is required to maintain a designated reserve ratio (DRR, the ratio of insurance fund reserves to total insured deposits) of 1.25 percent. If the DRR falls below 1.25 percent, all institutions could be required to pay premiums averaging 23 basis points if the DRR cannot be restored to 1.25 percent within a year. This current structure requires institutions to face a cliff of high premium payments when they are weakest. The FDIC framework would replace the current fixed reserve ratio with a flexible range.

The framework would merge the bank and thrift funds, which offer an identical product. A merged fund would be stronger and better diversified than either fund standing alone. Additionally, given that many institutions currently hold both bank- and thrift-insured deposits, merging the funds would eliminate the need to track bank and thrift deposits separately and would help streamline mergers and acquisitions.

FEDERAL ELECTION COMMISSION

The Federal Election Commission (FEC) has jurisdiction over the financing of election campaigns for the U.S. House of Representatives, the U.S. Senate, the Presidency, and the Vice Presidency. The FEC is composed of six commissioners, appointed by the President and confirmed by the Senate. The FEC discloses campaign finance information, enforces limits and prohibitions on contributions, and oversees the public funding of Presidential elections. The President's Budget includes $47.0 million for 2003, $3.0 million more than 2002, to allow the FEC to meet its increasing workload.

FEDERAL TRADE COMMISSION

The Federal Trade Commission (FTC) enforces various consumer protection and antitrust laws that prohibit business practices that are anticompetitive, deceptive, or unfair to consumers. The FTC also works to promote informed consumer choice and public understanding of the competitive process, seeking to accomplish this mission without impeding legitimate business activity. The proposed 2003 operating budget of $177 million is more than offset by anticipated fee collections.

In 2003, the FTC will expand its contribution to the Administration's consumer privacy agenda by helping victims of ID theft, increasing enforcement and outreach on children's online privacy, and increasing enforcement against "spam." It will also seek to establish a national "do-not-call" list that would protect consumers from unwanted and intrusive telemarketing calls, and bring nationwide consistency to the current patchwork of lists administered by states and the private sector.

GENERAL SERVICES ADMINISTRATION

The mission of the General Services Administration (GSA) is to help federal agencies better serve the public by offering at best value: quality workplaces, expert solutions, acquisition services, and management policies. For 2003, GSA is proposing six agency-wide strategic goals: 1) provide best value for federal agencies; 2) achieve responsible asset management; 3) operate efficiently and effectively; 4) ensure financial accountability; 5) maintain a world-class workforce and workplace; and 6) help federal agencies comply with their social, environmental, and other administrative responsibilities. GSA has recognized previous shortcomings in its ability to measure the achievement of its strategic goals and has begun to build and implement a new Performance Management Process. This new process will include performance measures beyond the traditional measures of customer satisfaction, such as performance against customer expectations and industry and government benchmarks for quality, timeliness, cost, and return on investment. Data gathering and reporting systems will be improved to present the performance of GSA's business lines and to show its policy role in helping agencies improve the management of administrative activities.

Most of GSA's employees provide or procure commercial services for other federal agencies on a reimbursable or fee-for-service basis. Since GSA operates a collection of business-like services, it has significant opportunities to improve its overall performance by subjecting its activities to market-based competition. By the end of 2003, GSA will have conducted such competitions for at least 15 percent of its "commercial activities" workforce.

The 2003 Budget also recognizes GSA as operator of the official federal portal for providing citizens with one-stop access to federal services via the Internet or telephone. This is a key element of the President's vision for expanding electronic government (E-Gov). The E-Gov initiative will improve the value of the federal government to its citizens, just as American industry has learned to use the Internet to improve efficiency and customer service. Full implementation of the President's E-Gov vision will also require cross-agency approaches that permit citizens, businesses, and state and local governments to easily obtain services from and electronically transact business with the federal government. The Administration's interagency Quicksilver E-Gov Task Force identified 23 high priority Internet services for early development.

Though best known for the services it provides other federal agencies, GSA operates two programs, the Federal Consumer Information Center (FCIC) and FirstGov, that provide the public with electronic access to federal and other government information and services. GSA's Office of Government-wide Policy includes several information technology support activities that were part of this E-Gov task force and whose continued involvement is essential to the success of the E-Gov initiatives. The President proposes to consolidate GSA resources involved in implementing the citizen-centered aspects of the President's E-Gov vision into a new Office of Citizen Services.

For 2003, the President also proposes $45 million for an E-Gov Fund to finance interagency E-Gov projects. Although a significant increase over the $20 million requested in 2002, this year's request is supported by specific project plans developed by the Quicksilver Task Force.

In 2003, GSA expects to provide its federal agency customers over $34 billion in office space, supplies and equipment, motor vehicles, telecommunications, information technology, and other administrative services. Agencies will reimburse GSA's revolving funds for $15 billion of this amount and pay the remaining $19 billion directly to vendors under GSA's Multiple Award Schedules contracts. The budget includes $6.9 billion in new obligational authority to provide secure, cost effective workplaces for over 1.1 million federal employees. Of this amount, over $135 million in additional funding is provided for increased guard services, building security equipment, and other security initiatives to ensure the safety of federal employees.

Through its regulations and delegated property management and procurement activities, GSA influences an additional $70 billion in federal spending and the management of assets valued at $450 billion. Although its agency customers reimburse GSA for almost all of its annual expenses, certain expenses are funded by appropriations. In 2003, for example, the Administration proposes $551 million (net discretionary budget authority) for GSA, primarily for the construction and renovation of federal buildings. This amount also funds the Office of Government-wide Policy, the Office of Citizen Services, the Office of the Inspector General, and certain operating expenses related to property disposal, information technology security, and agency-wide management activities.

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

The Administration continues to recognize the important role that libraries and museums play in the nation's education system and communities. The Institute of Museum and Library Services (IMLS) provides state grants and competitive awards to assist the nation's museums and libraries in expanding their services to the public. Evaluations of IMLS's programs have shown them to have a positive effect on the operations of grantees. The budget increases funding for core IMLS programs and administrative support that benefit libraries and museums nationwide from $195 million to $211 million. It does not continue narrow, special-interest projects that were designated by the Congress for funding in 2002.

The President's Budget proposes a $10 million initiative to recruit and train library professionals. In May 2000, Library Journal Magazine reported that 40 percent of librarians indicate they plan to retire in nine years or less. According to the July 2000 Monthly Labor Review, 57 percent of professional librarians were age 45 or older in 1998. To help recruit a new generation of librarians for the 21st Century, this initiative will provide scholarships to graduate students in library and information science, support distance learning technology for training programs in underserved areas, and recruit librarians with diverse language skills.

IMLS's two offices, the Office of Museum Services and the Office of Library Services, receive their funding through two different appropriations bills. Having one agency receive funding from two sources creates inordinate complexity for all parties involved. For simplicity's sake, the Administration recommends that funding for the entire agency come from the Labor/HHS/Education appropriations subcommittee.

In addition to making grants, IMLS also undertakes a number of research and policy development activities. A recent example of its work includes a collaborative effort with the National Science Foundation to share complementary research information in digital library technology. The

Administration believes that the establishment of the Museum and Library Services Act of 1996 has been successful, and recommends continued authorization of these programs.

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION

The National Archives and Records Administration (NARA) safeguards records of all three branches of the federal government and ensures ready access to essential evidence that documents the rights of American citizens, the actions of federal officials, and the national experience. In 2003, the budget proposes $272 million for NARA. Of these resources, $2.3 million will enable NARA to continue leading the Electronic Records Management project. This effort will pilot government-wide procedures and tools for electronic records management and will pave the way toward solving the substantial challenge of preserving and providing access to the government's electronic records. To manage electronic records in the future, NARA also will gradually deploy components of the Electronic Records Archive. Moreover, NARA will complete installation of the *Federal Register's* electronic editing and publishing system. This system will accommodate digital signatures and electronic submission of documents for *Federal Register* publications, as well as real-time revisions of the *Code of Federal Regulations*.

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

The National Commission on Libraries and Information Science (NCLIS) was established in 1970 as the agency primarily responsible for assessing issues related to library and information services policy. With the creation of the Institute of Museum and Library Services (IMLS) and the growth of the information science industry, issues that used to be the exclusive domain of NCLIS are now part of the mission of many other agencies. As noted earlier in this chapter, IMLS is currently involved in significant research and evaluation concerning museums and libraries. While the Administration supports the nation's libraries, it does not support duplicative or ineffective agencies. NCLIS' products—primarily reports on a wide variety of information issues—have failed to have a significant impact on public policy. NCLIS does not operate programs; 100 percent of its funding has been for salaries, travel, and other expenses for its commissioners and staff.

The Administration believes that other agencies can take on the responsibilities of NCLIS that continue to be necessary, such as compiling basic statistics on libraries. NCLIS' other activities have failed to demonstrate that their results justify their cost. The budget recommends eliminating this agency in 2003, saving taxpayers $1 million.

NATIONAL ENDOWMENT FOR THE ARTS

The National Endowment for the Arts (NEA) supports efforts to enhance the availability and appreciation of the arts. In 2003, NEA will promote hands-on art education programs for children from pre-school through grade 12. At the same time, NEA will support activities designed to foster a variety of arts endeavors, state and regional arts organizations, and efforts to expand the reach of the arts into America's underserved communities. The budget requests $117 million to carry out these activities, a slight increase over 2002.

NATIONAL ENDOWMENT FOR THE HUMANITIES

The National Endowment for the Humanities (NEH) works to support educational and scholarly activities in the humanities, preserve America's cultural and intellectual resources, and provide opportunities for Americans to engage in lifelong learning in the humanities. In 2003, the budget requests $127 million for NEH to continue partnerships with state humanities councils, efforts to preserve brittle books and serials, the strengthening of humanities teaching, learning, and museum exhibitions, documentary media projects, and reading programs that reach popular audiences. NEH also will enhance its efforts to collect, analyze, and disseminate information about the state of the humanities.

NATIONAL LABOR RELATIONS BOARD

The National Labor Relations Board (NLRB) regulates private-sector employer and union relations to minimize interruptions to commerce caused by strikes and worker-management discord. The NLRB supervises elections in which employees determine whether to be represented by a union. It is also authorized to prevent and remedy unlawful acts, called unfair labor practices, by unions or employers. In 2003, the Board expects to receive 30,000 unfair labor practice cases and 6,000 representation cases.

Fair and expeditious case resolution is the NLRB's highest priority. The agency is more effective when it can achieve a voluntary resolution of meritorious cases, thereby reducing the need for time-consuming and costly litigation. The NLRB will continue its goal of settling 95 percent of its unfair labor practice cases before they require a decision by the five-member Board. Through its performance goals, the NLRB will continue to place a high priority on reducing its case backlog, especially on the oldest pending cases.

The 2003 Budget includes $246 million for the NLRB. In particular, the budget provides: $1 million for information technology to strengthen computer security; $1.3 million to finance licensing agreements to support software upgrades that will promote long-term savings; and $1.3 million to support an integrated administrative management system for budget, finance, personnel/payroll, and procurement.

NATIONAL TRANSPORATION SAFETY BOARD

The National Transportation Safety Board (NTSB) is charged with determining the causes of transportation accidents and promoting transportation safety. The Board investigates accidents, conducts safety studies and issues recommendations, and evaluates the effectiveness of other government agencies in preventing transportation accidents. It also coordinates federal assistance to the families of victims of catastrophic domestic transportation accidents.

The 2003 Budget provides $73 million for salaries and expenses for the NTSB to fulfill its role in improving the nation's transportation safety.

NUCLEAR REGULATORY COMMISSION

The Nuclear Regulatory Commission (NRC) regulates nuclear material use in the United States. NRC's actions protect public health and safety, promote common defense and security, and guard the environment.

NRC faces several challenges in the coming year. In light of the September 11th terrorist attacks, the NRC is conducting a top-to-bottom analysis of all aspects of the agency's safeguards and physical security programs. These programs set the standards for security that must be maintained by NRC licensees. The NRC uses such standards to evaluate the security and safeguards of regulated facilities and materials. The NRC must also be prepared to evaluate new reactor designs and to license the possible construction of new nuclear plants. The NRC will continue its preparations to review a potential application to construct a high-level nuclear waste repository at Yucca Mountain, Nevada. The NRC will also review an increasing number of reactor license renewals to extend the useful lives of existing nuclear reactors and power uprate applications to increase the reactors' electrical generating capacity.

To carry out these and other activities of ongoing necessity, the budget proposes $605 million in 2003 for the NRC, a five percent increase over 2002.

OFFICE OF PERSONNEL MANAGEMENT

The Office of Personnel Management (OPM) provides human resource management leadership to the President, federal agencies, and their employees. It oversees the federal civil service merit systems and provides retirement, health benefit, and other insurance services to federal employees, annuitants, beneficiaries, and agencies.

OPM is leading agencies in implementing the President's human capital initiative. This effort is designed to make government more citizen-centered, results-oriented, and market-based. OPM is working closely with agencies to ensure that they strategically use the broad range of existing human resources management tools to recruit, retain, and manage a high-performing workforce. To support this clear customer-focus, OPM itself has embarked on a significant agency restructuring.

Total discretionary funding of $274 million in 2003 is almost evenly divided between OPM's two major missions: 1) managing and overseeing its government-wide human resources and 2) administering the federal employees benefits trust funds (retirement, health insurance, and life insurance). It also includes $60 million for information technology projects and government-wide payroll modernization aimed at increasing efficiency and maximizing citizen service. These initiatives will streamline and automate the exchange of federal personnel information, cut the cost and time to complete security clearances, deliver training services electronically, simplify federal job applications while reducing hiring times, make claims processing faster, cheaper, and more accurate, and modernize federal payroll systems and service delivery.

In addition to the discretionary funding, OPM will pay out employee benefits totaling $79 billion in 2003: $53 billion in annuities to more than 2.4 million retired federal employees, their survivors, and other beneficiaries, $24 billion in health insurance for nine million enrollees and dependents; and $2 billion in life insurance claims. Beginning in 2003, OPM also will make group long-term care insurance products available to approximately 20 million members of the federal civilian and uniformed services, their families, and retirees.

RAILROAD RETIREMENT BOARD

The Railroad Retirement Board administers retirement, survivor, unemployment, and sickness insurance benefits for qualified railroad workers and their families. In 2003, it is estimated that $8.8 billion in retirement-survivor benefits will be paid to some 663,000 individuals, while about $124 million in unemployment and sickness benefits are estimated to be paid to some 37,000 persons.

The railroad retirement system benefits are financed through railroad employer contributions, railroad employee payroll deductions, payments from the Social Security trust funds, and taxpayer subsidies. Unlike other private industry pension plans, the rail industry pension program is the only private industry pension subsidized by federal taxpayers and administered by a federal agency.

The Railroad Retirement and Survivors' Improvement Act increases benefits for railroad workers and their families, reduces employer taxes initially, and establishes a trust to invest the railroad pension fund assets in private equities. Currently, the pension fund confronts an unfunded liability of $39.7 billion, as measured by the Employee Retirement Income Security Act standards. Consequently, the effects of this law will need to be monitored closely to ensure the solvency of the railroad retirement pension fund.

REGIONAL ECONOMIC DEVELOPMENT AGENCIES

The President's Budget requests funding for three regional economic development agencies: 1) the Appalachian Regional Commission ($66 million); 2) the Denali Commission ($41 million); and 3) the Delta Regional Authority ($10 million). These agencies provide grants to communities in designated geographic areas for public infrastructure, business development, education, and job training related to long-term economic development. The budget proposes that funding be focused on distressed communities and be used for projects that provide sustainable increases in employment and economic activity. The Administration is working to develop comparable performance measures for these agencies.

SECURITIES AND EXCHANGE COMMISSION

The Securities and Exchange Commission (SEC) regulates U.S. capital markets and the securities industry. It strives to protect investors by preventing fraud and abuse in U.S. capital markets and ensuring adequate disclosure of information. The SEC conducts compliance inspections and examinations in order to review and monitor the conduct and financial conditions of securities firms and their affiliates.

Today there are over 1,000 investment companies with $6.7 trillion in assets under management, more than double the amount of deposits at commercial banks. At the same time, there are over 7,000 investment advisors registered with the SEC. In 2001, the agency exceeded planned compliance inspections for investment companies. In 2003, the agency also will begin placing greater emphasis on risk-based inspections in order to achieve the goal of conducting at least one examination of every registrant every five years.

The 2003 Budget includes $481 million to carry out mission-critical activities, implement E-Gov initiatives, and respond to changes in the financial markets driven by global competition and technology.

In January 2002, the Investor and Capital Markets Fee Relief Act was signed into law. The legislation reduces the rates of tax-like fees collected by the SEC on certain securities transactions. Enactment of the legislation is consistent with the Administration's efforts to invigorate free markets and reduce costs imposed on those markets by the government, while ensuring that the SEC will have the ability to continue to protect investors and maintain the integrity of the nation's securities markets. Without this legislation, the SEC would be collecting five times its annual budget in fees without any benefit to investors or the markets.

The legislation also authorizes the SEC to provide additional compensation and benefits to employees if the same type of compensation or benefits are then being provided by any federal banking agency. This authority will be carried out by the executive branch in a manner that assists in the performance of the mission of the SEC while minimizing inequities with similarly situated federal employees.

TENNESSEE VALLEY AUTHORITY

Established in 1933 as an experiment to promote economic development and flood control management, the Tennessee Valley Authority (TVA) today is a major U.S. government-owned corporation with two main roles. It is the fifth largest electric utility in the country, generating and selling electric power worth an estimated $7.3 billion in 2003 (about four percent of the nationwide total). It is also a natural resource management agency, with an annual operating budget of more than $50 million, providing navigation, flood control, recreation, water supply and related services throughout Tennessee and in six neighboring states.

During 2003, TVA estimates it will spend $5.6 billion to produce power at its 11 coal-fired power plants, five nuclear units, and 30 hydropower facilities. TVA forecasts it will use $1.4 billion in 2003 to upgrade the agency's power plants and expand its 17,000-mile high-voltage transmission system. The remaining $300 million TVA will use to reduce its outstanding debt, which stood at $25.4 billion at the end of 2001.

Over the next five years, TVA estimates it will reduce its debt by $2.4 billion. TVA is reducing its debt to prepare the agency for the major changes now occurring in the electric power industry, where competition and restructured transmission systems are replacing integrated monopolies in existence since the 1930s.

TVA will work with the 158 municipal utilities and cooperatives that distribute TVA power to renegotiate current sales contracts and end its exclusive supply relationship with those entities. TVA will also work with the Federal Energy Regulatory Commission, the Department of Energy, and other utilities to improve the nation's transmission system. The effort will include forming regional transmission organizations to reduce the cost and increase the reliability of the region's and the nation's power supply. TVA will continue to work with independent power producers to enable them to tie into TVA's transmission network.

As a result, increased regional power supplies and enhanced competition will soon give TVA's distributors more power sources to choose from. TVA will also work with the municipal utilities and cooperatives that distribute its power to design and implement power-pricing policies, such as time-of-day pricing systems, that encourage cost-effective energy conservation.

OTHER AGENCIES

COMMODITY FUTURES TRADING COMMISSION

The Commodity Futures Trading Commission (CFTC) regulates U.S. futures and options markets. It protects investors by preventing fraud and abuse and ensuring adequate disclosure of information. Major activities of the agency include: promulgating regulations governing commodities futures markets; detecting and prosecuting complicated investor fraud schemes involving derivatives; and monitoring the markets in order to prevent illegal price manipulation efforts. In 2002, CFTC opened more than 100 investigations against suspected violators of commodity trading laws. The 2004 Budget proposes $88 million for CFTC.

CONSUMER PRODUCT SAFETY COMMISSION

The Consumer Product Safety Commission (CPSC) was established as a federal regulatory agency in 1972 to protect the public against unreasonable risks of injuries and deaths associated with consumer products. As a consequence, CPSC has within its jurisdiction some 15,000 types of consumer products.

CPSC helps develop uniform safety standards for consumer products, and conducts and promotes research into preventing product-related deaths, injuries, or illness. CPSC works to develop voluntary standards with industry, issue and enforce mandatory standards, ban consumer products if no feasible standard would adequately protect the public, obtain the recall of products or arrange for their repair, and conduct research on potential product hazards. An important part of the Commission's task is to inform and educate the public about product hazards.

The 2004 Budget provides $60 million for CPSC. The budget will enable the Commission to continue to fund, among other initiatives, the National Electronic Injury Surveillance System and various data collection activities.

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

The Corporation for National and Community Service (CNCS) provides service opportunities for more than 1.5 million Americans through programs such as AmeriCorps and the National Senior Service Corps, also known as Senior Corps. CNCS is a part of the USA Freedom Corps Coordinating Council—the President's initiative to engage Americans in domestic and international volunteer service. The 2004 Budget proposes $962 million, a $200 million, or 26 percent, increase above the level expected to be available when the Congress completes its work on the 2003 Budget. However, if the 2003 appropriation is higher than expected, the Administration will work with the Congress on the 2004 Budget to ensure additional resources are provided to support the President's call to service. The request would support a target enrollment of 75,000 AmeriCorps members, strengthen homeland security efforts that utilize volunteers, and provide service opportunities for 585,000 seniors. The budget also includes support for about 6,800 AmeriCorps Volunteers in Service to America members to provide outreach and technical assistance to community and faith-based organizations. In addition, the budget provides support for the Learn and Serve America programs.

National Service and Homeland Security. Since the terrorist attacks of September 11th, the President's call to service asking Americans to dedicate at least two years of their lives in service to their communities has generated unprecedented interest in AmeriCorps and other service programs. The budget includes $118 million across all CNCS programs to support these efforts and place senior citizens and other volunteers in community activities geared toward strengthening homeland security. CNCS will award grants to support volunteers in public safety, public health, disaster relief, and preparedness.

Expanding Opportunities for Service. AmeriCorps enables Americans to serve in local communities through programs sponsored by nonprofit organizations. The budget includes $313 million to support AmeriCorps service opportunities. CNCS's programs also will support community and faith-based organizations on a non-discretionary basis in meeting the needs of communities. In addition, the budget includes $212 million to support service opportunities for older Americans to meet a wide range of community needs through the Senior Corps. Senior Corps programs help young people with special needs, help seniors live independently in their homes, and provide support services to youth ex-offenders. Finally, the budget proposes $20 million for Special Volunteer Programs for 40,000 seniors to take part in homeland security activities.

DISTRICT OF COLUMBIA

The President's Budget provides $58 million, including new federal support to help improve the Anacostia River for the District of Columbia's (D.C.'s) neighborhoods and visitors. The 2004 Budget proposes $10 million to create an Anacostia riverwalk along the water's edge, from Hains Point to the Kenilworth Aquatic Gardens, and an additional $15 million toward priority projects undertaken by the local water and sewer authority to reduce combined sewer overflows into the Anacostia River.

The budget also supports "budget autonomy" for D.C. This proposal would allow D.C.'s local budget to go into effect without prior congressional approval, provided that any general provisions from the previous year stay in effect until the Congress acts and provided that the Congress retains the right to redirect by law portions of the local budget after it goes into effect. This proposal reflects the dramatic improvement in the District's ability to manage its budget processes in the post-Control Board era.

The budget continues to support D.C.'s public safety response to events directly related to the federal government's presence in the District, with $15 million. The budget also continues to support the D.C. Resident Tuition Assistance program, with $17 million. This program was started in 1999 and primarily allows District residents to attend public colleges nationwide at in-state tuition rates.

DISTRICT OF COLUMBIA COURTS

The District of Columbia (D.C.) Courts continue work to plan and implement the Family Court of the D.C. Superior Court. The President's Budget provides $196 million to the D.C. Courts, which includes $32 million to continue addressing the long-term needs associated with the expansion of the Family Court.

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

The Equal Employment Opportunity Commission (EEOC) enforces federal law that prohibits workplace discrimination on the basis of race, color, sex, religion, national origin, age, and disability. EEOC also seeks to prevent discrimination through outreach, education, and technical assistance that promotes employers' voluntary compliance with the law.

The 2004 Budget provides $335 million for EEOC. With this budget, EEOC will begin implementing a major restructuring that will streamline its decision-making layers and serve citizens more efficiently. As part of this restructuring, EEOC will work to reduce its office space requirements by 35 percent over the next five years and will implement innovations to serve citizens better at lower cost. The budget includes $19 million for information technology improvements and $30 million for payments to state and local fair employment practices agencies for resolving charges and to tribal employment rights organizations for promoting equal employment opportunity.

EXECUTIVE OFFICE OF THE PRESIDENT

The Executive Office of the President (EOP) includes a number of organizations dedicated to serving the President. As part of the 2004 Budget, the Administration requests a two-part financial restructuring initiative, which would:

- Consolidate the annual appropriations for the White House Office (including the Office of Homeland Security), the Executive Office of the President, Office of Policy Development, Executive Residence, Office of Administration, White House Repair and Restoration, National Security Council, and the Council of Economic Advisers into a single appropriation called The White House.
- Provide a 10-percent transfer authority among the following accounts: The White House, Special Assistance to the President and Official Residence of the Vice President, Office of Management and Budget, United States Trade Representative, Office of National Drug Control Policy, Council on Environmental Quality, and the Office of Science and Technology Policy. Transfers from the Special Assistance to the President and the Official Residence of the Vice President account are subject to the approval of the Vice President.

This initiative provides enhanced flexibility in allocating resources and staff in support of the President and the Vice President, and permits more rapid response to changing national needs and priorities.

Resources requested for EOP and support of the executive functions of the Vice President in 2004 total $342 million. These resources will support approximately 1,850 personnel, information technology, and other infrastructure needs to serve the President and the Vice President.

FEDERAL COMMUNICATIONS COMMISSION

The President's Budget proposes $281 million for the Federal Communications Commission (FCC), $252 million of which would be offset directly by regulatory fees. This funding will improve the FCC's testing facilities, strengthen its engineering expertise, and increase oversight by the Inspector General's office.

FCC's spectrum auctions have proven to be efficient and effective in assigning licenses for certain spectrum-based services. New companies have entered the market and innovative wireless technologies have been developed. Ninety-four percent of the U.S. population has access to at least three competing mobile phone services and 80 percent to at least five competing mobile phone services. As a result, consumers benefit from more choices and lower prices.

Since the auctions program's inception in 1994, communications service providers have won over 22,000 licenses and paid over $14 billion into the Treasury. The Administration is proposing legislation to extend indefinitely the FCC's auction authority, which expires in 2007. Estimated additional receipts from this proposal are $2.2 billion over the next 10 years.

To continue to promote efficient spectrum use, the Administration is proposing legislation permitting new authority for FCC to set user fees on unauctioned spectrum licenses, based on public-interest and spectrum-management principles. Fee collections are estimated to begin in 2005 and total $1.9 billion in the first 10 years.

To encourage television broadcasters to vacate the analog spectrum after 2006, as required by law, the Administration is proposing legislation authorizing FCC to establish an annual lease fee totaling $500 million for the use of analog spectrum by commercial broadcasters beginning in 2007. Upon return of their analog spectrum license to FCC, individual broadcasters will be exempt from the fee, and fee collections would decline.

As discussed in the Department of Commerce chapter, the Administration will again propose establishing a Spectrum Relocation Fund for federal agencies that must move from spectrum that has been auctioned.

FEDERAL DEPOSIT INSURANCE CORPORATION AND NATIONAL CREDIT UNION ADMINISTRATION

The purpose of deposit insurance is to maintain stability and public confidence in the nation's banking system. Federal deposit insurance, offered by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA), is designed to protect depositors from losses due to failures of insured commercial banks, thrifts (savings institutions), and credit unions. Individual deposits of up to $100,000 are covered in virtually all U.S. banks, savings associations, and credit unions.

Currently, the federal government insures almost $4 trillion in deposits at almost 20,000 institutions through the FDIC and the NCUA. These agencies maintain insurance reserves to absorb losses in failed institutions. The FDIC and the NCUA add to reserves through assessments on insured institutions and interest credited to holdings of U.S. Treasury securities. The past year has seen an increase in the number of depository institution failures. In 2002, 23 commercial banks, thrifts, and credit unions failed, amounting to approximately $2.5 billion in assets.

The Administration proposes to strengthen the deposit insurance system for banks and thrifts, drawing on the recommendations of FDIC and the testimony of Treasury Department officials.

- FDIC has been prohibited since 1996 from charging premiums to "well-capitalized" and well-run institutions as long as its insurance fund reserves equal at least 1.25 percent of insured deposits nationwide (the designated reserve ratio, or DRR). Only nine percent of banks and 10 percent of thrifts pay insurance premiums. As a result, financial institutions can rapidly increase their insured deposits without any contribution to the insurance fund. On the other hand, should increases in deposits cause the FDIC's reserve ratio to decline below 1.25 percent, all institutions would have to pay premiums to achieve the DRR. The Administration's approach would ensure that institutions with rapidly increasing insured deposits or greater risks appropriately compensate the insurance fund.
- Under the current system, when the reserve ratio falls below the 1.25 percent DRR, FDIC must either charge sufficient premiums to restore the reserve ratio to the DRR within one year, or no less than 23 basis points if the reserve ratio remains below 1.25 percent for more than one year. The Administration would give FDIC authority to adjust the DRR periodically within prescribed upper and lower bounds and some greater discretion in determining how quickly it reaches the DRR. This flexibility would help stabilize industry costs over time and avoid sharp premium increases when the economy may be under stress.

The President's Budget also supports merging the bank and thrift funds, which offer an identical product. A single merged fund would be stronger and better diversified than either fund alone. A merged fund would prevent the possibility that institutions posing similar risks would again pay significantly different premiums for the same product. A merger would also underscore the fact that the two funds are already hybrid funds: each one insures the deposits of commercial banks, savings banks, and savings associations. Additionally, merging the funds would reduce administrative costs for the many institutions that currently hold deposits insured by both funds.

FEDERAL ELECTION COMMISSION

The Federal Election Commission (FEC) administers the federal laws governing financing of candidates for the Presidency, Vice Presidency, U.S. Senate, and the U.S. House of Representatives. FEC discloses campaign finance information, enforces financing and contribution limits, and oversees the public funding of Presidential elections.

FEC expects a 25-percent workload increase in its Reports Analysis Division's review of additional reports that will be required under the recently enacted Bipartisan Campaign Reform Act (BCRA). The Commission also expects a 33-percent to 50-percent increase in electronic data processing due to additional software programs necessary to accommodate filings mandated by the BCRA. The President's Budget proposes $50.4 million to fund these and other activities in 2004.

FEDERAL TRADE COMMISSION

The Federal Trade Commission (FTC) enforces consumer protection and antitrust laws that prohibit business practices that are anticompetitive, deceptive, or unfair to consumers. FTC also works to promote consumer choice and public understanding of free markets.

In 2004, FTC will contribute to the Administration's consumer privacy agenda by helping the victims of identity theft, providing enforcement and outreach on children's on-line privacy, and enforcing against deceptive, mass e-mails ("spam"). The Commission also will keep rolling out a national "do-not-call" list that will protect consumers from intrusive telemarketing calls, and bring consistency to the current patchwork of "do-not-call" lists administered by the states and private sector. To carry out these aims, the 2004 Budget proposes $191 million, which will be primarily offset by fee collections from businesses for merger filings and the do-not-call list.

GENERAL SERVICES ADMINISTRATION

In 2003, the General Services Administration (GSA) initiated steps to improve relationships with its agency customers. It announced a 25-percent reduction in fees that agencies pay for goods and services from GSA. GSA also began to integrate marketing activities across all its business lines to use resources more efficiently and provide better customer service. Completing these tasks successfully will be a major challenge.

GSA has expanded its role in helping federal agencies interact with citizens, businesses, and other levels of government. GSA's new Office of Citizen Services and Communications combined the operations of the award-winning FirstGov website with the Federal Consumer Information Center into a new Federal Citizen Information Center (FCIC). The FCIC serves as the official federal portal for providing citizens with one-stop access to federal services via the Internet or telephone. GSA's challenge in 2004 will be to expand FCIC's capability to help other agencies meet their citizen-oriented communications needs.

GSA is also involved in several other projects that are expected to produce significant results in 2004. These include E-Travel, Integrated Acquisition, E-Authentication, and E-Payroll. E-Authentication, for example, will eliminate the need for separate identity and electronic signature verification processes, thereby minimizing the burden on businesses, the public, and other government entities obtaining federal services online. By the end of 2004, 22 federal payroll providers will shrink to two. GSA will be a member of one of the partnerships that continue to provide payroll services to federal employees.

GSA's Public Building Service (PBS) owns nearly 1,700 buildings accounting for 182 million square feet of space. In 2002, PBS introduced a strategy to restructure the real estate portfolio so that it consists primarily of properties generating sufficient funds to meet their own capital reinvestment needs. In 2004, an added $400 million is proposed for construction projects, most of which address homeland security needs.

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

The Institute of Museum and Library Services (IMLS) provides state grants and competitive awards to assist the nation's museums and libraries in expanding their services to the public. The Administration continues its commitment to encourage libraries and museums to support learning in schools, families, and communities. The Administration supports the role of libraries and museums to enhance lifelong learning with a 2004 Budget proposal of $242 million, a $32 million increase over the 2003 request.

The budget proposes targeted investments in priority programs, such as a $15 million increase for the Library State Grants program, which funds states' efforts to make library resources more accessible to the public and to improve libraries' technological capacity to share information with their communities. To recruit a new generation of library professionals, the Administration requests $20 million, a $10 million increase, for its 21st Century Librarian initiative. In addition, the budget proposes a $5 million increase for IMLS museum programs to enhance educational and technological linkages and to foster better evaluation of the impact of these programs on the communities they serve.

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION

The National Archives and Records Administration (NARA) safeguards records of all three branches of the federal government and ensures ready access to records documenting the rights of American citizens and the actions of federal officials. In 2004, the budget proposes $298 million for NARA. Of these resources, $22 million will let NARA undertake the design phase of the Electronic Records Archives project—a comprehensive means for preserving and providing access to the government's electronic records. NARA is also the lead partner in the Electronic Records Management Initiative, one of the 24 E-Government initiatives. This effort provides guidance and tools federal agencies need to manage their electronic records.

NATIONAL ENDOWMENT FOR THE ARTS

The National Endowment for the Arts (NEA) supports projects aimed at enriching the nation's cultural heritage. In 2004, the budget requests $117 million, a slight increase over 2003, for NEA to improve internal operations and interaction with the public. This effort will increase grant-making efficiency and help extend the reach of the arts through the support of works of artistic excellence, provide skills development in the arts for children and youth, and promote projects in geographically and economically isolated communities that traditionally have not had access to quality arts programming. The NEA will support these projects with public and private partners, including state arts agencies and regional arts organizations.

NATIONAL ENDOWMENT FOR THE HUMANITIES

The National Endowment for the Humanities (NEH) supports educational and scholarly activities in the humanities, preserves America's cultural and intellectual resources, and provides opportunities for Americans to engage in learning in the humanities. In 2004, the agency will expand the We the People initiative to promote the study of our nation's history, institutions, and culture. NEH also will continue partnerships with state humanities councils; the strengthening of humanities teaching and learning in schools and higher education institutions; efforts to preserve and increase access to brittle books, U.S. newspapers, documents, and other reference materials; and museum exhibitions, documentary media projects, and reading programs in the humanities that reach popular audiences. The budget requests $25 million to support We the People as part of a $152 million request for NEH programs and initiatives.

NATIONAL LABOR RELATIONS BOARD

The National Labor Relations Board (NLRB) regulates private sector employer and union relations to minimize interruptions to commerce caused by strikes and worker-management discord. NLRB supervises elections in which employees determine whether to be represented by a union. The Board is also authorized to prevent and remedy unlawful acts, called unfair labor practices, by unions or employers. In 2004, NLRB expects to receive 30,000 unfair labor practice cases and 6,000 representation cases.

Fair and expeditious case resolution is NLRB's highest priority. The agency is more effective when it can achieve a voluntary resolution of meritorious cases, thereby reducing the need for time-consuming and costly litigation. NLRB will continue its goal of settling 95 percent of its unfair labor practice cases before they require a decision by the five-member Board; in 2002, the settlement rate was 94 percent. Through its performance goals, NLRB will continue to place a high priority on reducing its case backlog, especially on the oldest pending cases.

The 2004 Budget proposes $243 million for NLRB's main activities, including $185 million for pay and benefits, which make up 76 percent of the agency's budget, and $14 million for ongoing information technology projects.

NATIONAL TRANSPORTATION SAFETY BOARD

The National Transportation Safety Board (NTSB) is charged with determining the causes of transportation accidents and promoting transportation safety. Besides investigating accidents, the Board conducts studies and issues recommendations on safety, and evaluates the effectiveness of other government agencies in preventing transportation accidents. NTSB also coordinates federal assistance to the families of victims of catastrophic domestic accidents. In 2004, NTSB expects to investigate more than 2,000 transportation accidents.

The 2004 Budget provides $71 million for salaries and expenses for the NTSB to fulfill its role of enhancing the nation's transportation safety.

NUCLEAR REGULATORY COMMISSION

The Nuclear Regulatory Commission (NRC) regulates the commercial use of nuclear material in the United States. NRC's actions protect public health, safety, and the environment while promoting common defense and security.

NRC faces significant challenges and an expanding workload in 2004. One of the most important issues is the continued strengthening of the security of NRC-licensed facilities and the control of nuclear material in the aftermath of the September 11, 2001, terrorist attacks. The 2004 Budget will enable the NRC to conduct licensing and other regulatory oversight activities necessary to ensure the safe operation of the nation's 104 existing nuclear reactors. The budget also will support certification of new standard reactor designs, in preparation for potential license applications for constructing new nuclear power plants. In addition, the budget will enable the NRC to consider an increasing number of reactor license renewal applications to extend the useful lives of existing nuclear power plants and to begin its review of the Department of Energy's application to construct a high-level waste geologic repository at Yucca Mountain, Nevada.

To carry out these and other necessary activities, the budget proposes $626 million in 2004 for the NRC.

OFFICE OF PERSONNEL MANAGEMENT

The Office of Personnel Management (OPM) is leading agencies in implementing the President's human capital initiative. This effort is designed to make the federal government more citizen-centered and to meet a standard of excellence by preparing the federal workforce to attain goals important to the nation. Specifically, OPM is working closely with federal agencies to ensure that they strategically use the broad range of existing human resources management tools to recruit, retain, and develop a high-performing workforce in line with organizational missions and objectives. In 2003, OPM and the Department of Defense (DoD) will propose legislation to transfer DoD's personnel security investigations function and associated personnel to OPM effective in 2004.

Total discretionary funding of $771 million in 2004 will finance OPM's two major missions—managing and overseeing its government-wide human resources responsibilities and administering the federal employees' benefits trust funds (retirement, health insurance, and life insurance). Of this amount, the budget proposes $500 million for a new Human Capital Performance Fund. OPM will administer the Fund for the purpose of allowing agencies to deliver additional pay to certain civilian employees based on individual performance or other human capital needs, in accordance with OPM-approved agency plans. This proposal is discussed in more detail in the Governing With Accountability chapter of this volume.

The request also includes $8 million for a number of new information technology projects aimed at increasing efficiency and maximizing citizen service.

OPM leads several projects under the President's E-Government initiative, including E-Payroll, E-Clearance, and E-Training. These initiatives are reducing the number of government offices providing payroll services from 22 to four, saving at least $1.2 billion over the next 10 years; cutting the time to complete security clearances by at least two to four weeks; and electronically delivering E-Training products and services to over 28,000 registered users in more than 100 departments and agencies. OPM is also leveraging technology to modernize its retirement system to make claims processing faster, cheaper, and more accurate. By the end of 2004, the average cost to process a claim will decrease by about 12 percent from $100 to $89 per claim, while increasing accuracy from 93 percent to 96 percent.

In addition, OPM will pay out about $82.6 billion in benefits in 2004: $53 billion to more than 2.4 million retired federal employees, their survivors, and other beneficiaries; $27.6 billion in health insurance for nine million enrollees and dependents; and over $2 billion in life insurance claims from policyholders.

Medicare and the Federal Employees Health Benefits Program jointly finance health insurance for about 2.1 million federal retirees and their dependents. The Administration will work with stakeholders to better coordinate these two programs and look to the practices of the private sector to ensure high quality, cost-conscious choices for retirees.

POSTAL SERVICE

On December 11, 2002, the President's Commission on the U.S. Postal Service (USPS) was established through Executive Order 13278. This nine-member, nonpartisan entity will identify the operational, structural, and financial challenges facing the USPS, and recommend to the President legislative and administrative reforms needed to ensure the long-term viability of postal service in the United States.

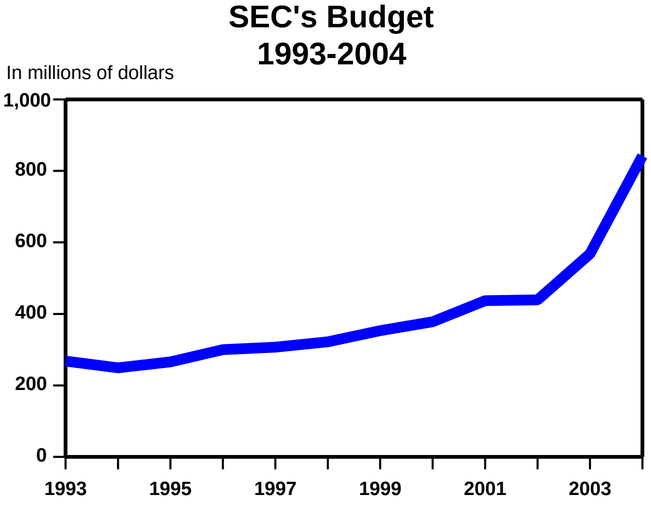
In addition, integrated into the budget is a legislative proposal that corrects an anticipated USPS over-funding of Civil Service Retirement System (CSRS) retirement benefits. This anticipated over-funding is due to a number of factors, including higher than expected past pension investment yields and overly prescriptive and inflexible statutory language. While the legislative proposal would reduce USPS payments to the Retirement Fund, it ensures that USPS meets its pension obligations so that no employee or retiree would lose any benefits. The proposal is consistent with the structure and financing of the Federal Employees' Retirement System as well as the Administration's legislative proposal to fully fund CSRS liabilities for non-USPS employees and retirees.

REGIONAL ECONOMIC DEVELOPMENT AGENCIES

The President's 2004 Budget proposes $56 million for three regional economic development agencies: the Appalachian Regional Commission, the Denali Commission, and the Delta Regional Authority. The President's proposal refocuses these agencies from grant-makers to regional planners and investment coordinators. The goal is to decrease duplicative grant-making and increase efficient investment of federal, state, and local resources. The Administration also proposes to more tightly focus funding of the Department of Commerce's Economic Development Administration on distressed communities.

SECURITIES AND EXCHANGE COMMISSION

The Securities and Exchange Commission (SEC) protects investors and works to maintain fair, honest, and efficient markets. The assurance of integrity provided by SEC is critical to the health of the nation's financial markets, which are a vital part of the economy. In 2002, the dollar volume of shares traded on the New York Stock Exchange and the NASDAQ stock markets alone accounted for more than $21 trillion. In addition, SEC oversaw approximately 8,000 regulated broker-dealers who held $20 trillion in assets and 5,194 investment companies with approximately $6.7 trillion in assets.



The 2004 President's Budget calls for $842 million for the SEC, nearly double the 2002 level. With it, the SEC will be able to hire more accountants, attorneys, and examiners to protect investors, root out fraud, and instill corporate responsibility.

Protecting Investors. The SEC works to ensure that all investors have access to certain basic facts about investment opportunities prior to purchase and to prevent fraud and misrepresentation of those facts in securities markets. The SEC requires that public companies submit detailed financial information, which, in turn, is made available to the public through its EDGAR database and at *www.sec.gov*. In 2002, the SEC brought a record 598 civil enforcement actions against individuals and companies accused of breaking the securities laws.

Encouraging Corporate Responsibility. Recent exposure of long-standing problems has raised serious questions in the minds of investors concerning the integrity of financial reporting. In response, the President has:

- Unveiled a 10-Point Plan to Improve Corporate Responsibility and Protect America's Shareholders. This initiative is based on three principles: information accuracy and accessibility, management accountability, and auditor independence.

- Issued an Executive Order to create a Corporate Fraud Task Force, in which U.S. Attorneys, the Federal Bureau of Investigation, and the SEC coordinate resources to bring "real-time enforcement" to corporate wrongdoers. The task force is able to leverage the abilities of the member agencies to bring cases to justice in a matter of months rather than years.

- Signed the Sarbanes-Oxley Act of 2002 which establishes the Public Company Accounting Oversight Board (PCAOB) under the guidance of the SEC. The PCAOB will regulate the practices of the accounting profession and has the authority to conduct investigations, bring charges, and levy sanctions for accounting misconduct.

SMITHSONIAN INSTITUTION

The Smithsonian Institution is an instrumentality of the United States that operates 15 museums and a half dozen research facilities to further its mission: "the increase and diffusion of knowledge." The Institution receives two-thirds of its funding from federal appropriations. The remainder comes from its endowment fund, business activities, such as retail shops, and private donations.

The 2004 Budget provides $567 million in federal funding for the Smithsonian. That level supports the opening of the Smithsonian's newest museums—the National Museum of the American Indian in the Fall of 2004, and the National Air and Space Museum Steven F. Udvar-Hazy Center near Washington Dulles Airport in December 2003. The President's Budget also continues the extensive renovation of the Patent Office Building, which houses the National Portrait Gallery and the Smithsonian American Art Museum, and begins revitalization of the National Museum of American History.

To ensure that its funding is spent effectively, the Smithsonian will improve its management of financial resources and its workforce. The Institution is developing an Enterprise Resource Planning information technology system, which will improve Smithsonian's ability to produce timely and accurate financial information. Initial components of this system were installed in the Fall of 2002 and it has replaced the Institution's outdated financial management system.

The Smithsonian's progress in its financial systems is not matched by improvements in the management of its workforce. The cost of over 4,000 Smithsonian employees is a driving force behind its rising funding needs. Between 1998 and 2003, Smithsonian personnel costs increased by $70 million, or nearly 30 percent, much of the increase due to legislated pay raises, additional staff for new museums, and increased security. Despite this rate of increase, the Smithsonian remains without a strategic plan for managing its human capital. The Institution seeks to develop its initial plan by Spring 2003.

Keeping up its buildings is the Smithsonian's biggest management challenge. The Smithsonian is faced with enormous maintenance costs and will need to make difficult decisions regarding future funding priorities. A 2001 National Academy of Public Administration report estimated that $1.5 billion in repairs would be needed over the next 10 years to return the Smithsonian's buildings to a state of good repair.

Faced with cost increases that exceed likely future federal budget levels, the Smithsonian must now consider significant and innovative cost-cutting measures and changes to its traditional operating procedures.

TENNESSEE VALLEY AUTHORITY

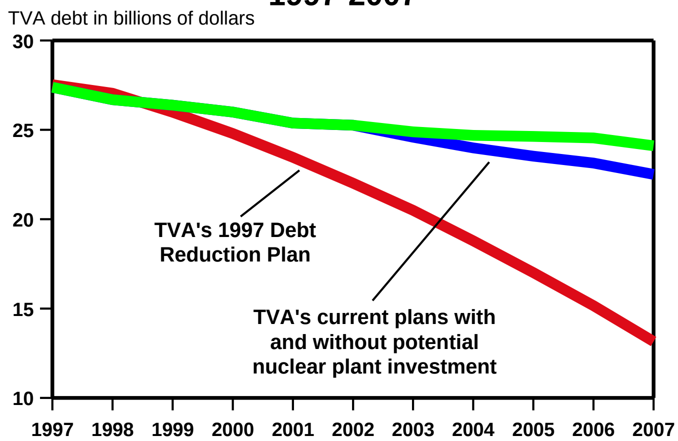
The Tennessee Valley Authority (TVA) is a federal regional development agency serving 8.3 million people in Tennessee and six neighboring states. TVA receipts and expenditures show up, dollar for dollar in the federal budget. Consequently, TVA reduces the size of the federal budget deficit when it pays down its debt, as the Administration proposes that the federal power agency do.

To promote development in the region it serves, TVA operates a large electric utility (the fifth largest in the country), with annual power sales of over $7 billion. TVA also runs a natural resource and river management program with an annual operating budget of $83 million. The TVA river management program received a PART assessment of "effective" and one of the highest ratings government-wide.

The primary program TVA manages, its electric power program, gets mixed reviews in the PART evaluation process. TVA operates its existing assets efficiently and has received industry awards for running its nuclear and coal-fired power plants cost-effectively, a significant improvement from the past when those plants posed major problems. TVA's power program scores less well, however, in terms of strategic planning, competitive bidding and debt reduction.

As the President and TVA Board have stated, TVA needs to be run like a business. A healthy business has a healthy balance sheet and a plan in place to guide its investments and risk profile in a changing market. TVA currently has neither: It is carrying excessive debt relative to its assets, and is planning major investments before it has a strategic plan in place. TVA had a 1997 plan that would have reduced its debt to $13 billion by 2007, but it has abandoned that plan and its debt is significantly above its originally intended target levels (see accompanying graph).

TVA Debt Reduction Plans 1997-2007



TVA needs to determine a new debt-reduction goal and design a plan to get there. TVA's debt is statutorily capped at $30 billion; at the end of 2002, TVA had outstanding bonds and notes of $25.3 billion. That amount, however, gives an incomplete picture of TVA's debt position, because it excludes $865 million in lease/leaseback arrangements. Under a lease/leaseback, TVA receives a lumpsum for leasing out one or more of its assets, then leases it back at a fixed annual payment for a set number of years. These arrangements carry as much risk as traditional debt and are recorded as a liability on TVA's balance sheet under generally accepted accounting principles. Because current authorizations are unclear on the point, the Budget proposes legislation to ensure that lease/leasebacks, and other arrangements that are equivalent to traditional debt financing, are included under TVA's debt cap.

The Administration believes a healthier debt level for TVA would be in the range of $13 to $15 billion, based on its 1997 plan and the need to reach a fixed-cost level that will position TVA for a more competitive electricity market. The budget shows TVA's planned debt reduction over five years under current conditions would reduce TVA's debt to approximately $24 billion by 2008, including lease/lease-backs counted as debt. However at this rate, it will take 25 years to get to the higher end of the "healthy" debt level range. Moreover, if TVA carries out planned capital construction actions, such as completing the Brown's Ferry nuclear plant using its own debt directly or creating more long-term liabilities, it may actually increase rather than decrease its debt, further compromising its competitive position in a restructured electricity market. Debt reduction and a sound strategic plan are key elements needed to ensure that TVA continues to aid economic development in its service territory in the future. The Administration is committed to identifying a TVA debt reduction target within the "healthy" range, and having a plan by September 30, 2003, to reach the number in a reasonable period of time.