

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 investor fraud schemes; and monitoring the markets in order to prevent illegal price manipulation efforts. In 2003, CFTC opened more than 100 investigations against suspected violators of commodity trading laws. The 2005 Budget proposes \$95 million for CFTC.

CONSUMER PRODUCT SAFETY COMMISSION

The Consumer Product Safety Commission (CPSC) is an independent health and safety regulatory agency that is responsible for protecting the American public from unreasonable risks of injury and death from about 15,000 types of consumer products. CPSC develops voluntary and mandatory safety standards for products, conducts recalls of hazardous products, and alerts the public to safe practices and safety hazards associated with consumer products. The work of CPSC has contributed significantly to the 30 percent decline in the rate of injuries and deaths related to hazardous products since the agency's inception in 1972.

The 2005 Budget includes \$62.7 million for CPSC. The Budget will enable the Commission to fund cost increases associated with current activities.

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

Through programs such as AmeriCorps, Senior Corps, and Learn and Serve America, the Corporation for National and Community Service (CNCS) provides service opportunities for more than 2.5 million Americans each year. Through the leadership of the USA Freedom Corps Coordinating Council, CNCS is helping Americans to answer the President's Call to Service, an initiative that has engaged an unprecedented number of volunteers in domestic and international service. The 2005 Budget proposes \$1,017 million for CNCS, \$82 million, or nine percent, above the 2004 Consolidated Appropriations Bill level. The request would support 75,000 AmeriCorps members, 600,000 senior volunteers, and engage over one million youth in service-learning activities. All of the Corporation's programs work with community and faith-based organizations to meet local needs. Activities include tutoring and mentoring children, assisting the elderly, preserving the environment, building homes for low-income families, responding to disasters, and generating broader volunteer activities across the country. According to the Bureau of Labor Statistics, the number of volunteers increased from 59.8 million to 63.8 million between September 2002 and September 2003.

Strengthening AmeriCorps and National Service

Americans have responded in record numbers to the President's call to dedicate at least 4,000 hours or two years of their lives in service to their communities. The Administration is committed to ensuring that service programs are well-managed and positioned to respond to those who want to serve. To ensure the financial integrity of the AmeriCorps program, the President signed the Strengthen AmeriCorps Program Act. The Act clarifies the proper accounting and management controls governing the AmeriCorps program and the National Service Trust, which finances the education awards earned by AmeriCorps members. In addition, CNCS has initiated comprehensive reforms to improve accountability and efficiency in the

administration of programs and the expenditure of funds authorized under the national service laws to build and reinforce a culture of service, citizenship, and responsibility throughout the Nation.

Expanding Opportunities for Service

The 2004 Consolidated Appropriations Bill is expected to include the highest funding level for AmeriCorps in the program's history. The 2005 Budget builds on the President's commitment to national service. The Budget includes a total of \$442 million to support the President's goal of funding 75,000 AmeriCorps members and finance their education awards. The Budget also proposes a total of \$225 million for the National Senior Service Corps programs, which meet a wide range of community needs such as helping seniors live independently in their homes, and providing support services to young ex-offenders. In addition, the Budget includes a total of \$20 million to provide Silver Scholarships to 10,000 older Americans who volunteer 500 hours of service tutoring and mentoring students. Each Silver Scholarship provides \$1,000 that can be transferred to a grandchild or other young person. Finally, the Budget proposes \$15 million for Special Volunteer

Senior Corps Fights Telemarketing Fraud

Volunteers in the Santa Monica, CA Retired Senior Volunteer Program (RSVP) work with the Federal Bureau of Investigation (FBI) to prevent seniors from becoming victims of telemarketing fraud. A common term for the place from which telemarketers, including illegal telemarketers, make their calls is a "boiler room." Using phones donated by AT&T Wireless, volunteers with WISE Senior Services operate a "reverse boiler room" for victims of telemarketing fraud and give them tips about protecting themselves against future scams. According to FBI Supervisory Special Agent Dan Bolick, "Because of these RSVP volunteers, thousands of crimes are prevented every year. Conservative estimates indicate that we prevent a crime for at least one in every ten people who receive peer counseling. Roughly 13,000 crimes have been prevented at a savings of approximately \$12,000 per crime." Over the past five years, CNCS estimates that these RSVP volunteers have protected some \$16 million in seniors' funds from telemarketing scams.



AmeriCorps members building homes with Habitat for Humanity.

Programs to support homeland security efforts including activities in public safety, public health, disaster relief, and preparedness.

DISTRICT OF COLUMBIA

The 2005 President's Budget provides \$103 million for the District of Columbia (D.C.). This includes \$40 million for D.C. school children, as well as \$63 million in funding for other D.C. programs. The \$40 million provides continued support for the D.C. School Choice program and Federal support of D.C. public schools and D.C. charter schools. The 2005 Budget continues the 2004 investment of \$14 million to support the D.C. School Choice program. This program will increase the capacity

of the District to provide parents—particularly low-income parents—more options for obtaining a quality education for their children who are trapped in low-performing schools. As part of the Administration's commitment to improving education in D.C., the Budget also continues funding for D.C. public schools and D.C. charter schools, with \$26 million. The Budget also continues to support the D.C. Resident Tuition Assistance program, with \$17 million. This program was started in 1999 and allows District residents to attend public colleges nationwide at in-state tuition rates.

The President's 2005 Budget includes new Federal support to assist the District with the capital needs of the city's first responders who are on the frontlines of homeland security. The Budget supports the renovation of two D.C. Fire and Emergency Medical Services Department facilities with \$10 million. These renovations will provide, for the first time, centralized headquarters for the D.C. Fire Department and for the D.C. Fire Department's Special Operations Unit. This Special Operations Unit responds to issues such as bomb threats or hazardous materials calls. The Budget also supports the purchase of technical systems, including telephone and radio dispatch systems, for the city's new Unified Communication Center (UCC), with \$7 million. The UCC will be a command center for all of the city's essential emergency operations functions. In addition, the 2005 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 going to defray the cost of events such as protests related to the annual World Bank and International Monetary Fund meetings.

The President's 2005 Budget continues support to help improve the Anacostia River for D.C.'s neighborhoods and visitors. The Budget proposes \$3 million to continue design and construction work on the Anacostia trailwalk. The trailwalk will create pedestrian and bicycle trail systems from the Potomac River to the District's border with Maryland. The 2005 Budget also proposes \$10 million in continued support of the local water and sewer authority's efforts to reduce combined sewer overflows in the Anacostia River.

The Administration also continues to support "budget autonomy" for D.C. This will 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.

I'm a strong advocate of quality educational choices, and I believe there are a variety of ways to reach that goal. The District has a very strong example of school choice in its successful charter schools movement. Parents also may exercise choice within District public schools. Still, parents of school-aged children frequently tell me they want better options and more rapid improvements that will lead to better results for their children. To that end, I believe it is time to look at other solutions to provide educational choices for students.

Mayor Anthony Williams
from the D.C. government website, www.dc.gov

DISTRICT OF COLUMBIA COURTS

The District of Columbia Courts continue to work on capital improvements necessary for the Family Court Division of the D.C. Superior Court. The President's 2005 Budget provides \$270 million to the Courts, which includes \$93 million for significant improvements in the Judiciary Square area. Judiciary Square is the center of many criminal justice functions in the District and is the home of the D.C. Superior Court, as well as a variety of other city and Federal criminal justice agencies. Improvements in the area will include a full restoration of the city's Old Courthouse. The Old Courthouse was originally built between 1821 and 1881 and is listed on the National Register of Historic Places. The D.C. Courts will also undertake significant design and renovation work on the H. Carl Moultrie Courthouse.

ELECTION ASSISTANCE COMMISSION

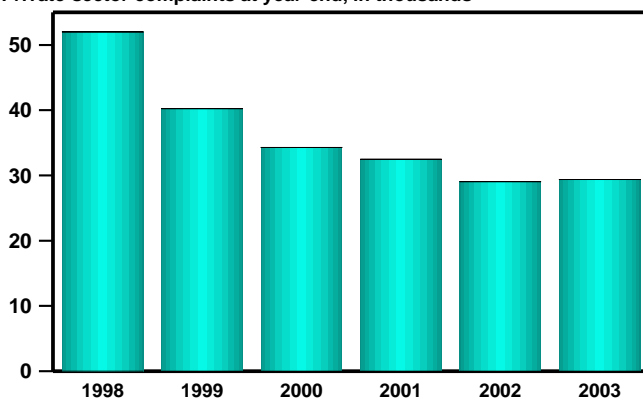
The Election Assistance Commission provides requirements payments to States to improve election equipment and the administration of Federal elections. To date, the Administration has endorsed over \$3.0 billion to upgrade voting systems, develop electronic voter registration lists, assure access for individuals with disabilities, and train election officials for all 50 States and five territories. The President's 2005 Budget proposes an additional \$50 million in 2005: \$40 million in new requirements payments and \$10 million for administrative expenses of the Commission.

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

The Equal Employment Opportunity Commission (EEOC) enforces Federal laws that prohibit employment discrimination based on 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 law. During this Administration, EEOC reduced its inventory of private-sector discrimination complaints to 29,041 by the end of 2002—lower than it had been in three decades. The accompanying chart shows the number of such complaints pending for each of the years 1998 through 2003.

Record Low Number of Pending Discrimination Complaints

Private-sector complaints at year-end, in thousands



Source: Equal Employment Opportunity Commission.

The 2005 Budget provides \$351 million for EEOC, an increase of \$26 million, or eight percent, above the level in the 2004 Consolidated Appropriations Bill. The Budget would allow EEOC to add employees to enforce anti-discrimination law in private-sector businesses and organizations, helping maintain reductions in its complaints inventory. To support the President's New Freedom Initiative, the Budget also provides \$500,000 for a review of States' strategies for removing employment barriers faced by people with disabilities. EEOC will disseminate the results of this review, including posting them on its website (www.eoc.gov), to encourage

widespread adoption of the “best practices.” In addition, EEOC will continue to implement the President’s management reforms by streamlining decision layers and using information technology to make the agency more accessible and responsive to citizens’ needs.

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 2005 Budget, the Administration requests a three-part financial restructuring initiative, which would:

- Consolidate the annual appropriations for the White House Office, the 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 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.
- Centralize the telecommunications infrastructure costs for the EOP into the Office of Administration program.

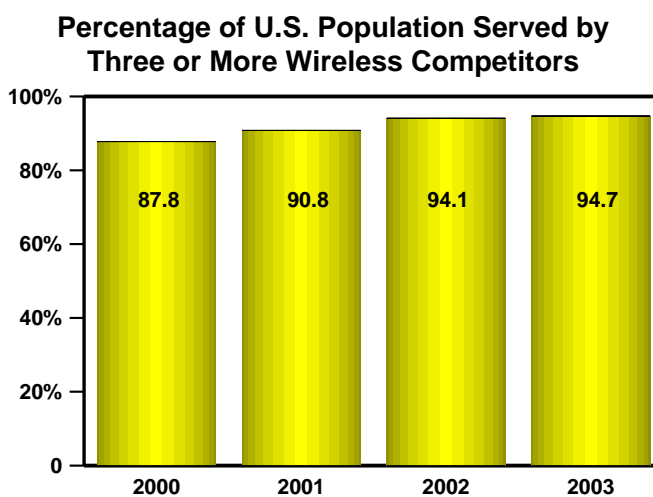
This initiative provides enhanced flexibility in allocating resources and staff in support of the President and the Vice President, and permits more rapid response to changing national needs and priorities.

Resources requested for the EOP in 2005 total \$341 million, or 0.5 percent, above the 2004 funding level. These resources will support approximately 1,850 personnel, as well as information technology and other infrastructure needs to serve the President and the Vice President.

FEDERAL COMMUNICATIONS COMMISSION

The President’s Budget proposes \$293 million for the Federal Communications Commission (FCC), \$273 million of which would be offset directly by regulatory fees. This funding provides inflationary increases and supports the Commission’s ongoing work to ensure that Americans have rapid and efficient communication services.

FCC’s spectrum auctions have proven to be an efficient and effective mechanism to assign licenses for certain spectrum-based services. New companies have entered the market and innovative wireless technologies have been developed. Ninety-five percent of the U.S. population has access to at least three



Source: Federal Communications Commission, WTB’s CMRS Report.

competing mobile phone service providers and 83 percent to at least five competing mobile phone service providers. 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 25,000 licenses and paid over \$14 billion into the Treasury. The Administration supports legislation introduced in 2003 to extend indefinitely the FCC's auction authority, which expires in 2007. Estimated additional receipts from this proposal are \$2.4 billion over the next 10 years.

To continue to promote efficient spectrum use, the Administration supports the 2003 legislative proposal granting new authority for the 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 \$3.1 billion in the first 10 years.

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, through FDIC and NCUA, insures nearly \$4 trillion in deposits at more than 18,000 institutions. These agencies maintain insurance reserves to use when resolving failed institutions. FDIC and NCUA fund these reserves through assessments on insured institutions, recoveries of assets liquidated from failed institutions and interest credited to these reserves from U.S. Treasury securities. In 2003, 12 commercial banks and credit unions, worth approximately \$1.2 billion in combined assets, failed. This compares favorably to 2002, when 23 institutions with \$2.5 billion in assets failed.

While the deposit insurance system for banks and thrifts is generally sound and well managed, it has structural weaknesses that, in the absence of reform, could deepen over time. The Administration supports reforms that would strengthen the deposit insurance system managed by FDIC. In 2003, the Treasury Department and Federal banking regulatory agencies submitted to the Senate a draft bill that would accomplish this objective. The draft bill draws on a framework outlined by the FDIC and discussed in congressional testimony and elsewhere by Treasury Department officials.

- FDIC has been prohibited from charging premiums to "well-capitalized" and well-run institutions since 1996. Therefore, under the current pricing structure, fewer than 10 percent of banks and thrifts pay regular insurance premiums. The draft bill would restore the FDIC's ability to levy premiums for the benefit of deposit insurance, and to vary those premiums according to the relative risks to the insurance fund posed by each institution. It would also enable the FDIC to ensure that institutions compensate the fund for insured deposit growth.
- Under the current system, FDIC is required to maintain a designated reserve ratio (DRR, the ratio of insurance fund reserves to total insured deposits) of 1.25 percent. When the reserve ratio falls below the DRR, the FDIC must charge premiums that are either sufficient to restore the reserve ratio to the DRR within one year, or average no less than 23 basis points if the reserve ratio were to remain below the DRR for a longer period. Such a premium increase could occur when the banking system, and probably the economy, are under serious stress. The draft bill would permit FDIC to alter the DRR within a range and give FDIC broad discretion in managing reserves within this range. This flexibility will enable reserves to grow when economic

conditions are good, in order to enable the fund to better absorb losses under adverse conditions without sharp premium increases.

- The Administration supports merging the bank and thrift insurance funds, which offer an identical product. A single merged fund would be stronger and better diversified than either fund alone and therefore would improve the system's ability to withstand future losses.

FEDERAL ELECTION COMMISSION

The Federal Election Commission (FEC) administers the Federal laws governing financing of candidates for the Presidency, Vice Presidency, the U.S. Senate, and the U.S. House of Representatives. FEC requires candidate disclosure of campaign finance information, enforces financing and contribution limits, and oversees the public funding of Presidential elections. The President's Budget proposes \$52.2 million to fund these and other activities in 2005.

FEDERAL TRADE COMMISSION

The Federal Trade Commission (FTC) enforces consumer protection laws that prevent fraud, deception and unfair business practices, and promotes consumer choice and public understanding of free markets. The Commission also enforces Federal antitrust laws that prohibit anticompetitive mergers and other business practices that restrict competition and harm consumers. The President's 2005 Budget proposes \$206 million for the FTC, which will be primarily offset by fee collections from businesses for merger filings and from telemarketers for access to the Do-Not-Call list in order to avoid calling registered phone numbers.

FTC funding includes \$20 million for FTC to continue enforcing the National Do-Not-Call Registry, in partnership with States and the Federal Communications Commission. More than 50 million numbers were signed up for the Do-Not-Call Registry within the first few months of operation.

Unsolicited commercial e-mails (spam) account for nearly half of all global e-mail traffic, and the FTC found that 66 percent of spam contains false, fraudulent, or misleading information. Recently, the President signed the CAN-SPAM Act, which establishes a framework of administrative, civil and criminal tools to help America's consumers, businesses, and families combat spam. The Administration fully supports the fight against spam, and FTC has a major role in this fight. The President's Budget provides additional funds for FTC to enforce the CAN-SPAM Act and to prepare a plan to establish a Do Not E-Mail Registry that will protect consumers and businesses from unwanted and fraudulent e-mail.

Identity theft has affected the lives of more than 27.3 million victims over the past five years and has resulted in billions of dollars in losses for businesses and consumers. In response, the President recently signed the Fair and Accurate Credit Transactions Act, which places new identity theft and consumer credit protection responsibilities with FTC.

To meet these new requirements, the Budget includes \$12 million in additional funds for FTC to guard against identity theft, to combat spam, and to better combat Internet fraud.

GENERAL SERVICES ADMINISTRATION

The General Services Administration (GSA) assists Federal agencies in operating more efficiently and effectively by providing superior workplaces, expert information technology solutions, and best value acquisition services.

GSA owns nearly 1,700 buildings, accounting for 182 million square feet of space. In 2002, GSA implemented a portfolio restructuring strategy so that its portfolio will consist primarily of properties generating sufficient revenues to meet capital reinvestment needs. This will allow GSA to concentrate resources on improving and maintaining its owned inventory. Since 2001, GSA has completed 21 construction projects and 23 major repair and alteration projects. In 2005, the Budget proposes funding for 19 construction projects and 29 major repair and alteration projects. The most sizable project is funding for a new Federal courthouse (\$314 million) in Los Angeles, California.

In 2005, GSA will significantly advance the President's Management Agenda for E-Government by devoting \$40 million in surplus revenues obtained from the fees agencies pay when procuring goods and services from GSA. The President's Budget also includes \$5 million for the E-Gov Fund. These projects use improved Internet-based technology to streamline citizen-to-government communications, making it easier for citizens and businesses to interact with the Government and saving taxpayer dollars. For example, GSA created a "front-door" to the Federal Government for citizens seeking information through the award-winning *FirstGov.gov* website and the National Call Center, which resulted in 60 million website visits, 2.5 million phone calls, and 100,000 e-mails.

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

Through its grant programs and leadership activities, the Institute of Museum and Library Services (IMLS) assists museums and libraries in sustaining their contributions to educating our citizens and strengthening our communities. The Administration continues to support the important role of libraries and museums with a 2005 Budget proposal of \$262 million.

The Budget invests in priority programs, providing a \$12 million increase for the Library State Grants program, which supports State efforts to promote access to the resources of all types of libraries for all individuals. The Administration is requesting \$23 million for the Librarians for the 21st Century program, a \$3 million increase, to support partnerships between libraries and institutions of higher education for the recruitment and education of a new generation of library professionals who are prepared to tackle the technological challenges of the information age. In addition, the Budget proposes a \$10 million increase for IMLS museum programs to support initiatives that enhance the educational and technological linkages between museums and their communities, 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 actions of Government officials and agencies. In 2005, the Budget proposes \$304 million for NARA. Of these resources, \$36 million will go toward development of the initial deployment of the Electronic Records Archive 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 2005, the Budget requests \$139 million, an \$18 million increase over 2004,

for core programs and NEA's new American Masterpieces initiative. American Masterpieces is a national program designed to acquaint Americans with the best of their own artistic legacy. The initiative will include special touring programs in dance, visual arts, and music; local presentations and joint ventures; arts education through in-school programs; and student visits to exhibitions, presentations, and performances. NEA will continue core programs that help extend the reach of the arts through supporting works of artistic excellence and promoting projects in geographically and economically isolated communities that traditionally have not had access to quality arts programming. These projects will be supported 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 2005, the Budget requests \$162 million, a \$27 million increase over 2004, for core programs and to continue the President's We the People initiative. We the People, which was launched in collaboration with the USA Freedom Corps, promotes the understanding and 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.

NATIONAL LABOR RELATIONS BOARD

Averting an East Coast Port Crisis

Each year, the NLRB steps in swiftly to resolve thousands of labor-management disputes before they can paralyze commerce and impose large-scale economic hardship. One such case occurred in May 2003, when the Evergreen America Corporation and Virginia International Terminals filed charges alleging that the International Longshoremen's Association violated the National Labor Relations Act by picketing key East Coast shipping terminals. While protesting Evergreen's refusal to recognize its standing to represent 120 "port captains," the Longshoremen had prevented more than a dozen of Evergreen's ships from docking at major ports in New Jersey, Maryland, Virginia, South Carolina, and Georgia. As a result, vessels loaded with 48,000 tractor-trailer-sized containers were diverted to Canada or Panama. The NLRB responded to the charges immediately by launching an impartial investigation and explaining the legal responsibilities to both parties. Swift action by the NLRB spurred collective bargaining and helped the parties to sign a three-year contract on July 7th. As a result, the 2002 West Coast ports crisis was not repeated on the East Coast in 2003.

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 2005, 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 2003, the settlement rate was 93 percent. Through its performance goals, NLRB will continue to place a high priority on reducing its case backlog, especially of the oldest pending cases.

The 2005 Budget provides \$249 million for NLRB's activities, including \$191 million for pay and benefits. The Budget also includes \$14 million for information technology projects, such as automated case management, and the maintenance of key administrative systems. In addition, the Budget provides \$500,000 to target resources on cases involving non-English speaking parties. These cases present special challenges and call for nontraditional case management techniques for a significant (and, in some jurisdictions, growing) portion of the agency's inventory.

NATIONAL TRANSPORTATION SAFETY BOARD

The National Transportation Safety Board (NTSB) is charged with determining the probable 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. The agency also coordinates Federal assistance to the families of victims of catastrophic domestic transportation accidents. In 2005, NTSB expects to investigate more than 2,000 transportation accidents.

The 2005 Budget provides \$74 million for salaries and expenses for the NTSB to fulfill its role of improving the Nation's transportation safety.

NUCLEAR REGULATORY COMMISSION

The Nuclear Regulatory Commission (NRC) regulates the commercial use of nuclear material in the United States. Its regulatory programs allow the Nation to use nuclear materials safely for civilian purposes. The Department of Energy is planning to submit its application to build a high-level waste repository at Yucca Mountain, Nevada, in December 2004, and NRC's workload will expand significantly to meet that goal. This first-of-a-kind undertaking will involve conducting thorough safety and security evaluations, performance assessments, adjudicatory hearings, and site inspections. NRC's goal is to complete its review and reach a license decision within three years. NRC also will conduct full-scale tests of two spent nuclear fuel shipping containers to further assess their safety in accidents and fires.

Since September 2001, NRC has strengthened its regulatory programs in support of the Nation's efforts to enhance homeland security and preparedness, including actions to improve security at the Nation's civilian nuclear power plants, nuclear fuel facilities, and other licensed users of radioactive materials. These efforts will continue in 2005.

NRC also must keep pace with the industry's interest in the renewal of nuclear power reactor licenses and the possible construction of new nuclear power plants. To date, NRC has renewed the operating licenses for 23 of the existing 104 nuclear power plants, and at least 26 more plants are under review or anticipated through 2005. In addition, the NRC will continue to improve the effectiveness and efficiency of its review of designs for advanced reactors.

To carry out these and other activities, the Budget proposes \$670 million in 2005 for NRC. User fees from NRC licensees will recover approximately 90 percent of NRC's budget. Appropriations from the Nuclear Waste Fund will cover the costs of the high-level waste repository effort.

OFFICE OF PERSONNEL MANAGEMENT

The Director of the Office of Personnel Management (OPM) is the President's chief advisor on civilian Federal human resources management. OPM's job is to build the high quality and diverse Federal workforce, protected by merit system principles, that America needs to guarantee freedom, promote prosperity, and ensure the security of the Nation. In 2003, OPM helped to set up the new Department of Homeland Security (DHS) and enact the National Security Personnel System Act of 2003 that will transform the Department of Defense (DOD). In 2004, OPM will complete its work on building a new Human Resources (HR) system with DHS and designing a new HR system with DOD.

Total discretionary funding of \$278 million in 2005 will finance OPM's efforts to manage and oversee its Government-wide human resources systems and strategies and administer the Federal employees' benefits trust funds (retirement, health benefits, and life insurance). In addition to this amount, the Budget proposes \$300 million for the Human Capital Performance Fund authorized by the Congress in 2003. OPM will administer the fund for the purpose of allowing agencies to deliver additional pay to certain civilian employees based on their performance, in accordance with OPM-approved agency plans.

OPM also oversees Government-wide implementation of one component of the President's Management Agenda—advancing Strategic Management of Human Capital. In this capacity, OPM is committed to providing agencies the tools to manage their workforce as described in the Human Capital Standards for Success.

In addition, OPM will pay out \$88 billion in benefits in 2005: \$55 billion to more than 2.4 million retired Federal employees, their survivors, and other beneficiaries; \$31 billion in health benefits for nine million enrollees and dependents; and over \$2 billion in life insurance claims from policyholders.

OPM has begun a review of Health Savings Accounts (HSAs) and their role within the Federal Employees Health Benefits Program (FEHBP). OPM will identify opportunities to extend this new benefit to the 3.1 million Federal employees, annuitants, their survivors, and their family members, under age 65, as they make decisions on how to spend their hard-earned dollars on health care. OPM will explore whether options may be available for this group of FEHBP participants in 2004 and will ask carriers to consider proposals that would include HSAs for programs in 2005.

OPM has made solid progress in advancing the President's Management Agenda in 2003. For example, with its comprehensive plan for managing its human capital, OPM certified that 99 percent of its employee performance plans are directly linked to the agency's strategic plan. To address competency gaps in mission-critical occupations identified in the human capital plan, OPM initiated 250 activities including specific training courses and targeted hiring. In a major reform of its internal Senior Executive hiring process, OPM made 17 new appointments in an average of 49 days, which reduced the hiring cycle time by 50 percent, and increased diversity among its Senior Executives.

OPM is the managing partner for five projects under the President's E-Government initiative: Recruitment One Stop, E-Training, E-Clearance, Enterprise Human Resources Integration, and E-Payroll. These initiatives will save the Government about \$2.7 billion dollars over the next 10 years. For example, Recruitment One Stop will reduce the complexity of Federal hiring and decrease the cost per hire. To date, over 50 million citizens have used the USAJOBS website to locate and apply for Federal jobs. In addition, the E-Training project offers the convenience of web-based training to the Federal workforce, leading to savings in tuition and travel costs and by compressing learning time. Over one million Federal civilian and military personnel used the *GoLearn.gov* site last year for online training. The E-Clearance project will reduce the time to process clearances and reduce duplicative investigative efforts, while the E-Payroll project alone will save the Government \$1.1 billion dollars over the next decade by consolidating civilian payroll processing. The Enterprise Human Resources Integration project will reduce the need for paper personnel records and improve

the currency and accuracy of Federal HR data. OPM's status rating for E-Government improved to green in the first quarter of 2004 because it met cost, schedule, and performance targets.

OPM completed competitions on 284 positions, including its first standard competition for OPM's test administrators who conduct Federal employment examinations. Federal employees won the competition by streamlining their operations and becoming more efficient at a savings to the taxpayer of approximately \$9.1 million over the next five years. Additionally, OPM has initiated eight additional streamlined competitions and one standard competition, involving an additional 393 positions, to be completed during 2004.

POSTAL SERVICE

On July 31, 2003, the President's Commission on the United States Postal Service delivered its final report pursuant to Executive Order 13278. On December 8, 2003, President Bush thanked the members of the Commission for their outstanding service and for delivering a comprehensive and balanced report. The President noted that the Postal Service provides an important service to the American people and to the American economy, and we should ensure that we have a healthy Postal Service for future generations. The Administration believes that the Postal Service should continue to provide affordable and reliable universal service, while limiting exposure to taxpayers and operating appropriately in the competitive marketplace. The Administration recommends the Congress enact comprehensive postal reform legislation that reflects the sensible, balanced approach the Commission recommended and is guided by the principles of Best Governance Practices, Transparency, Flexibility, Accountability, and Self-Finance, as expressed by the President on December 8, 2003.

REGIONAL ECONOMIC DEVELOPMENT AGENCIES

The President's 2005 Budget proposes \$74 million for three regional economic development agencies: the Appalachian Regional Commission (ARC), the Denali Commission, and the Delta Regional Authority. An additional \$22 million through the Department of Health and Human Services is included for health clinics in Alaska. To assist in the ARC's role in supporting economic development in Appalachia and the interagency coordination role it plays, the President's Budget proposes continuing ARC at the 2004 enacted level of \$66 million. The Administration will continue to pursue reauthorization of the highway bill to include \$450 million annually for the Appalachian Development Highway System. The President's proposal continues to refocus these agencies from being principally grant-makers to being regional planners and investment coordinators. The Department of Commerce's Economic Development Administration will also continue to focus funding on distressed communities. The goal is to decrease duplicative grant-making and increase efficient investment of Federal, State, and local resources in areas of high distress.

SECURITIES AND EXCHANGE COMMISSION

The Securities and Exchange Commission (SEC) protects investors and works to maintain fair, honest, and efficient markets. The SEC's activities are critical to the health of our securities markets, which in turn are a vital part of our national economy. In 2003, the dollar volume of shares traded on the New York Stock Exchange and the Nasdaq Stock Market accounted for \$18 trillion. During that year, SEC oversaw roughly 7,900 broker-dealers with approximately 95,000 branch offices and 664,100 registered representatives. SEC also oversaw an estimated 5,000 investment companies with 33,700 portfolios and \$7 trillion in assets and 7,900 investment advisers with \$22 trillion in assets under management.

The Administration is committed to ensuring that SEC has the resources necessary to carry out its responsibilities effectively. Since passage of the Sarbanes-Oxley Act, the Administration has more than doubled SEC's budget, providing funds for 842 new accountants, attorneys, and examiners to protect investors, root out fraud, and strengthen corporate governance. The President's 2005 Budget continues its commitment to the SEC by providing \$893 million, an \$81 million increase over the 2004 level.

Protecting Investors

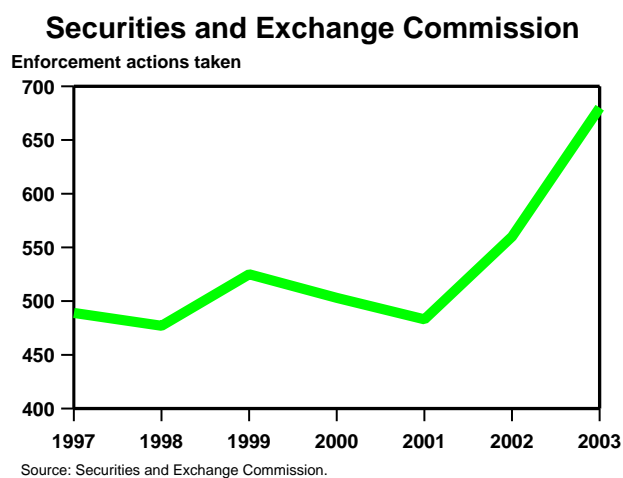
SEC is the preeminent enforcement agency in investor markets. SEC works to prevent fraud and misrepresentation in securities markets by reviewing corporate disclosure data, investigating investor complaints, and monitoring exchanges for unusual activities. SEC oversees all key participants in the securities world, including stock exchanges, broker-dealers, investment advisors, mutual funds, and public utility holding companies. Last year, SEC initiated a record 680 enforcement actions against individuals and companies for violations of securities laws. Through these efforts, the SEC is able to halt fraudulent activities quickly, seek civil penalties, and order violators to disgorge ill-gotten gains. Major enforcement actions of 2003 resulted in:

- A \$1.4 billion dollar settlement with major Wall Street firms over allegations that the independent investment research they provided to their customers was improperly influenced by investment banking activities. As part of the settlement, the firms agreed to alter practices in order to ensure that investors have access to independent investment advice.
- A \$155 million settlement with J.P. Morgan Chase & Co. and Citigroup Inc. for their roles in the manipulation of the financial statements of Enron Corporation.
- An order against Putnam Investment Management LLC over alleged market-timing trades by its employees. In the order, Putnam agreed to undertake far-reaching corporate governance, compliance, and ethics reforms. Putnam also agreed to a process for calculating and paying restitution for losses attributable to excessive short-term and market timing trades.

Maintaining Markets

The SEC works to ensure that all investors have access to certain basic facts about an investment and to prevent fraud and misrepresentation in securities markets. SEC requires that public companies submit detailed financial information, which it makes available to the public through its website. SEC also is responsible for the regulation of mutual funds, broker-dealers, and security exchanges. In its efforts to maintain fair, honest, and efficient markets, SEC undertook the following regulatory actions in 2003:

- Enhanced the integrity of corporate disclosures by adopting rules that strengthened auditor independence. In addition, the SEC oversaw the creation of Public Company Accounting Oversight Board which regulates the practices of the accounting profession.
- Began consideration of a package of rules and rule proposals to combat the late trading, market timing, and selective disclosure abuses that have beset the mutual fund industry.



SMITHSONIAN INSTITUTION

In 1829, James Smithson, a British scientist, bequeathed his estate to the American people for the “increase and diffusion of knowledge.” Today, the Smithsonian Institution supports that goal through its operation of National museums and research institutes. Approximately 70 percent of the Smithsonian’s funding is from direct Federal appropriations; the remainder comes from its endowment fund, private donations, business activities, and grants from other Federal agencies.

The 2005 Budget provides \$628 million in Federal funding for the Smithsonian, more than a five-percent increase from 2004. Funds are provided to complete the Federal aspects of the renovation of the Patent Office Building, which houses the National Portrait Gallery and the Smithsonian American Art Museum. The Budget also continues revitalization of the National Museum of American History and the National Museum of Natural History so that these museums can continue to educate and enlighten visitors for years to come.

The Smithsonian is confronting high-priority management challenges at the National Zoo and the Arts and Industries Building. The Zoo has faced a number of serious challenges and is at risk of losing its accreditation from the American Zoo and Aquarium Association. To complement management reforms underway, \$20 million is provided to improve the Zoo’s animal care facilities. The Arts and Industries Building requires critical structural repairs. The Budget proposes \$25 million to close and vacate the building until renovations are complete.

To ensure the effective use of Federal funds, the Smithsonian must continue to implement Institution-wide management reforms. Although there has been progress, the pace remains slow and unsteady and the Smithsonian remains behind most other agencies in achieving the goals of the President’s Management Agenda.

TENNESSEE VALLEY AUTHORITY

The Tennessee Valley Authority (TVA), a wholly-owned Federal corporation and the Nation’s largest public power company, was established in 1933 to provide flood control, navigation, and electricity in the Tennessee Valley region. TVA’s power service area includes 170 counties that span all or parts of seven States in the Tennessee Valley region. TVA provides low-cost, reliable electric power to 8.3 million citizens who live in this region. While TVA cannot sell power outside of its region, except to certain power generating organizations with which it had exchange power arrangements in 1957, it can enter into purchase transactions with surrounding utilities and allow outside utilities to transmit power across the TVA system. TVA has annual revenue of approximately \$7 billion, and its receipts and expenditures are included in the Federal budget. TVA uses internally generated funds to support two related but separate activities: a resource stewardship program, and power generation and transmission.



Raccoon Mountain hydro-pump storage.

Part of TVA's operating mandate requires it to provide resource stewardship services that include river management, recreational activities and navigation services in its customer area. TVA spends approximately \$80 million annually on these activities, and received a rating of effective on the Program Assessment Rating Tool (PART) last year.

TVA generates power at 66 plants using hydropower, nuclear, coal fired and alternative energy sources. TVA's most recent PART assessment of its power program rated the agency as moderately effective. TVA was viewed as doing an excellent job in generating power at its existing plants. The PART also noted that TVA corrected several technical and safety concerns existing during the previous decade. Plants such as TVA's Bull Run Fossil Plant have been rated among the most energy efficient coal-fired power plants in the Nation by industry observers.

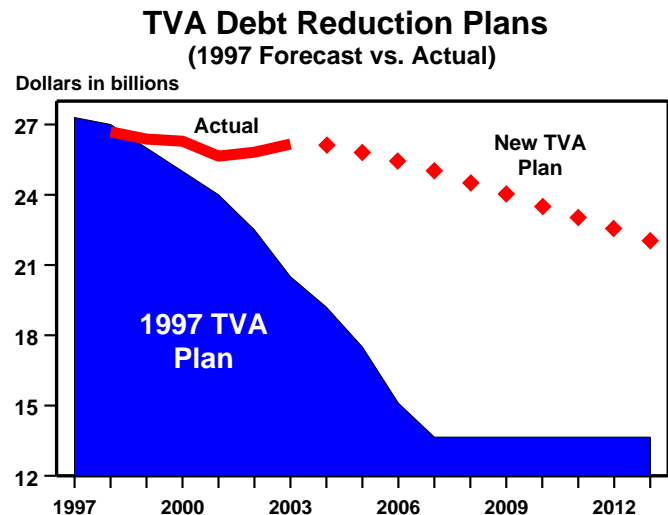
TVA operates within a dynamic and changing electricity market. It is burdened by an excessive debt level and may need to make significant power and pollution control capital investments over the next few years. To improve its financial health and ability to navigate future potential market changes, it is imperative that TVA minimize its risk exposure and increase its financial flexibility.

In 1997, TVA issued the *TVA Ten Year Business Outlook* which stated that in order to attain a competitive delivered price of power it needed to reduce interest expense and therefore debt by approximately half over 10 years. While it has reduced its statutory debt somewhat since then, it has fallen short of the 1997 goals as the associated chart shows.

In 2003, TVA undertook a major effort to develop a strategic plan to position itself for the future. This plan was issued in draft for public comment last fall and has recently been finalized. The plan includes an aggressive debt reduction target of \$3 billion to \$5 billion over the next 10 to 12 years. To responsibly implement this plan, the Budget includes annual debt reduction targets of \$300 million to \$500 million. Consistent with appropriate commercial practices, TVA is following up its strategic plan with a business plan that will be issued this summer. The President's 2005 Budget includes estimates for TVA net outlays and debt levels that reflect TVA's finalized strategic plan, beginning with \$325 million in debt reduction in 2005 and increasing thereafter. However, these estimates will likely be modified once TVA's business plan has been finalized later this year.

TVA's debt is statutorily capped at \$30 billion. While TVA showed \$24.9 billion of outstanding debt at the end of 2003, that amount does not include an estimated \$1.3 billion in debt-like liabilities that finance investments and operations. Since these "alternative financing" instruments, such as pre-paid power sales and lease/leasebacks, represent debt-like long-term liabilities, the Administration is recommending these TVA transactions, and similar transactions by other Federal agencies, be considered as debt. Accordingly, the Budget reflects this treatment; in addition, the Administration will propose legislation to count these transactions toward any agency-specific limitations on outstanding debt levels.

TVA's Inspector General (IG) became a Presidentially-appointed position in 2000. Currently, TVA's IG is funded directly from TVA revenues, subject to TVA Board approval, whereas annual funding for 27 of 29 Presidentially-appointed IGs is appropriated. The Budget proposes to appropriate funds for TVA's IG out of TVA's revenues beginning in 2005.



OTHER AGENCIES

COMMODITY FUTURES TRADING COMMISSION

The Commodity Futures Trading Commission (CFTC) protects the integrity and effectiveness of the 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 investor fraud; and monitoring the markets in order to prevent illegal price manipulation efforts. In 2004, CFTC filed 83 enforcement actions against suspected violators of commodity trading laws. The 2006 Budget provides \$99 million to fund CFTC's activities.

Price Manipulation in Energy Markets

Since December 2002, CFTC filed charges against a total of 30 companies and individuals and assessed over \$267 million in civil monetary penalties for illegal activity in the energy markets. In 2004, CFTC actions resulted in a \$35 million civil monetary penalty against Enron. Among other claims, the CFTC alleged that Enron and a natural gas trader engaged in a manipulative scheme to buy an extraordinarily large amount of natural gas in a short period of time. The complaint alleged Enron's actions had a direct and adverse effect on the New York Mercantile Exchange natural gas futures contract, including causing prices to become artificial. In announcing the penalty, Gregory G. Mocek, the Director of Enforcement for the CFTC stated, "This settlement demonstrates the CFTC's exhaustive efforts to identify and root out manipulation of the natural gas and energy markets."

CONSUMER PRODUCT SAFETY COMMISSION



Safety helmets are one of 15,000 types of consumer products under CPSC's jurisdiction.

The Consumer Product Safety Commission (CPSC) is the Federal agency responsible for protecting families from hazards related to consumer products under its jurisdiction. CPSC collects data to monitor injuries and deaths resulting from consumer products, works with industry to develop voluntary standards to make products safer, and educates consumers on potentially dangerous products. Where these steps are insufficient to protect Americans from unnecessary risks, CPSC develops mandatory rules and conducts product recalls. The President's Budget includes \$62 million for CPSC to sustain existing safety efforts and continue providing national consumer product safety leadership.

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

Each year, the Corporation for National and Community Service (CNCS) engages more than 2.5 million Americans in service opportunities. Through AmeriCorps, Senior Corps, and Learn and Serve America, CNCS helps Americans answer the President's Call to Service. The 2006 Budget proposes \$921 million for CNCS to support 75,000 AmeriCorps members, provide service opportunities for some 500,000 Senior Corps members, and engage over one million youth in service learning through Learn and Serve America. The Corporation's programs work with community- and faith-based organizations to meet local needs. Its programs support activities ranging from tutoring and mentoring children, assisting the elderly, preserving the environment, building homes for low-income families, and mobilizing volunteers to respond to disasters.

Strengthening AmeriCorps for the Future

Launched 10 years ago, the AmeriCorps program has enabled more than 400,000 Americans to address pressing community needs while earning an education award to help finance college or re-pay student loans. In 2003, AmeriCorps members tutored nearly a half million children, helped build and rehabilitate more than 3,300 homes for low-income families, and helped restore and conserve more than 41,000 acres of public lands. In 2004, CNCS launched a comprehensive rulemaking process to implement AmeriCorps grantmaking reforms, program management improvements, and long-term financial sustainability.

The final rule will be published in 2005 and will promote long-term growth as well as sustainability of national service programs by local communities and the private sector. The 2006 Budget requests \$421 million to support the President's goal of 75,000 AmeriCorps members, including \$146 million in the National Service Trust to support member education awards.

Helping the Hurricane-weary

Reeling from one of the worst hurricane seasons in its history, Florida needed a rapid, flexible response. In 2004, more than 700 AmeriCorps, Senior Corps, and Learn and Serve America members were deployed to help Floridians survive the storms and repair the damage. For example, teams of AmeriCorps National Civilian Community Corps members from all five campuses were deployed to cover approximately 1,500 roofs with plastic sheeting to protect storm-damaged homes in Tallahassee from the weather until permanent repairs could be made. Senior Corps volunteers worked with Orlando's Emergency Operations Center and the Red Cross to create a volunteer reception center to help special needs residents who did not evacuate during the storms.

Fostering a Culture of Service

In conjunction with the USA Freedom Corps, a White House office created by President Bush following the attacks of September 11th, CNCS is helping Americans of all ages and backgrounds answer the President's Call to Service to dedicate at least 4,000 hours, or two years, of their lives in service. The 2006 Budget will enable an estimated 500,000 older Americans to volunteer through the Senior Corps program. The Budget proposes \$220 million for the Senior Corps program, which meets a wide range of community needs such as helping seniors live independently in their homes, mentoring children of prisoners, and tutoring children. The Budget also proposes \$40 million for Learn and Serve America to engage more than 1 million American youth in service learning education. In

addition, the Budget includes \$10 million for the Points of Light Foundation to connect Americans, businesses, and community-based nonprofits to increase volunteering across America and \$5 million for America's Promise to support a network of Communities of Promise that build the character and competence of young people. Finally, the Budget proposes \$4 million to support Teach for America, a national organization supporting a professional teacher corps that serves in low-income, rural, and urban communities.



Senior Corps members building homes with Habitat for Humanity.

DISTRICT OF COLUMBIA

The 2006 President's Budget provides \$103 million for the District of Columbia (D.C.). This includes \$75 million for D.C. school children, as well as \$28 million in funding for other D.C. programs. The 2006 Budget continues the 2004 and 2005 investment in the D.C. School Choice program, with \$15 million. This program helps increase the capacity of the District to provide parents—particularly low-income parents—more options for obtaining a quality education for their children who are trapped in low-performing schools. As part of the Administration's commitment to improving education in D.C., the Budget continues funding for D.C. public schools and D.C. charter schools, with \$27 million. The Budget also continues to support the D.C. Resident Tuition Assistance program, with \$33 million. This program was started in 1999 and allows District residents to attend public colleges nationwide at in-State tuition rates.

The President's Budget continues support to help improve the Anacostia River for D.C.'s residents and visitors. The 2006 Budget proposes \$5 million to continue design and construction work on the Anacostia trailwalk. The trailwalk will create pedestrian and bicycle trail systems from the Potomac River to the District's border with Maryland.

The 2006 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 to defray the cost of events such as protection for the annual World Bank and International Monetary Fund meetings.

The 2006 Budget supports funding for a bioterrorism and forensics laboratory in the District, with \$7 million. The present situation, in which the District relies on the laboratory facilities of Federal agencies, does not allow the District to keep up with the demand of its current workload. Initial planning and design work on the lab began in 2005. The 2006 funds will allow the District to move forward with early construction phases, and will be matched by \$1.5 million in local capital funds from the District.

The 2006 Budget also proposes an increase in the amount of Federal funding the District receives for child welfare services, specifically foster care and adoption assistance. The 2006 Budget would increase the District's reimbursement rate under Title IV-E of the Social Security Act from 50 to 70 percent. Title IV-E is the primary Federal funding source that provides foster care and adoption subsidy payments, which enable families to adopt special needs children from foster care. This adjustment will bring the Title IV-E Federal match rate in line with the District's Medicaid match rate, as it is in other States.

In 2006, the Administration will also work with the District to review the current portfolio of Federal lands in the District of Columbia to determine whether any of these parcels would be better utilized by the District. In addition, the Administration continues to support enactment by the Congress of a law to allow the D.C. government's proposed local budget to take effect without a separate annual appropriations bill, subject to limitations imposed by the Congress by law.

DISTRICT OF COLUMBIA COURTS

The District of Columbia (D.C.) Courts continue to work on capital improvements necessary for the Family Court Division of the D.C. Superior Court. The President's Budget provides \$267 million to the Courts, which includes \$83 million for significant capital improvements in the Judiciary Square area. Judiciary Square is the center of many criminal justice functions in the District and is the home of the D.C. Superior Court, as well as a variety of other city and Federal criminal justice agencies. Improvements planned for the area include a full restoration of the city's Old Courthouse. The Old Courthouse was originally built between 1821 and 1881 and is listed on the National Register of Historic Places. Restoration work on the Old Courthouse began in early 2005. In addition, the Courts completed renovation work on Building B in December 2003. This allowed the Small Claims and Landlord courts to move from the H. Carl Moultrie Courthouse to Building B. As a result of this move, an interim Family Court facility opened in the H. Carl Moultrie Courthouse in the Fall of 2004. The D.C. Courts will continue to undertake significant design and renovation work on the H. Carl Moultrie Courthouse in preparation for opening a permanent Family Court.

ELECTION ASSISTANCE COMMISSION

The Election Assistance Commission provides funding to States to improve election equipment and the administration of Federal elections. Since enactment of the Help America Vote Act of 2002, the Federal Government has provided approximately \$3.1 billion to upgrade voting systems, develop electronic voter registration lists, assure access for individuals with disabilities, and train election officials for all 50 States, the District of Columbia, and four territories (Puerto Rico, Guam, American Samoa, American Virgin Islands). The 2006 President's Budget proposes \$17.6 million for the Commission to develop voluntary standards and initiate an accreditation program for electronic voting machines.

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

The Equal Employment Opportunity Commission (EEOC) enforces Federal laws that prohibit employment discrimination based on race, color, sex, religion, national origin, age, and disability. EEOC also seeks to prevent discrimination through outreach, education, and technical assistance that promote employers' voluntary compliance with the law. One of EEOC's responsibilities is to hold hearings and resolve appeals related to Federal employees. During 2004, EEOC reduced the inventory of pending hearings and appeals requests from about 12,300 at the end of 2003 to 9,600 at the end of 2004.

The 2006 Budget provides \$331 million for EEOC, which is \$4 million, or one percent, more than the level in the 2005 Consolidated Appropriations Act. The Budget would allow EEOC to continue its outreach to workers and employers, and to reposition the agency for improved service. To support the President's New Freedom Initiative—a strategy to integrate people with disabilities fully into the Nation's life—EEOC will continue its project to identify States' best practices for removing employment barriers faced by people with disabilities. The agency will publish a final report in 2006.

Teaching Teens about Equal Opportunity

EEOC's Youth@Work Initiative promotes equal employment opportunity for the next generation of workers. The Youth@Work website (www.youth.eeoc.gov) explains job discrimination that young workers may encounter and suggests strategies to respond to it. In addition, the New York District Office's T.E.A.C.H. (Teen Education, Assistance, Compliance and Help) program has taught students of several local universities and high schools about their rights and responsibilities as potential employees and employers.

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 2006 Budget, the Administration requests a three-part financial restructuring initiative, which would:

- Consolidate the annual appropriations in the Departments of Transportation, Treasury, Independent Agencies, and General Government appropriations bill for EOP components that most immediately serve the presidency—the White House Office, the Office of Policy Development, Executive Residence, the Office of Administration, White House Repair and Restoration, Privacy and Civil Liberties Oversight Board, National Security Council, and the Council of Economic Advisers—into a single appropriation called The White House.
- Extend the general provision for limited transfer authority in section 533 of the Departments of Transportation, Treasury, Independent Agencies, and General Government Appropriations Act, 2005 (Division H of Public Law 108-447), to provide for a 10-percent transfer authority among all of 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 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.
- Continue centralization of rent, after-hours utilities, and health unit funding for the EOP into the Office of Administration program.

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 the EOP, and for executive functions and official residence of the Vice President (see 3 U.S.C. 106 and Public Law 93-346), in 2006 total \$329 million, or 1.7 percent, below the 2005 appropriated level. These resources will support approximately 1,840 personnel, as well as information technology and other infrastructure needs to serve the President and the Vice President.

FEDERAL COMMUNICATIONS COMMISSION

The President's 2006 Budget proposes \$304 million for the Federal Communications Commission (FCC), of which \$299 million would be offset directly by regulatory fees. This funding provides inflationary increases and supports the Commission's ongoing work to ensure that Americans have rapid and efficient communications services.

Demanding that Government Programs Demonstrate Results

The Telecommunications Development Fund (TDF) was created by the Congress in 1996 with the mandate to finance small businesses in the telecommunications sector, help develop new technologies, and promote universal service. It started operations in 1998 as an equity investment venture capital fund focusing on early-stage companies. Over the years, the firm has been capitalized by the Federal Government; it retains the interest earned on deposits made by bidders in FCC spectrum auctions. Between 1998 and 2003, TDF received nearly \$50 million in interest on these deposits.

Through the end of calendar year 2003, TDF had invested a total of \$14.5 million in about 14 companies. TDF has already written off more than \$10 million of these investments. TDF spent approximately \$9 million on salaries and other administrative expenses during the same period. As of December 2003, TDF also held \$29 million in cash equivalents.

Over the same period, private markets provided billions of dollars in early-stage venture capital to the telecommunications sector. Also, the Universal Service Fund provides over \$6 billion annually to promote universal service.

As a result of TDF's disappointing performance, lack of impact, and high administrative costs, the Budget proposes terminating the fund and returning remaining assets to the Treasury.

Recent years have witnessed enormous growth in advanced communications technologies. Following the FCC decision to deregulate broadband, companies announced over \$6 billion in planned investment to bring broadband to an additional 20 million homes, supporting the Administration's goal of universal, affordable access to broadband by 2007. The FCC plans to auction 90 MHz of spectrum for advanced wireless services, half of which represents spectrum moving from Federal to private use. This spectrum will allow multiple companies the opportunity to become broadband providers—stimulating vigorous competition and bringing lower prices and improved services to consumers.

Spectrum auctions have proven to be an effective mechanism to assign licenses for certain spectrum-based services. Since 1994, communications service providers have won over 25,000 licenses and paid over \$14 billion into the Treasury through FCC auctions. The Administration supports legislation to extend indefinitely the FCC's auction authority, which expires in 2007.

To continue to promote efficient spectrum use, the Administration also supports granting the FCC authority to set user fees on unauctioned spectrum licenses based on public-interest and spectrum-management principles. Fee collections are estimated to begin in 2007 and total \$3.1 billion in the first 10 years.

To encourage the digital transition, the Administration seeks to create incentives for television broadcasters to vacate the analog spectrum, as required by law, in a timely fashion. The Administration supports authorizing legislation for the FCC to establish an annual lease fee for analog spectrum use by commercial broadcasters starting in 2007. Individual broadcasters would be exempt as they return their analog spectrum, and collections would decline.

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 most U.S. banks, savings associations, and credit unions.

Currently, the Federal Government, through FDIC and NCUA, insures \$4 trillion in deposits at more than 18,000 institutions. These agencies maintain insurance reserves to reimburse depositors at failed institutions. FDIC and NCUA fund these reserves through assessments on insured institutions, recoveries of assets liquidated from failed institutions, and interest credited to these reserves from U.S. Treasury securities. At the end of 2004, the insurance reserves at the FDIC exceeded \$46 billion, while the insurance fund balance at the NCUA was over \$6 billion. In 2004, 27 commercial banks and credit unions, worth approximately \$300 million in combined assets, failed. This compares to 2003, when 12 institutions with \$1.2 billion in assets failed.

While the deposit insurance system for banks and thrifts is generally sound and well managed, it has structural weaknesses that, in the absence of reform, could deepen over time. The Administration supports reforms that would strengthen the deposit insurance system managed by FDIC. The Administration supports the proposal submitted by the Treasury Department and Federal banking regulatory agencies to the Senate in 2003 that would accomplish this objective. The proposal drew on a framework outlined by the FDIC and discussed in congressional testimony and elsewhere by the Department of the Treasury officials.

- FDIC has been prohibited from charging premiums to well-capitalized and well-run institutions since 1996. Therefore, under the current pricing structure, fewer than 10 percent of banks and thrifts pay regular insurance premiums. The proposal would restore the FDIC's ability to levy premiums for the benefit of deposit insurance, and to vary those premiums according to the relative risks to the insurance fund posed by each institution. It also would enable the FDIC to ensure that institutions compensate the fund for insured deposit growth.
- Under the current system, FDIC is required to maintain a designated reserve ratio (DRR), the ratio of insurance fund reserves to total insured deposits, of 1.25 percent. When the reserve ratio falls below the DRR, the FDIC must charge premiums that are sufficient to restore the reserve ratio to the DRR within one year. If the reserve ratio remains below the DRR for more than one year, FDIC must charge premiums that average no less than 23 basis points. Such a premium increase could occur when the banking system, and probably the economy, are under serious stress. The proposal would permit FDIC to alter the DRR within a range and give FDIC broad discretion in managing reserves within this range. This flexibility will enable reserves to grow when economic conditions are good, in order to enable the fund to better absorb losses under adverse conditions without sharp premium increases.
- The Administration supports merging the bank and thrift insurance funds, which offer an identical product. A single merged fund would be stronger and better diversified than either fund alone, and, therefore, would improve the system's ability to withstand future losses.

FEDERAL ELECTION COMMISSION

The Federal Election Commission (FEC) administers the Federal laws governing financing of candidates for the Presidency, Vice Presidency, the U.S. Senate, and the U.S. House of Representatives. FEC requires candidate disclosure of campaign finance information, enforces financing and contribution limits, and oversees the public funding of Presidential elections. The President's Budget proposes \$54.6 million to fund these activities in 2006.

FEDERAL TRADE COMMISSION

The Federal Trade Commission (FTC) enforces consumer protection laws that prevent fraud, deception, and unfair business practices, and promotes consumer choice and public understanding of free markets. The Commission also enforces Federal antitrust laws, which prohibit anticompetitive mergers and other business practices that restrict competition and harm consumers. The 2006 President's Budget proposes \$212 million for the FTC, which will be partially offset by fee collections from businesses for merger filings, and from telemarketers for access to the Do-Not-Call list in order to avoid calling registered phone numbers.

The Budget includes funding for the FTC to continue enforcing the National Do-Not-Call Registry, in partnership with States and the Federal Communications Commission. Since its inception, more than 73 million numbers have been signed up for the Do-Not-Call Registry, which has stopped over 835 million unwanted telemarketing calls each month.

Experts estimate that unsolicited email (spam) costs U.S. businesses between \$10 billion and \$87 billion annually. The FTC currently is pursuing cases under the Controlling the Assault of Non-Solicited Pornography and Marketing Act (CAN-SPAM Act), which the President signed in December 2003 to provide the FTC with new tools to address the negative economic and social impacts of unsolicited email.

Identity theft has affected the lives of more than 27 million victims over five years and has resulted in billions of dollars in losses for businesses and consumers. As part of its continued efforts to stem identity theft and increase consumer credit protection, the FTC is establishing new rules pursuant to the Fair and Accurate Credit Transactions Act, including a rule to allow certain servicemembers to place an alert on their credit report to help protect them from identity theft while deployed.

As part of its efforts to monitor the marketplace for anticompetitive mergers and practices, FTC pursues administrative remedies in antitrust cases regarding a variety of consumer issues, such as high technology, health care, and oil and gasoline.

The Budget supports the FTC's continued work to help ensure that American businesses and consumers reap the full benefits of our free market.

GENERAL SERVICES ADMINISTRATION

The General Services Administration (GSA) assists Federal agencies in operating more efficiently and effectively by providing superior workplaces, expert information technology solutions, and best value acquisition services.

GSA owns approximately 1,600 buildings, accounting for about 180 million square feet of space. GSA continues its efforts to assess the financial and physical condition of its existing inventory and is restructuring its real estate portfolio to focus primarily on those income-producing properties that meet capital reinvestment needs. Since 2001, GSA has completed 30 construction projects and 32 major repair and alteration projects. In 2006, the Budget proposes funding for 12 construction projects and 10 major repair and alteration projects. The most sizable project is funding for a new Federal courthouse in San Diego, California (\$231 million).

In 2006, GSA will significantly advance the President's Management Agenda. GSA will spend \$45 million on E-Government projects that use improved Internet-based technology to make it easy for citizens and businesses to interact with the Government, save taxpayer dollars, and streamline citizen-to-Government contact. Furthermore, GSA has begun to make greater use of performance information in management by developing a performance-based budget request and implementing a

new performance appraisal system that holds employees accountable for their contributions to overall agency performance.

The 2006 President's Budget also proposes changes to the funding mechanism and organization of the Federal Technology and Supply Services. First, the Budget proposes to establish a new General Services Fund by merging the Information Technology Fund and the General Supply Fund. This action will improve accountability by bringing oversight of the Fund under the agency's Chief Financial Officer. Due to the evolution of how information technology is acquired—buying solutions that are a mix of products and services rather than stand-alone hardware or services—two separate Supply and Technology organizations are no longer needed. Therefore, the Budget proposes breaking down these artificial barriers by merging the two services into a Federal Supply and Technology Service. The result of this restructuring includes increasing organizational efficiencies, improving coordination by streamlining functions, and achieving savings for customer agencies by modifying fee structures. GSA will develop an aggressive action plan to achieve these objectives by July 2005. Also, in January 2006, GSA will reduce the fee agencies pay when using Government-wide contracts to procure commercial services and products.

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

The Institute of Museum and Library Services (IMLS) is established within the National Foundation on the Arts and Humanities. Through its grant programs and leadership activities, IMLS assists museums and libraries in sustaining their contributions to educating our citizens and strengthening our communities. The Administration continues to support the important role of libraries and museums with a 2006 Budget proposal of \$262 million, including nearly \$22 million in increases for priority programs and activities. The request does not continue support for the nearly \$40 million in unrequested, noncompetitive projects that were funded in 2005.

The Budget proposes a \$10 million increase for the Library State Grants program, which supports State efforts to promote access, for individuals of all ages, to learning and information resources at all types of libraries. The Administration is requesting \$26 million for the Librarians for the 21st Century program, a \$3 million increase, to support partnerships between libraries and institutions of higher education for the recruitment and education of a new generation of library professionals who are prepared to tackle the technological challenges of the information age. In addition, the Budget proposes \$15 million in increases for IMLS museum programs to support initiatives that enhance the educational and technological linkages between museums and their communities, 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 actions of Government officials and agencies. In 2006, the Budget proposes \$314 million for NARA. Of this funding, \$36 million will go toward development of the initial deployment of the Electronic Records Archives project, a comprehensive means for preserving and providing access to the Government's electronic records. The Budget level also includes \$3 million to improve the security of NARA's holdings.

NATIONAL ENDOWMENT FOR THE ARTS

The National Endowment for the Arts (NEA) supports excellence in the arts, brings the arts to all Americans, and provides leadership in arts education. In 2006, the Budget requests \$121 million for programs and associated costs, including Challenge America: Reaching Every Community grants and national initiatives such as American Masterpieces: Three Centuries of Artistic Genius. Funds in the Budget will expand the American Masterpieces Initiative to celebrate our Nation's great artistic achievements with special touring programs in dance, visual arts, and music; local presentations; in-school arts education programs; and student visits to exhibitions, presentations, and performances. NEA will support projects that extend the reach of the arts by supporting works of artistic excellence and promoting projects in communities that have not had access to quality arts programming. These projects will be supported with public and private partners, including State arts agencies and regional arts organizations.

NATIONAL ENDOWMENT FOR THE HUMANITIES



NEH Chairman Bruce Cole congratulating winners of the 2004 The Idea of America essay contest for high school students, a new We the People program.

The National Endowment for the Humanities (NEH) serves and strengthens our Nation by promoting excellence in humanities and conveying the lessons of history to all Americans. NEH supports research, education, preservation, and public programs in the humanities. In 2006, the Budget requests \$138 million for NEH. Of this, \$11 million is for the continued support of the agency's We the People Initiative, which is strengthening the teaching, study, and understanding of our Nation's history and culture. NEH funding also will support partnerships with State humanities councils; the enrichment of humanities education; efforts to preserve and increase access to important reference materials; and museum exhibitions, television

and radio documentaries, and reading programs in the humanities that reach millions of Americans.

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 2006, NLRB expects to receive 29,000 unfair labor practice cases and 5,100 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 2004, the settlement rate

was 96.1 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 2006 Budget provides \$252 million for NLRB's primary activities, including \$208 million for pay and benefits, which make up 82 percent of the agency's budget. This amount also includes \$8 million for information technology projects, such as automated case management, and the maintenance of key administrative systems.

NATIONAL TRANSPORTATION SAFETY BOARD

The National Transportation Safety Board (NTSB) is charged with determining the probable causes of transportation accidents and promoting transportation safety. The Board investigates accidents, conducts safety studies, issues recommendations, and evaluates the effectiveness of other Government agencies in preventing transportation accidents. The agency also coordinates Federal assistance to the families of victims of catastrophic domestic transportation accidents. The 2006 Budget provides funding for NTSB to investigate more than 2,500 accidents.

The 2006 Budget provides \$77 million for salaries and expenses for the NTSB to fulfill its role of improving the Nation's transportation safety.

NUCLEAR REGULATORY COMMISSION

The Nuclear Regulatory Commission (NRC) regulates the commercial use of nuclear material in the United States. Its programs facilitate the Nation's safe and effective use of nuclear materials for civilian purposes. Consistent with the National Energy Policy (May 2001), the Budget provides NRC with the funds it needs to keep pace with the industry's interest in the renewal of nuclear power reactor licenses and the possible construction of new nuclear power plants. To date, NRC has renewed the operating licenses for 26 of the existing 104 nuclear power plants, and at least 18 more plants are under review or anticipated through 2005. NRC will continue to improve the effectiveness and efficiency of its review of designs for advanced reactors and to prepare for potential combined license applications. In addition to licensing, NRC also performs inspections on all existing nuclear power plants to ensure that safety issues are identified and resolved before they affect safe plant operation.

Since September 2001, NRC has strengthened its regulatory programs in support of the Nation's efforts to enhance homeland security and preparedness, including actions to improve security at the Nation's civilian nuclear power plants, nuclear fuel facilities, and other licensed users of radioactive materials. These efforts will continue in 2006.

NRC also expects to receive from the Department of Energy in 2005 an application to build a high-level waste repository at Yucca Mountain, Nevada. Upon receipt of the application, NRC's workload will expand significantly. This first-of-a-kind undertaking will involve conducting thorough safety and security evaluations, performance assessments, adjudicatory hearings, and site inspections. NRC will complete its review and reach a license decision in a timely manner.

To carry out these and other activities, the Budget proposes \$702 million in 2006 for NRC. User fees from NRC licensees will recover approximately 90 percent of NRC's budget. Appropriations from the Nuclear Waste Fund will cover the costs of the high-level waste repository effort.

OFFICE OF PERSONNEL MANAGEMENT

The Office of Personnel Management (OPM) is the central human resources agency for the Federal Government and the primary policy agency supporting the President as he carries out his responsibilities for managing the Federal workforce. OPM oversees and safeguards merit system principles and veterans' preference and leads Federal agencies in the strategic management of their human capital. It also proposes and implements human resources management policy, and provides agencies with ongoing advice and technical assistance for implementing these policies and initiatives. Furthermore, OPM administers Federal employee benefits programs and manages personnel security and background checks for suitability and national security clearances.

The 2006 Budget requests \$242 million to finance OPM's efforts to continue its leadership in the management and oversight of Government-wide human capital systems, initiatives and strategies, and administration of the Federal employees' benefit trust funds (retirement, health benefits, and life insurance).

Through the Strategic Management of Human Capital, one component of the President's Management Agenda, OPM is leading efforts to transform the way agencies manage the Federal workforce and enhance the value of the civil service. In this capacity, OPM provides agencies the tools to manage their workforce and implements new human resources management policies. In 2006, it will further streamline the Federal hiring process, decrease the time agencies use to hire new Federal employees, and change how Federal employees are paid and how their job performance is evaluated. Many of these new policies will be informed by lessons being learned from OPM's partnerships with the Departments of Homeland Security and Defense in setting up new human resources management systems in these two large agencies.

In addition, OPM is the managing partner for the Human Resources Line of Business, which includes five projects under the President's E-Government initiative: Recruitment One Stop, E-Training, E-Clearance, Enterprise Human Resources Integration, and E-Payroll. These initiatives will save the Government about \$2.7 billion dollars over the next 10 years. For example, Recruitment One Stop reduces the complexity of Federal hiring and decreases the cost per hire. To date, the USAJOBS website has received over 100 million visits by citizens to locate and apply for Federal jobs. In addition, the E-Training project offers the convenience of web-based training to the Federal workforce, leading to savings in tuition and travel costs and by compressing learning time. Over 440,000 users have registered on the *GoLearn.gov* site and completed over 310,000 courses, since its inception. The E-Clearance project will reduce the time to process clearances and reduce duplicative investigative efforts, while the E-Payroll project alone will save the Government \$1.1 billion dollars over the next decade by consolidating civilian payroll processing. The Enterprise Human Resources Integration project will reduce the need for paper personnel documents and improve the currency and accuracy of Federal human resources data. Recruitment One Stop and E-Clearance are funded fully now by user fees paid by agencies. The Administration anticipates that in 2006, E-Payroll will be completed and that E-Training will mature to a level that will allow it to operate on a fully fee-funded basis in 2007.

OPM will pay out \$94 billion in benefits in 2006: \$59 billion to more than 2.5 million Federal retirees, survivor annuitants, and other beneficiaries; \$33 billion in health benefits for about 8 million enrollees and dependents; and about \$3 billion in life insurance claims from policy holders. OPM will enhance the competitiveness and value of these programs in 2006 as it implements dental and vision coverage. These new offerings will join other recent additions to the suite of employee benefits, including Health Savings Accounts, Flexible Spending Accounts, and long-term care insurance, ensuring

that the Federal Government continues to be a competitive and model employer that balances work and family needs and offers choices to employees as consumers.

OPM will continue its internal emergency preparedness planning and maintain its leadership in this arena Government-wide. It will continue to be a strong advocate for such planning in all Federal agencies.

POSTAL SERVICE

The Administration continues to support the enactment of comprehensive postal reform legislation that is consistent with the report of the President's Commission on the United States Postal Service and is guided by the principles of Best Governance Practices, Transparency, Flexibility, Accountability, and Self-Finance, as expressed by the President on December 8, 2003. The Postal Service provides an important service to the American people and the economy, and the Administration believes that the Postal Service should continue providing affordable and reliable universal service, while limiting exposure to taxpayers and operating appropriately in the competitive marketplace.

The Administration is committed to working with the Congress and postal stakeholders in early 2005 to bring about needed reforms that ensure that we have a healthy Postal Service for future generations. To this end, the Budget proposes to use the pension savings provided to the Postal Service by the Postal Civil Service Retirement System Funding Reform Act of 2003 (P.L. 108-18) that would otherwise be held in escrow in 2006 and beyond, to put the Postal Service on a path that fully funds its substantial retiree health benefits liabilities.

REGIONAL ECONOMIC DEVELOPMENT AGENCIES

The President's 2006 Budget proposes \$78 million for three regional economic development agencies: the Appalachian Regional Commission, the Delta Regional Authority, and the Denali Commission. The President's proposal recognizes the constructive role of the regional economic development agencies in coordinating, planning, and fostering partnerships among the Federal, State, local, and private sectors. This coordination has a positive impact on the effectiveness and efficiency of Federal activities targeted to improve the quality of life and remedy severe and chronic economic distress within Appalachia, the Mississippi Delta area, and Alaska.

SECURITIES AND EXCHANGE COMMISSION

The Securities and Exchange Commission (SEC) protects investors and works to maintain fair, honest, and efficient markets. SEC's activities are critical to the health of our securities markets, which in turn are a vital part of our national economy. In calendar year 2004, the dollar volume of shares traded on the New York Stock Exchange and the Nasdaq Stock Market was almost \$19 trillion. SEC oversees key participants in the securities world, including stock exchanges, broker-dealers, investment advisors, mutual funds, and public companies. During that year, SEC oversaw roughly 5,330 broker-dealers with approximately 96,000 branch offices and 664,100 registered representatives. SEC also oversaw an estimated 5,000 investment companies with 36,500 portfolios and \$8.1 trillion in assets, and 8,550 investment advisers with \$23 trillion in assets under management. In 2006, the President's Budget makes available \$888 million for SEC.

Protecting Investors

SEC is the preeminent enforcement agency in investor markets. SEC works to prevent fraud and manipulation in securities markets by reviewing corporate disclosure data, investigating investor complaints, and monitoring exchanges for unusual activities. In addition, SEC recently created a new Office of Risk Assessment designed to improve the agency's ability to anticipate potential problem areas across the securities industry by focusing on early identification of new or resurgent forms of fraud and illegal or questionable activities. In 2004, SEC opened 973 investigations and initiated an estimated 610 enforcement actions against individuals and companies for violations of securities laws. Through these efforts, SEC was able to halt fraudulent activities quickly, seek civil penalties, and order violators to disgorge ill-gotten gains. Major enforcement actions in 2004 included:

- Seventeen actions against a variety of persons associated with mutual funds, including investment advisers, fund directors and brokers, and registered investment advisers. These actions involved late trading of mutual fund shares, abusive market timing arrangements, or both. As a result, SEC ordered \$477 million in disgorgement and \$457 million in penalties in abusive market timing and late-trading cases to be distributed to injured investors.
- Charges against former Enron and WorldCom executives whose allegedly fraudulent activities contributed to the collapse of the two companies and resulted in losses of billions of investor dollars.
- More than \$246 million in penalties and disgorgements against New York Stock Exchange specialist trading firms for profiting from improperly executing customer trading orders. These activities resulted in customers receiving inferior prices or having orders that went unexecuted altogether.

The SEC is also an active participant in the President's Corporate Fraud Task Force, an interagency working group, led by the Department of Justice, designed to aggressively pursue joint civil and criminal actions against corporate wrong-doers.

Improving Transparency

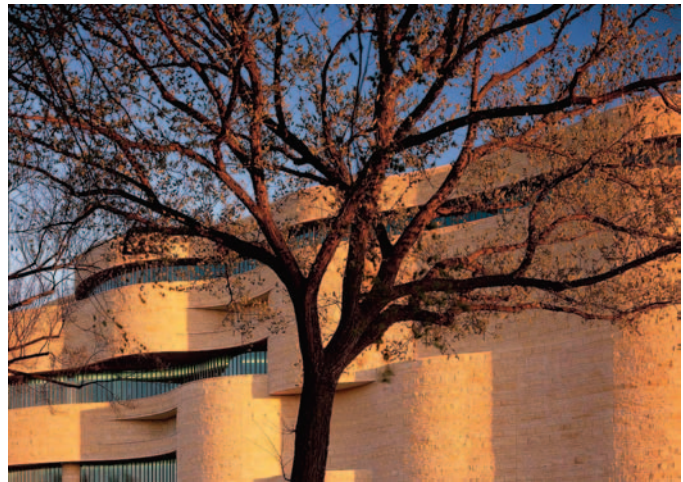
SEC works to ensure that all investors have access to certain basic facts about an investment and to prevent fraud and misrepresentation of those facts in securities markets. SEC requires that public companies submit detailed financial information, which it makes available to the public through its website (www.sec.gov/edgar.shtml).

SEC focuses on making sure that rules and regulations are clear for market participants, especially small business and individual investors. It is important to the health of the economy and the role that public companies play in job creation that the benefits of securities regulation outweigh the costs. SEC recently established the Advisory Committee on Smaller Public Companies to examine the benefits and costs of the Sarbanes-Oxley Act and other Federal securities laws on smaller public companies. For example, the advisory committee will review the impact of new internal control rules, financial reporting regulations, and corporate governance requirements to evaluate the net benefits to investors. Its members will also make recommendations to SEC to ensure that smaller companies are able to grow and succeed by accessing capital in the public markets.

SMITHSONIAN INSTITUTION

In 1829, James Smithson, a British scientist, bequeathed his estate to the American people for the “increase and diffusion of knowledge.” Today, the Smithsonian Institution supports that goal through its operation of National museums and research institutes. Approximately two-thirds of the Smithsonian’s funding is from direct Federal appropriations; the remainder comes from its endowment fund, private donations, business activities, and grants from other Federal agencies. In September 2004, the Smithsonian opened its eighteenth museum, the National Museum of the American Indian, dedicated to celebrating the culture of the Native peoples of the Western Hemisphere.

The 2006 Budget provides \$615 million in Federal funding for the Smithsonian. Funds are provided to prepare for the July 2006 reopening of the newly renovated Patent Office Building, continue a major revitalization project at the National Museum of American History and continue ongoing improvements at the National Zoo. The Budget also accommodates lease costs, maintenance requirements and inflation-related adjustments across the Institution. Addressing these increases in a time of fiscal constraint requires that the Smithsonian continue to prioritize and seek out innovative cost-saving mechanisms.



The National Museum of the American Indian.

The Smithsonian continues to receive low ratings in many of the President’s Management Agenda initiative areas, in part due to its long history of decentralization and unique management structure. However, the Institution continues to implement management reforms and best practices and has made marked progress in coordinating its information technology portfolio, assessing its future workforce needs, and linking its budget and senior staff compensation to performance measures.

TENNESSEE VALLEY AUTHORITY

The Tennessee Valley Authority (TVA) is a wholly owned agency of the United States Government created in 1933 by the TVA Act. TVA serves the people of the Tennessee Valley by providing power to the Tennessee Valley region, and supports navigation, flood control, and economic development in the area. TVA operates the largest public electric power system in the United States. It serves a population of more than eight million customers throughout most of Tennessee, northern Alabama, northeastern Mississippi, southwestern Kentucky, and small portions of Georgia, North Carolina, and Virginia. TVA is the exclusive wholesale power provider within this geographic region.

TVA’s 2004 operating revenues totaled approximately \$7.7 billion and its receipts and expenditures are included in the Federal Budget. TVA uses its internally generated proceeds to fund power generation and transmission operations as well as its resource stewardship programs. Annual expenditures of \$87 million are devoted to TVA’s resource stewardship program, which includes recreational activities, river stewardship, and navigation services. The remaining funds are devoted to power generation and transmission services.

TVA faces several operating and financial challenges posed by the dynamic business environment and changing electricity market in which it functions. Some of these challenges were addressed by the Consolidated Appropriations Act of 2005, which includes reforms that will assist TVA in moving toward a more efficient management and business structure. It also requires TVA to file statements with the Securities and Exchange Commission (SEC) to allow for more transparency of its business operations.

The 2006 Budget proposes additional reforms for TVA that will help position it for a more competitive market in the future, strengthen its financial position, and better serve its customers and investors. Proposals include legislation that would require TVA to register its debt securities with the SEC to provide investors with greater insight into the characteristics and risks inherent in TVA securities. In addition, the Budget proposes granting the Federal Energy Regulatory Commission (FERC) jurisdiction over TVA's transmission system, similar to that which FERC has over public utilities.

TVA continues to be burdened by its excessive debt level, currently estimated at \$26 billion. The 2005 Budget included a goal endorsed by the TVA Board of reducing TVA's debt by \$3 billion to \$5 billion over the next 10 to 12 years. In order to increase TVA's financial flexibility and minimize its risk exposure, the Budget maintains that goal. In addition, fulfilling a commitment in the President's 2005 Budget, the 2006 Budget includes specific legislative language that clarifies the definition of TVA's debt. Some agency transactions, such as equipment lease/leasebacks and long-term power prepayment agreements, result in liabilities that make a claim on future agency resources and have risk similar to traditional debt, and therefore constitute a form of debt which should be counted toward TVA's statutory debt limitation. To ensure the integrity and usefulness of TVA's debt cap, the Administration is proposing legislation to ensure that these types of debt-like transactions are treated as debt and counted toward TVA's \$30 billion statutory debt limit.

In 2000, TVA's Inspector General (IG) became Presidentially-appointed. TVA's IG funding level is subject to TVA Board approval and is derived directly from TVA revenues. All other Presidentially-appointed IGs are funded through annual appropriations. The Budget repropose to appropriate funds for TVA's IG out of TVA's revenues beginning in 2006.



TVA transmission lines.

OTHER AGENCIES

COMMODITY FUTURES TRADING COMMISSION

The Commodity Futures Trading Commission (CFTC) ensures the integrity and effectiveness of the 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 investor fraud; and monitoring the markets in order to prevent illegal price manipulation efforts. In 2005, CFTC initiated 132 new investigations and filed 69 enforcement actions against 218 suspected violators of commodity trading laws.

The 2007 Budget proposes to fund CFTC's activities through a new transaction fee. CFTC is the only financial regulator not funded through fees; this proposal will shift the regulator's cost from the general taxpayer to the primary beneficiaries of CFTC's oversight. The Budget proposes a \$127 million program level for CFTC.

In response to its Program Assessment Rating Tool assessment, CFTC has begun to work with other agencies that perform similar regulatory and oversight functions to develop performance measures that better reflect program effectiveness, including one that can quantify increased efficiencies in the enforcement of violations of commodity laws and regulations.

CONSUMER PRODUCT SAFETY COMMISSION



Baby cribs are one of 15,000 consumer products under CPSC's jurisdiction.

The Consumer Product Safety Commission (CPSC) is responsible for protecting families from hazards related to consumer products in its jurisdiction, such as toys, baby cribs, power tools, cigarette lighters, and household chemicals. CPSC monitors injuries and deaths resulting from consumer products and works with industry to develop voluntary standards to make products safer. Where these steps are insufficient to protect Americans from unnecessary risks, CPSC develops mandatory rules and conducts product recalls. CPSC also educates consumers on potentially dangerous products. A list of recalled products can be found at www.recalls.gov. The President's 2007 Budget

includes \$62 million for CPSC to sustain existing safety efforts and continue providing national consumer product safety leadership.

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

The Corporation for National and Community Service (CNCS) provides service opportunities for Americans of all ages and backgrounds to address critical community needs. Through AmeriCorps, Senior Corps, and Learn and Serve America, CNCS helps Americans answer the President's Call to Service. These programs support volunteer activities that include tutoring and mentoring children, assisting the elderly, preserving the environment, building homes for low-income families, and mobilizing volunteers to respond to disasters. The 2007 Budget requests \$851 million for CNCS to continue its core national service programs. This level will allow CNCS to generate service opportunities for some 2.5 million Americans.

Strengthening Communities Through Service

According to the Bureau of Labor Statistics, volunteer service is on the rise. In 2005, more than 65 million Americans volunteered, an increase of 2 million from 2003. The Corporation is committed to accelerating this trend and engaging 75 million Americans in service by 2010. In 2005, the spirit of volunteerism was a key factor in the recovery and relief efforts following the devastation in the Gulf Coast caused by Hurricane Katrina. More than 13,000 participants in the Corporation's programs—including AmeriCorps, Senior Corps, and Learn and Serve America—helped in the relief efforts by clearing debris, evacuating individuals with disabilities, rebuilding homes, and establishing volunteer centers. The 2007 Budget requests a total of \$479 million to support the President's goal of 75,000 AmeriCorps members, including \$95 million for the AmeriCorps VISTA program and \$125 million in the National Service Trust to support member education awards. The Budget will enable AmeriCorps members to continue assisting with the long-term disaster relief activities in the Gulf Coast and help meet other pressing community needs while earning an education award of up to \$4,725 to help finance college costs or repay student loans. In addition, the Budget provides \$218 million to support nearly 500,000 Senior Corps volunteers; \$34 million for Learn and Serve America to engage one million youths in service-learning education; \$10 million for the Points of Light Foundation to connect individuals, businesses, and community-based nonprofits to volunteer opportunities across America; and \$5 million for America's Promise to support a Communities of Promise network to help build the character and competence of young people.

Cultivating a Culture of Performance and Accountability

The 2007 Budget continues the Corporation's program and management reforms. It requests \$70 million, a \$4 million increase, for program administration to implement recommendations of the National Academy of Public Administration, including reducing management overhead costs. The Budget also provides \$5 million to close out operations of the National Civilian Community Corps (NCCC) demonstration program, which was rated Ineffective in a recent assessment using the Program Assessment Rating Tool (PART). The PART analysis found that the program's residential design significantly contributed to its \$28,000 per-participant cost, and found no rationale for NCCC's existence as a residential program.

DISTRICT OF COLUMBIA

The District of Columbia (D.C.) is the Seat of Government of the United States, over which the Congress exercises exclusive authority to legislate. In the exercise of that authority, the Congress has established by law a government for D.C.

The 2007 President's Budget provides \$143 million for D.C. This includes \$76 million to support D.C. school children, as well as \$67 million in funding for other D.C. programs. The 2007 Budget continues the investment initiated in 2004 in the D.C. School Choice program, with \$15 million. This program helps increase the capacity of the District to provide parents—particularly low-income parents—more options for obtaining a quality education for their children who are trapped in low-performing schools. Since 2004, over 2,700 children have matriculated to their preferred school. As part of the Administration's commitment to improving education in D.C., the Budget continues funding for D.C.'s public and charter schools, with \$26 million. The Budget also continues to support the D.C. Resident Tuition Assistance program, with \$35 million. This program was started in 1999 and allows District residents to attend public colleges nationwide at in-State tuition rates.

The 2007 Budget also supports D.C.'s public safety response to events directly related to the Federal Government's presence in the District, with \$9 million to defray the cost of events, such as protection for the annual World Bank and International Monetary Fund meetings. In addition, the Budget proposes \$20 million to expand the capacity of the Navy Yard Metro station, which is expected to accommodate an additional 10,000 Federal employees and contractors upon completion of the Federal Center Southeast area. Furthermore, the Budget includes \$30 million in Federal support to begin construction on a new central library and renovate neighborhood branches.

The President's Budget proposes an increase in the amount of Federal funding the District receives for child welfare services, specifically foster care and adoption assistance. The Budget increases the District's reimbursement rate under Title IV-E of the Social Security Act from 50 to 70 percent. Title IV-E is the primary Federal funding source that provides foster care and adoption subsidy payments, which enable families to adopt special needs children from foster care. This adjustment will bring the Title IV-E Federal match rate in line with the District's Medicaid match rate, as it is in other States.

The Federal Government has a particular interest in ensuring the Nation's capital provides a healthy, vibrant environment for its employees, local citizens, and visitors from across the United States and the world. Accordingly, the Administration presented a bill to the Congress last spring that would transfer land between D.C. and the Federal Government. The proposed bill would facilitate construction of a secure headquarters for the U.S. Coast Guard and dismiss lawsuits brought against the Federal Government by the District. The Administration will continue to work with the Congress to enact this important legislation.

DISTRICT OF COLUMBIA COURTS

Federal appropriations finance the capital and operating expenses of District of Columbia Courts pursuant to the 1997 National Capital Revitalization and Self Government Improvement Act. The President's Budget provides \$240 million to the Courts, including \$51 million for significant improvements in the Judiciary Square area. Judiciary Square is the center of many criminal justice functions in the District and is the home of the D.C. Superior Court, as well as a variety of other city and Federal criminal justice agencies. Improvements in the area include a full restoration of the city's Old Courthouse. Work on the Old Courthouse began in early 2005. The Old Courthouse was originally built between 1821 and 1881 and is listed on the National Register of Historic Places. The D.C. Courts will also undertake significant design and renovation work on the H. Carl Moultrie Courthouse.

ELECTION ASSISTANCE COMMISSION

The Election Assistance Commission provides funding to States to improve election equipment and the administration of Federal elections. Since enactment of the Help America Vote Act of 2002,

the Federal Government has provided approximately \$3 billion to upgrade voting systems, develop electronic voter registration lists, assure access for individuals with disabilities, and train election officials for all 50 States, the District of Columbia, and four territories (Puerto Rico, Guam, American Samoa, and the American Virgin Islands). The 2007 President's Budget proposes \$17.1 million for the Commission to continue work on the Voluntary Voting System Guidelines, which includes standards for accessibility, security, usability, and core software and hardware requirements for all voting systems, as well as accreditation of testing laboratories, and certification of voting systems.

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

The Equal Employment Opportunity Commission (EEOC) enforces Federal laws that prohibit employment discrimination based on race, color, sex, religion, national origin, age, or disability. EEOC also seeks to prevent discrimination through outreach, education, and technical assistance that promote employers' voluntary compliance with the law.

In 2005, EEOC marked its 40th anniversary and took significant steps to improve its service. The Agency launched a two-year pilot national contact center, which operates a toll-free phone number (1-800-669-4000) and has made the Agency even more accessible to the public. The pilot phase will end in 2006. The center has answered more than 24,000 calls a month and offers translation services so that people can communicate in more than 150 languages. To reflect the changing geographic distribution of its caseload, the Commission approved a plan to reposition the Agency's field office structure. This plan is designed to enhance service delivery and improve the efficiency of EEOC's operations.

The 2007 Budget provides \$323 million for EEOC. With this funding, EEOC's employees will continue to meet its important responsibilities of enforcing civil rights law, investigating and litigating discrimination charges, and reaching out to inform workers and employers about their rights and responsibilities. To support the President's New Freedom Initiative—a strategy to integrate people with disabilities fully into the Nation's life—EEOC will continue its project to identify States' best practices for removing employment barriers faced by people with disabilities. The Agency will publish a report on this project in 2006.

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 2007 Budget, the Administration requests a three-part initiative, which would:

- Consolidate the annual appropriations for the White House Office, the Office of Policy Development, Executive Residence, the Office of Administration (OA), White House Repair and Restoration, the National Security Council, and the Council of Economic Advisers into a single appropriation called The White House;
- Extend the general provision for limited transfer authority in section 725 of the Departments of Transportation, the Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, and Independent Agencies Appropriations Act, 2006 (Title VII of Public Law 109-115), to 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, the Office of Management and Budget, the Office of the United States Trade Representative, the Office of National Drug Control Policy, the 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; and

- Continue centralization of common services into OA.

This initiative enables the EOP and the Office of the Vice President to exercise best business practices through the efficient use of budget resources supporting the offices of the President and Vice President.

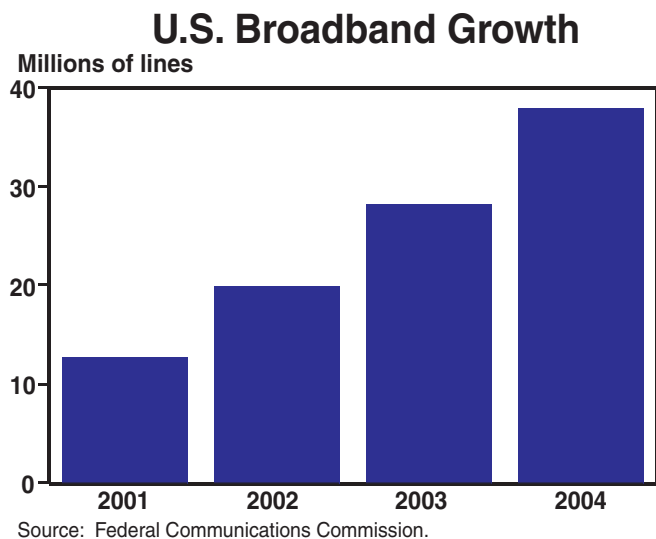
Resources requested for the EOP appropriations in 2007 total \$331 million, or 0.6 percent below the 2006 funding level.

FEDERAL COMMUNICATIONS COMMISSION

The President's 2007 Budget proposes \$303 million for the Federal Communications Commission (FCC), of which \$302 million would be offset directly by regulatory fees. This funding supports the Commission's ongoing work to ensure that Americans have rapid and efficient communications services.

There has been enormous growth in advanced communications technologies in recent years. According to the most recently issued FCC report on broadband high-speed Internet access, at the end of 2004, the number of total broadband subscribers reached approximately 38 million. This represents a 34-percent increase from 2003, and a 440-percent increase from 2000, when the United States had seven million broadband lines. The dramatic growth in broadband depicted in this report shows that progress is being made toward the Administration's goal of universal, affordable access to broadband by 2007.

FCC plans to auction 90 megahertz of spectrum for advanced wireless services in 2006 and 2007, half of which represents spectrum moving from Federal to private use. This spectrum will allow mobile wireless companies the opportunity to become broadband providers—further stimulating vigorous competition and bringing better prices and improved services to consumers.



Ensuring Public Resources Are Used Effectively

The radio spectrum plays an increasing role in everyday life, as wireless devices and technologies proliferate. To promote efficient spectrum use, the Administration supports granting FCC authority to set user fees on unauctioned spectrum licenses based on public-interest and spectrum-management principles.

Spectrum assignment policy has not kept pace with the changing market. Service providers using different technologies to deliver a similar product can face different spectrum license acquisition costs. The lack of parity in spectrum assignment creates incentives that can diminish the overall utility of the spectrum.

User fees will help to ensure that spectrum is put to its highest and best use, by internalizing the value of spectrum to license holders. This will have the effect of advancing U.S. economic growth and technological progress. Fee collections are estimated to begin in 2007 and total \$3.6 billion in the first 10 years.

Spectrum auctions have proven to be an effective mechanism to assign licenses for certain spectrum-based services. The Administration supports legislation to permanently extend FCC's auction authority.

To ensure that public funds are used effectively, the Administration proposes to eliminate the Telecommunications Development Fund, a poorly performing venture capital enterprise financed by interest earned on spectrum auctions.

The Administration supports reconciliation legislation that sets a date certain for the transition from analog to digital television broadcasts, requires the auction of recovered analog television spectrum, and provides for consumer education on the transition. The legislation will ensure the provision of advanced multi-channel video service to consumers, as well as make available valuable spectrum for public safety use and telecommunications innovation. When this transition occurs, it will bring benefits to consumers as well as emergency responders, and support the Administration's priorities of homeland security and economic growth.

FEDERAL DEPOSIT INSURANCE CORPORATION AND NATIONAL CREDIT UNION ADMINISTRATION

Federal insurance of the public's deposits in banks, thrifts, and credit unions maintains 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 most U.S. banks, savings associations, and credit unions.

Currently, the Federal Government, through FDIC and NCUA, insures \$4.3 trillion in deposits at more than 17,000 institutions. These agencies maintain insurance reserves to reimburse depositors at failed institutions. FDIC and NCUA fund these reserves through assessments on insured institutions, recoveries of assets liquidated from failed institutions, and interest credited to these reserves from U.S. Treasury securities. At the end of 2005, the insurance reserves at FDIC exceeded \$48 billion, while the insurance fund balance at NCUA was over \$6 billion.

Financial Reporting Modernization

On October 1, 2005, FDIC, together with the Federal Reserve and the Office of the Comptroller of the Currency, implemented a new financial reporting system to process the Reports of Condition and Income for the Nation's 8,000 commercial and savings banks. These Call Reports provide data on institutions' financial condition and are used by Federal regulators in their daily offsite bank monitoring activities. They are the only publicly available source of information regarding the status of the U.S. banking system and thus are also used by the public, academics, the Congress, State banking authorities, and bank rating agencies. The Central Data Repository (CDR) is the first financial regulatory reporting system in the United States to employ eXtensible Business Reporting Language (XBRL), and to date is the largest such effort worldwide. CDR's use of XBRL—an open Internet data standard that improves the transparency and accuracy of the reporting process by adding descriptive “tags” to each data element—has resulted in high quality data being available much faster to regulators and the public about the condition of the \$9.3 trillion commercial banking industry. In addition, CDR's implementation has resulted in a more efficient and lower cost data collection and validation process for the Federal banking agencies.

A Program Assessment Rating Tool analysis of NCUA's oversight of Federal credit unions has shown that it contributes to the safety and soundness of the credit union industry and performance measures support the fact that the industry is in sound financial condition.

While the deposit insurance system for banks and thrifts is generally sound and well managed, inherent weaknesses in the system prompted the President to propose reforms. In 2005, the Congress included these reforms in the Deficit Reduction Act, which the Budget assumes will be enacted. Under the Act, the bank and thrift insurance funds will be merged, which will provide for a stronger and more diversified fund better able to withstand future losses. FDIC will have more flexibility to manage the fund and charge risk-based premiums, so fund reserves can grow when economic conditions are good and allow the fund to better absorb losses under adverse conditions without sharp premium increases. Additional reforms will also provide authorization to FDIC and NCUA to increase deposit insurance coverage limits for non-retirement accounts based on inflation in future years if determined prudent by their Boards, and the limit on deposit insurance for retirement accounts will be increased to \$250,000 for retirement accounts.

FEDERAL ELECTION COMMISSION

The Federal Election Commission (FEC) administers the Federal laws governing financing of candidates for the Presidency, Vice Presidency, the U.S. Senate, and the U.S. House of Representatives. FEC requires candidate disclosure of campaign finance information, enforces financing and contribution limits, and oversees the public funding of Presidential elections. The President's Budget proposes \$57.1 million to fund these activities in 2007.

FEDERAL HOUSING ENTERPRISE REGULATOR

The Administration again proposes broad reform of the supervisory system for Government-sponsored enterprises (GSEs) in the mortgage market: Fannie Mae, Freddie Mac, and the Federal Home Loan Bank System. Part of this reform includes establishing a new, independent safety and soundness regulator for the housing GSEs with powers comparable to other world-class financial regulators, and with the stature and resources necessary to carry out its responsibilities. The Administration's proposal promotes a strong, resilient financial system and increased opportunities for affordable homeownership. (See the Credit and Insurance chapter in the *Analytical Perspectives* volume for a background discussion.)

FEDERAL TRADE COMMISSION

The Federal Trade Commission (FTC) enforces consumer protection laws that prevent fraud, deception, and unfair business practices. The Commission also enforces Federal antitrust laws, which prohibit anticompetitive mergers and other business practices that restrict competition and harm consumers. In addition, FTC promotes consumer choice and public understanding of free markets. The President's 2007 Budget proposes \$223 million for FTC, which will be partially offset by fee collections from businesses for merger filings, and from telemarketers who access the National Do Not Call Registry to avoid calling registered phone numbers.

Identity theft is among the Nation's fastest growing crimes and affects approximately 10 million Americans every year. Identity theft has resulted in billions of dollars in losses for businesses and consumers. The fight against identity theft is a key Administration priority. Accordingly, the Budget provides FTC with \$27 million to further its consumer protection mission, a large part of which is FTC's commitment to identify and prevent identity theft. This enhancement will strengthen

Consumer Sentinel, a secure website that relays fraud and identity theft complaints to more than 1,300 domestic and international law enforcement agencies.

As part of its continued efforts to stop identity theft and increase consumer credit protection, FTC will continue to work on new rules to implement the Fair and Accurate Credit Transactions Act. Most notably, FTC has issued a new rule requiring businesses and individuals to take appropriate measures to dispose of sensitive information derived from consumer reports.

The Budget includes funding for FTC to continue enforcing the National Do Not Call Registry in partnership with States and the Federal Communications Commission. Since its inception, more than 110 million numbers have enrolled in the Do Not Call Registry, which has stopped over 835 million unwanted telemarketing calls each month. In various external surveys, a large majority of consumers who registered numbers have reported receiving fewer telemarketing calls.

In addition, FTC will continue to analyze the many factors that influence fluctuations in the prices that Americans pay for gasoline at their local gas stations. As part of its efforts to monitor the marketplace for anticompetitive mergers and practices, FTC pursues remedies in antitrust cases regarding a variety of consumer issues, such as high technology, health care, and oil and gasoline.

The Budget supports FTC's continued work to help ensure that American businesses and consumers reap the full benefits of our free market.

GENERAL SERVICES ADMINISTRATION

The President's Management Agenda and related administrative reforms have raised the standards that Federal agencies are expected to meet for performance, efficiency, and compliance with applicable laws, regulations, and policies. The General Services Administration (GSA) assists Federal agencies in meeting those higher standards by providing superior workplaces, expert information technology solutions, and best value acquisition services.

GSA owns approximately 1,600 buildings, accounting for about 177 million square feet of space. GSA continues its efforts to assess the financial and physical condition of its existing inventory and is restructuring its real estate portfolio to focus its capital reinvestments primarily on its highest performing properties. Since 2001, GSA has completed 32 construction projects and 58 major repairs and alterations projects. In 2007, the Budget proposes funding for 11 major construction projects and 11 major repair and alteration projects. The most sizable project is the redevelopment of the West Campus of St. Elizabeth's Hospital in Washington, D.C. The first phase of this project will be a new headquarters facility for the U.S. Coast Guard.

The 2007 President's Budget reflects GSA's continuing progress on combining its technology and supply organizations into the new Federal Acquisition Service (FAS). Merging the two organizations will allow GSA to offer Federal agencies a balanced suite of best value services and products that will help them meet their mission performance and efficiency targets. The new FAS will also help agencies participate in Government-wide efforts to improve administrative efficiencies by identifying procurements that support strategic sourcing and developing information technology systems that support the Federal Enterprise Architecture. The FAS vision is to become the premier source of contracting, technology and project management expertise within the Federal Government. FAS will enhance GSA's capability to meet Federal customer requirements for timely delivery of quality goods and services while at the same time improving internal efficiencies at GSA. The result of the restructuring will yield significant organizational efficiencies, streamline processes, and increase agency savings. GSA will also continue to pursue legislation to merge the Information Technology and General Supply Funds. The merger of these two funds is essential to realize fully the objectives of the reorganization.

The President's Budget will advance the President's Management Agenda on Electronic Government (E-Gov) by providing \$5 million for E-Gov Fund projects that use improved Internet-based technology to make it easy for citizens and businesses to interact with the Government and save taxpayer dollars. The Budget also would allow GSA to utilize up to \$40 million in surplus revenues obtained from the fees agencies pay when procuring goods and services from GSA to significantly expand the scope and number of these E-Gov projects.

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

The Institute of Museum and Library Services (IMLS) is established within the National Foundation on the Arts and Humanities. Through its grant programs and leadership activities, IMLS assists museums and libraries in performing their vital role in educating our citizens and strengthening our communities. The Administration continues to support the important role of libraries and museums with a 2007 Budget proposal of \$262 million, a \$15 million increase over the 2006 level.

The Budget proposes an \$8 million increase for the Library State Grants program, which supports State efforts to promote access, for individuals of all ages, to learning and information resources at all types of libraries. The Administration is requesting \$26 million for the Laura Bush 21st Century Librarians Program, a \$1 million increase, to continue support for innovative programs for the recruitment and education of a new generation of library professionals who are prepared to tackle the technological challenges of the information age.

In addition, the Budget proposes the consolidation of the National Commission on Library and Information Sciences, as well as the current National Commission for Education Statistics programs for public and State library statistics into IMLS, beginning in 2008. The Administration believes that this move would strengthen Federal library policy efforts and enhance our National research capacity on domestic and international library trends.

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 by the public to records documenting the actions of Government officials and agencies. NARA thus has a crucial role in facilitating public understanding of the functions of the Federal Government under the Constitution and in preserving the Nation's history. In 2007, the Budget proposes \$338 million for NARA. Of this funding, \$45 million will go toward development of basic preservation and access capabilities of the Electronic Records Archives project, a comprehensive means for NARA to address the challenges of preserving and providing access to the growing number of Government electronic records.

NATIONAL ENDOWMENT FOR THE ARTS

The National Endowment for the Arts (NEA) supports excellence in the arts, brings the arts to all Americans, and provides leadership in arts education. In 2007, the Budget proposes \$124 million for programs and associated costs, including Challenge America: Reaching Every Community grants; and national initiatives, such as American Masterpieces: Three Centuries of Artistic Genius. The American Masterpieces initiative will continue to celebrate our Nation's great artistic achievements with special touring programs in dance; visual arts; literature; choral music and musical theater; local presentations; in-school arts education programs; and student visits to exhibitions, presentations, and performances. NEA will fund projects that extend the reach of the arts by supporting

works of artistic excellence and promoting projects in communities that have not had access to quality arts programming. These projects will be supported 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) serves and strengthens our Nation by promoting excellence in the humanities and conveying the lessons of history to all Americans. NEH accomplishes this mission by providing grants for high-quality projects in humanities education, research, preservation and access, and public programming. In 2007, the Budget provides \$141 million for NEH. Of this, \$15 million is for the continued support of the Agency's We the People program, which is strengthening the teaching, study, and understanding of our Nation's history and culture. NEH funding also supports: partnerships with State humanities councils; the enrichment of humanities education; efforts to preserve and increase access to important cultural and intellectual resources; and museum exhibitions, television and radio documentaries, as well as reading programs in the humanities that reach millions of Americans.

NATIONAL LABOR RELATIONS BOARD

The National Labor Relations Board (NLRB) administers the National Labor Relations Act by regulating private-sector employer and labor relations to minimize disruptions to commerce caused by strikes, lock-outs, and other forms of worker-management discord. NLRB supervises secret-ballot elections in which employees determine whether to be represented by a union. The Board also investigates and remedies charges of unlawful acts, called unfair labor practices, by unions or employers. In 2007, NLRB expects to receive some 26,000 unfair labor practice cases and 5,100 union representation cases.

The 2007 Budget requests \$250 million for NLRB activities. Fair and expeditious case resolution will continue to be NLRB's highest priority in 2007. The Agency is more effective when it can achieve a voluntary resolution to meritorious cases, thereby reducing the need for time-consuming and costly litigation. In 2005, NLRB's case settlement rate of 97.2 percent exceeded its goal of settling 95 percent of its unfair labor practice cases before they require litigation. NLRB has also implemented case management improvements to reduce its case backlog. Between 2003 and 2005, the backlog dropped from over 1,000 cases to fewer than 400, a reduction of over 60 percent.

NATIONAL TRANSPORTATION SAFETY BOARD

The National Transportation Safety Board (NTSB) is charged with determining the probable 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. The Board also coordinates Federal assistance to the families of victims of catastrophic domestic transportation accidents. The 2007 Budget provides funding for NTSB to investigate more than 2,500 accidents.

The 2007 Budget provides \$80 million for salaries and expenses for NTSB to fulfill its role of improving the Nation's transportation safety.

NUCLEAR REGULATORY COMMISSION

The Nuclear Regulatory Commission (NRC) regulates the commercial use of nuclear material in the United States. Its programs facilitate the Nation's safe and effective use of nuclear materials for civilian purposes. Consistent with the National Energy Policy (May 2001), the President's 2007 Budget provides NRC with the funds it needs to keep pace with the industry's interest in the renewal of nuclear power reactor licenses and the possible construction of new nuclear power plants. To date, NRC has renewed the operating licenses for 39 of the existing 104 nuclear power plants. In 2007, NRC expects to begin reviewing six new renewal applications and to complete the reviews of two applications. NRC will continue to improve the effectiveness and efficiency of its review of designs for new reactors and to prepare for expected combined license applications. In addition to licensing, NRC also performs inspections on all existing nuclear power plants to ensure that safety issues are identified and resolved before they affect safe plant operation.

Since September 2001, NRC has strengthened its regulatory programs to enhance homeland security and preparedness, including actions to improve security at the Nation's civilian nuclear power plants, nuclear fuel facilities, and other licensed users of radioactive materials. These efforts will continue in 2007.

The Department of Energy (DOE) plans to submit an application to build a high-level waste repository at Yucca Mountain, Nevada, to NRC. This first-of-a-kind undertaking will involve conducting thorough safety and security evaluations, performance assessments, adjudicatory hearings, and site inspections. NRC will continue to interact with DOE as the Department prepares its license application. Once the application is received, NRC will complete its review and reach a license decision in a timely manner. To carry out these and other activities, the Budget proposes \$777 million in 2007 for NRC. With the exception of those activities that are statutorily excluded from being financed by user fees, NRC will recover 90 percent of its budget from licensees. Appropriations from the Nuclear Waste Fund will cover the costs of the high-level waste repository effort.

OFFICE OF PERSONNEL MANAGEMENT

The Office of Personnel Management (OPM) leads Federal agencies in the strategic management of their human capital, proposes and implements human resources management policy, and provides agencies with ongoing advice and technical assistance for implementing these policies and initiatives. OPM oversees and safeguards the Merit System Principles and veterans' preference, and administers Federal employee benefits programs. OPM also manages the process for personnel security and background checks for national security clearances and the fitness and suitability of applicants, for and appointees to, positions in the Federal service.

The 2007 Budget proposes \$256 million to support OPM's core missions: leading a human capital transformation within the Executive Branch and administering the Federal employees' retirement, health, and life insurance benefits programs efficiently.

Through the Strategic Management of Human Capital, a component of the President's Management Agenda, OPM continues to work with agencies to transform their management of the Federal workforce. In this capacity, OPM provides agencies with the tools to manage their workforce and implements new human resources management policies. In 2007, OPM will take steps to support implementation of major reforms in the Federal civil service, as contained in the Administration's proposed Working for America Act. These reforms include an effort to replace the current antiquated General Schedule pay system with a modern classification, pay, and performance management system that is both results-driven and market-based. The new system also will replace

the current formula-driven, “one size fits all” annual pay adjustment process with a process that allows the President to set and target civilian pay raises in a manner that assists Federal agencies to better manage, develop, and reward employees to better serve the American people.

In addition, OPM is the managing partner for the Human Resources Line of Business and the Enterprise Human Resources Integration project. The Human Resources Line of Business establishes common standards so that back-office personnel processing can be consolidated in common service centers, thereby achieving savings and efficiencies, and allowing agencies to focus on their core mission. The Enterprise Human Resources Integration project will reduce the need for paper personnel documents and improve the currency and accuracy of Federal human resources data.

OPM will pay out \$99 billion in benefits in 2007: \$61 billion to more than 2.5 million Federal retirees, survivor annuitants, and other beneficiaries; \$35 billion in health benefits for about eight million enrollees and dependents; and about \$2.4 billion in life insurance claims from policy holders.

The 2007 Budget includes \$27 million to continue efforts to greatly improve the speed and accuracy of Federal retiree benefit payments by implementing the Retirement Systems Modernization (RSM) effort. RSM is OPM’s central information technology strategy to meet its long-term customer service, business, and financial management goals for Federal employee retirement benefit programs. RSM will allow OPM to process retirement claims in a much more timely and cost-efficient manner. In coming months, the Administration will also identify options for increasing price competition among health plans offered to Federal employees and retirees through the Federal Employees Health Benefits program. Finally, OPM will continue to conduct evaluations of the benefit programs to ensure that they are meeting the needs of Federal employees and retirees and the recruitment and retention needs of the Federal Government as an employer.

POSTAL SERVICE

The Administration continues to strongly support efforts to enact comprehensive postal reform legislation that fosters a healthy Postal Service for future generations. The Postal Service provides an important service to the American people and the economy, and the Administration believes that the Postal Service should continue providing affordable and reliable universal service, while limiting exposure to taxpayers and operating appropriately in the competitive marketplace.

Postal reform must be accomplished in a responsible manner that is fair to taxpayers, ratepayers, and Postal Service employees. It must be consistent with the principles of best governance practices, transparency, flexibility, accountability, and self-finance, as expressed by the President in December 2003, and not have an adverse impact on the Federal budget. To this end, the Administration supports reforms that: allow the Postal Service pricing flexibility, but within a firm annual Consumer Price Index rate cap and with a strict limit on the circumstances when rates can exceed the cap; require compliance with all Securities and Exchange Commission financial reporting standards; and permit greater flexibility in the use of negotiated service agreements and worksharing arrangements. In addition, the 2007 Budget proposes to use the pension savings provided to the Postal Service by the Postal Civil Service Retirement System Funding Reform Act of 2003 (P.L. 108-18) that would otherwise be held in escrow in 2006 and beyond, to put the Postal Service on a path that fully funds its substantial retiree health benefits liabilities.

REGIONAL ECONOMIC DEVELOPMENT AGENCIES

The President’s 2007 Budget proposes \$78 million for the three regional economic development agencies: the Appalachian Regional Commission (ARC), the Delta Regional Authority, and the Denali Commission. The President’s Budget provides the necessary funding to continue the constructive role

that these agencies play as regional coordinators and planners of other Federal investments in their respective regions. Assessing these agencies' performance is difficult, given the small share of total Federal spending in their regions they represent. To help address this and carry out the President's goal of reforming Federal economic development efforts, ARC is working with its State and local partners in creating a Challenge Grant for Regional Innovation. These grants will be awarded to communities that have shown potential to increase economic opportunity and will include performance measures to track a community's progress and ensure wise use of taxpayer funds.

SECURITIES AND EXCHANGE COMMISSION

The Securities and Exchange Commission (SEC) protects investors and works to maintain fair, honest, and efficient markets; and facilitates capital formation. SEC's activities are critical to the transparency and efficiency of the Nation's securities markets, which in turn are a vital part of our national economy. In calendar year 2005, the dollar volume of shares traded on the New York Stock Exchange and the Nasdaq Stock Market was almost \$33 trillion. SEC enforces Federal securities laws with respect to key participants in the securities world, including stock exchanges, broker-dealers, investment advisors, mutual funds, and public companies. In 2007, the President's Budget proposes \$905 million for SEC.

Protecting Investors

SEC is the preeminent enforcement agency in investor markets. It works to protect free markets by preventing fraud and manipulation in securities markets by reviewing corporate disclosure data, investigating investor complaints, and monitoring exchanges for unusual activities. In addition, SEC recently created a new Office of Risk Assessment designed to improve the Commission's ability to anticipate potential problem areas across the securities industry by focusing on early identification of new or resurgent forms of fraud and illegal activities. In 2005, SEC opened 947 investigations and initiated an estimated 629 enforcement actions against individuals and entities for violations of securities laws. Through these efforts, SEC was able to halt fraudulent activities quickly, seek civil penalties, and order violators to disgorge ill-gotten gains.

SEC is also an active participant in the President's Corporate Fraud Task Force, an interagency working group led by the Department of Justice designed to aggressively pursue joint civil and criminal actions against corporate wrong-doers.

Improving Transparency

SEC works to strengthen effective competition in free markets by ensuring that all investors have access to certain basic facts about potential investments. SEC acts aggressively to prevent fraud and misrepresentation of facts in securities markets. SEC requires that public companies submit detailed financial information, which it makes available to the public through its website www.sec.gov/edgar.shtml.

SEC focuses on making sure that rules and regulations are clear for market participants, especially small business and individual investors. It is important to the health of the economy, and the role that public companies play in job creation, that the benefits of securities regulation outweigh its costs. SEC established the Advisory Committee on Smaller Public Companies to examine the benefits and costs of the Sarbanes-Oxley Act and other Federal securities laws on smaller public companies. For example, the advisory committee is reviewing the impact of new internal control rules, financial reporting regulations, and corporate governance requirements to evaluate the net benefits to investors.

Its members are also developing recommendations to SEC to ensure that smaller companies are able to grow and succeed by accessing capital in the public markets.

SMITHSONIAN INSTITUTION

In 1829, James Smithson, a British scientist, bequeathed his estate to the American people for the “increase and diffusion of knowledge.” Today, the Smithsonian Institution supports that goal through its operation of National museums and research institutes. Approximately two-thirds of the Smithsonian’s funding is from direct Federal appropriations; the remainder comes from its endowment fund, private donations, business activities, and grants from other Federal agencies.

The 2007 Budget provides \$644 million in funding for the Smithsonian. Funds are provided to complete a major revitalization project at the National Museum of American History, continue an ongoing revitalization project at the National Museum of Natural History, and continue ongoing improvements at the National Zoo. The Budget also includes lease and utility costs and inflation-related adjustments across the Institution. Addressing these increases in a time of fiscal constraint requires that the Smithsonian continue to prioritize and seek out innovative cost-saving mechanisms.

Over the past year, the Smithsonian has made significant progress in many of the President’s Management Agenda initiative areas. In particular, the Smithsonian has made marked progress in coordinating its information technology portfolio, assessing its future workforce needs, meeting Federal requirements for financial management, and linking its budget and senior staff compensation to performance measures.

TENNESSEE VALLEY AUTHORITY

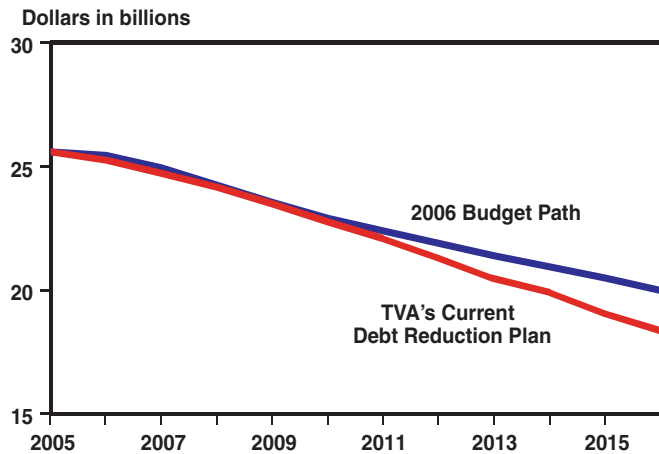
The Tennessee Valley Authority (TVA) was created by the TVA Act in 1933 and provides electric power, performs natural resource stewardship services, and promotes economic development in the Tennessee Valley region. TVA is the largest public electric power system in the United States and is the wholesale power provider to a population of more than eight million consumers throughout most of Tennessee, northern Alabama, northeastern Mississippi, southwestern Kentucky, and small portions of Georgia, North Carolina, and Virginia.

TVA has a diverse mix of power generation assets, including coal, hydro, and nuclear generation. TVA is working to restart its Browns Ferry Nuclear Plant Unit 1, which will be the Nation’s first nuclear generation capacity added in the 21st Century, a milestone in implementing the nuclear power elements of the President’s National Energy Policy. The unit is scheduled to come online in May 2007.

TVA uses its power revenues and borrowing authority to fund power generation and transmission operations as well as its resource stewardship programs. TVA’s 2005 operating revenues totaled approximately \$7.8 billion and its receipts and expenditures are reflected in the Federal budget. In 2005, TVA devoted approximately \$93 million to its resource stewardship program, which includes dam safety, river management, recreational activities, and navigation services. The remaining funds are devoted to power generation and transmission services.

TVA has a statutory debt limit of \$30 billion, which is available to fund capital investments and other Agency operations. Currently TVA has \$25.6 billion in debt outstanding, which includes alternative financing transactions such as equipment lease/leasebacks and long-term power prepayment agreements. To respond to an ever changing business and economic environment, TVA developed a strategic plan released in 2004, which was designed to better position TVA for the future competitive electricity market. Included in that plan was a commitment by TVA to reduce its debt levels by \$3 billion to \$5 billion over a 10- to 12-year period. In order to achieve greater financial flexibility, TVA has since tightened that goal even more to reduce total debt obligations by \$7.8 billion by 2016.

TVA's Debt Reduction Path
(2006 Budget Path vs. Current TVA Path)



The 2007 Budget proposes legislation requiring TVA to register its debt securities with SEC to provide investors with greater insight into the characteristics and risks inherent in TVA securities. This proposal is part of the overarching goal of preparing TVA to help it better serve its customers and investors and to reduce any service or financial risk to taxpayers and other stakeholders.