FEDERAL TRADE COMMISSION

FISCAL YEAR 2007
CONGRESSIONAL JUSTIFICATION

Budget Summary

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Federal Trade Commission
Fiscal Year 2007 Overview Statement

This statement supports the Federal Trade Commission's (FTC) FY 2007 budget request of $223,000,000 and 1,074 FTE. This amount represents an increase of $13,000,000 over the FTC's FY 2006 enacted level.

MISSION

The FTC is the only federal agency with jurisdiction to enhance consumer welfare and protect competition in broad sectors of the economy. It enforces the laws that prohibit business practices that are anticompetitive, deceptive, or unfair to consumers, and seeks to do so without impeding legitimate business activity. The FTC also promotes informed consumer choice and public understanding of the competitive process. The agency's work is critical in protecting and strengthening free and open markets in both the United States and the world.

HIGHLIGHTS OF FY 2005 ACCOMPLISHMENTS

In FY 2005, the FTC took action on a wide variety of significant consumer protection and competition matters. The highlighted actions, detailed below, helped ensure that businesses and consumers alike reaped the full benefits of market competition and product innovation.

Hurricane Relief. The FTC was quick to respond to protect consumers made vulnerable by Hurricanes Katrina and Rita. The FTC joined a federal task force and became the central clearinghouse for consumer complaint data for all levels of law enforcement. Consumers were encouraged to file complaints by phone, by mail, or on the FTC Web site. In addition, through its gasoline monitoring project, the FTC reviewed data on retail and wholesale gasoline prices from various locations across the country and used this information to identify possible anticompetitive conduct during the short-term gasoline product shortage. The FTC investigated possible illegal practices and brought law enforcement actions, as appropriate. The agency offered consumer education in print, on its Web site, and through broadcast public service announcements to prevent victims from being injured by the frauds and scams that proliferated following the disasters. Beyond the immediate need to prevent fraud and deception, the FTC also offered materials to assist hurricane victims in rebuilding their financial lives.

Protecting Consumers In the High-Tech Environment. The FTC has taken the lead to protect consumers from technology-driven threats to the security of their personal data and information, personal computers, and email inboxes.

Data Security. Concerns about data security and identity theft have spiked with recent press reports on data breaches. The FTC is investigating a number of these breaches; it also has an ongoing and active law enforcement program to encourage appropriate security. In November 2004, the FTC charged two mortgage companies in the first cases enforcing the Gramm-Leach-Bliley Safeguards Rule, alleging that they did not have reasonable protections for customers' sensitive personal and financial information. In June 2005, a large wholesale club agreed to settle charges that its failure to take appropriate security measures to protect the sensitive information of thousands of its customers was an unfair practice that violated federal law.

Identity Theft. According to a 2003 FTC staff survey on identity theft, over a five-year period, more than 27 million consumers were victims of identity theft; identity theft has become the number one consumer complaint received in the FTC's database. During FY 2005, the FTC continued to operate the ID Theft Data Clearinghouse and collected more than 255,000 identity theft complaints in its consumer information system, bringing the total to more than 940,000. The FTC's identity theft team conducts outreach and training with criminal law enforcement authorities to assist them in the prosecution of identity thieves, and, since 2000, has distributed nearly 4.5 million paper copies of its two main identity theft education publications, including its new and improved identity theft booklet, and recorded more than 2.7 million visits to the Web versions of these publications.

Fair and Accurate Credit Transactions (FACT) Act. The FTC continued to implement, and use, the Fair and Accurate Credit Transactions (FACT) Act to further address the problem of identify theft. Consumers nationwide now are able to request a free annual credit report. In November 2004, the FTC issued its final rule regarding the proper disposal of consumer report information and records, the final summary of rights for identity theft, the final summary of general consumer rights, and revised furnisher and user notices. In December 2004, the FTC issued a report to Congress on credit report accuracy and completeness. In January 2005, the FTC issued the final regulation to improve required notices in prescreened offers for credit or insurance. And, in June 2005, a new rule required businesses and individuals to take appropriate measures to dispose of sensitive information derived from consumer reports. The FTC also continued to work on the numerous additional rules and reports mandated by the Act.

Spyware. During FY 2005, the FTC issued a report on spyware, and brought several important law enforcement actions to stop marketers who loaded unwanted and risky software onto consumers' personal computers without their knowledge, consent, or instructions about how to remove the unwanted software. FTC staff also developed new tools to detect, locate, and investigate spyware purveyors, and launched other nonpublic law enforcement investigations.

SPAM. Experts have estimated that spam (unsolicited commercial email) costs U.S. businesses between $10 billion and $87 billion annually. Additionally, consumers spend countless hours each year dealing with spam. The CAN-SPAM Act provides the FTC with tools to address this issue. In April 2005, the FTC and the California Attorney General brought an action to halt an operation that sent millions of illegal spam messages touting mortgage loans and other products and services. The FTC's Adult Labeling Rule and the CAN-SPAM Act require commercial e-mailers of sexually-explicit material to use the phrase "SEXUALLY EXPLICIT:" in the subject line of the e-mail message and to ensure that the initial viewable area of the message does not contain graphic sexual images. In 2005, the FTC filed suit against a network of individuals and corporations that used spam to sell access to online pornography, and charged seven companies with violating the labeling requirements of the Rule and the Act. The spammers paid $691,000 to settle the charges and agreed to injunctive relief. The FTC also continued to work on the rulemaking and reporting requirements mandated by the CAN-SPAM Act. In June 2005, the FTC issued a report to Congress on the use of subject line labeling for commercial e-mail as a means to reduce spam, concluding that such labeling would not be an effective way to curb spam. In December 2005, the FTC issued a report to Congress on the effectiveness and enforcement of the CAN-SPAM Act. That report concluded that, while the Act has helped to deliver some improvements, passage of the U.S. SAFE WEB Act, continued education efforts, and improvements in anti-spam technology also are needed.

The "OnGuard Online" Consumer Education Campaign. The FTC, its law enforcement and nonprofit sector partners, and leading private technology companies launched the ground-breaking "OnGuard Online" consumer education campaign to give consumers a one-stop resource for up-to-date and comprehensive tools and information about protecting themselves in the online marketplace.

Examining Factors Affecting Gasoline Price Changes. In July 2005, the FTC issued a report entitled "Gasoline Price Changes: The Dynamic of Supply, Demand, and Competition." The report analyzes the many factors that influence fluctuations in the prices that U.S. consumers pay for gasoline at their local gas station. It examines a wide range of gasoline price factors – including the cost of crude oil, increasing national and international demand, and federal, state, and local regulations, all of which influence the prices consumers pay at the pump. One of the report's conclusions is that over the past 20 years, changes in the price of crude oil have led to 85 percent of the changes in the retail price of gasoline in the United States, while other important factors have included increasing demand, supply restrictions, and federal, state, and local regulations such as clean fuel requirements and taxes.

Promoting Healthy Consumers Through Healthy Competition. American consumers paid nearly $1.8 trillion for health care in 2004 – about 15 percent of gross domestic product (GDP) – through tax dollars, insurance premiums, or out-of-pocket payments. Thus, health care is an industry in which it is critical for the FTC to maintain competition. In 2005, the Commission conditionally approved a $1 billion acquisition involving two biotechnological companies, subject to a requirement that the firms agree to divest overlapping assets. In another case, an Administrative Law Judge (ALJ) upheld an FTC complaint that charged a physicians' group practicing in Fort Worth, TX with restraining trade by conspiring to fix prices in certain contracts to provide medical services to the patients of health plans. In addition, under consent orders, five physician organizations consisting of more than 1,000 doctors were barred from collectively negotiating and fixing the prices they charge payors on behalf of their doctor members.

Administering the Merger Review Process. The FTC administers the Hart-Scott-Rodino (HSR) Premerger Notification Program for both the FTC and the Department of Justice (DOJ). Increasing economic activity and a corresponding increase in merger notifications resulted in review of transactions valued at more than $1.1 trillion in FY 2005. The HSR program protects consumers by identifying potentially anticompetitive mergers and providing the antitrust agencies with the opportunity to prevent harmful mergers from taking place.

Enforcing the National Do Not Call Registry to Stop Unwanted Telemarketing Calls. Since opening in June 2003, the National Do Not Call Registry has registered more than 110 million telephone numbers. The Registry protects consumer privacy by prohibiting most telemarketing calls to consumers who register their telephone numbers on the list. The Registry has been a significant success; one recent accolade came from Yahoo!, which ranked the launch of the FTC's Do Not Call Web site as one of the top 100 moments on the Web over the last 10 years. According to a Harris Interactive poll published in January 2006, 76 percent of all U.S. adults say that they have registered their telephone numbers and 91 percent of those registered said they have received no or fewer calls than before they registered. Although compliance with this law has been very high, the FTC has received 1.4 million consumer complaints since October 2003, and enforcement remains a top priority. In December 2005, the FTC announced more than $5 million in civil penalties against companies that violated the Do Not Call Rule.

Evaluating Self-Regulation Efforts and Childhood Obesity. The FTC and the Department of Health and Human Services hosted a workshop on marketing, self-regulation, and childhood obesity in July 2005. The workshop brought together representatives from food and beverage companies, medical and nutrition experts, representatives from media and entertainment companies, consumer groups, advertising specialists, and other key experts for an open discussion on industry self-regulation concerning the marketing of food and beverages to children, as well as initiatives to educate children and parents about nutrition.

Protecting Consumers Against Fraud and Deception. In FY 2005, the FTC filed 77 actions in federal district court to protect consumers against unfair and deceptive trade practices, and obtained 103 judgments ordering more than $824 million in consumer redress, and fifteen judgments ordering payment of more than $6.6 million in civil penalties. These cases attacked a wide range of fraud and deception, including bogus weight loss products, advance-fee credit card scams, business opportunity schemes, deceptive spam, fraudulent telemarketing, deceptive credit counseling services, deceptive and unfair debt collection practices, and violations of the Fair Credit Reporting Act. Working with criminal law enforcers also remains a priority and the FTC's Criminal Liaison Unit (CLU) facilitates prosecution of consumer fraud by coordinating with criminal law enforcement authorities. The CLU continued work with the DOJ and the U.S. Attorney's Office in the Southern District of Florida on "Project Biz Opp Flop." Thus far, 32 people who worked for business opportunity firms have been charged criminally with mail fraud, wire fraud, conspiracy, and/or criminal contempt; 14 of these defendants already have entered guilty pleas; nine have been sentenced, with prison terms ranging from 24 to 81 months.

Helping Hispanic Consumers. A Consumer Fraud Survey released by FTC staff in FY 2004 found that Hispanic consumers are disproportionately victimized by fraud. In response, the FTC launched a Hispanic Law Enforcement and Outreach Initiative that has had immediate results. During Hispanic Heritage Month in October 2004, the FTC announced a series of law enforcement actions and a new consumer education campaign designed to address consumer fraud in the Hispanic community. Additional cases were announced in 2005 during the Hispanic Law Enforcement and Outreach Forums in Miami, FL, Phoenix, AZ, and Dallas, TX. The FTC's Hispanic Initiative also includes a significant outreach component that disseminates consumer information in Spanish, provides consumer news to the Spanish-language media, and builds partnerships with organizations, businesses, and leaders in the Hispanic community.

Enhancing International Cooperation. Spammers, spyware operators, fraudulent telemarketers, and other scam artists know no national boundaries, and can strike quickly on a global scale. As a result, the FTC has implemented a comprehensive program to combat cross-border consumer protection law violations. This includes a recently-released report on proposed legislation to improve the FTC's ability to combat cross-border consumer protection law violations. In October 2004,the FTC announced the "London Action Plan on International Spam Enforcement Cooperation," endorsed by 26 agencies from 20 countries and seven private sector organizations from four continents. The FTC continues to develop new bilateral and multilateral enforcement partnerships and to strengthen existing ones. In January 2005, the FTC announced that it had entered into a new consumer protection enforcement memorandum of understanding with its counterpart consumer protection agency in Mexico. The FTC also continues to work closely with Canadian agencies on cross-border telemarketing issues. The FTC's goal is to ensure that consumer protection rules outside the United States focus on practices that distort consumer choice and raise a serious threat to the proper functioning of markets.

The FTC has worked with competition agencies worldwide to promote best practices and minimize policy divergences to ease burdens on firms that operate across the globe. Two key venues for competition officials to work toward a greater consensus are the Organization for Economic Coordination and Development (OECD) and the International Competition Network (ICN), a group launched four years ago by the FTC, the DOJ, and 13 other competition agencies that now numbers almost 90 member agencies.

The FTC also advocates discussion of linkages between competition and consumer policy around the world. The FTC also devoted significant resources to assisting new competition agencies in countries with emerging market economies.

Preventing Deceptive Lending, Deceptive Debt Counseling, and Illegal Debt Collection Practices. The FTC pursues unscrupulous lenders who deceive consumers about loan terms, rates, and fees, and bogus organizations that target consumers with bad credit or significant debt, promising to help them obtain credit or manage their debt. In 2005, the FTC brought several cases against debt counseling, debt collection, and other financial services companies engaged in deceptive or illegal practices. In one case, the FTC charged a company with falsely promoting itself as a nonprofit credit counseling organization. The judge presiding over the company's bankruptcy case allowed the transfer of client accounts to a legitimate third-party credit counselor, protecting consumers who otherwise might have been stranded if it went out of business. In July 2005, the FTC won a $10.2 million judgment against a debt collection operation and its principals; the judgment amount represented the estimated amount of consumer injury. This was the largest judgment in FTC history for violations of the Fair Debt Collection Practices Act. In addition, a federal district court judge permanently banned the defendants from engaging in debt collection in the future.

Advancing Administrative Litigation. During FY 2005, the FTC had nine antitrust cases pending at some stage of administrative litigation. These antitrust cases involved a variety of consumer issues including physician and dental services, pharmaceuticals, hospital services, transportation of household goods, computer software and hardware, and gasoline. Besides bringing the benefits of increased competition, these cases also provided opportunities for the FTC and the courts to offer detailed analysis and guidance on key policy questions for businesses, the bar, and the public. In January 2005, the Commission issued its first merger decision in administrative adjudication since 1995. The FTC charged that a company had illegally acquired its closest competitor and that the acquisition resulted in either a monopoly or a dominant firm in four U.S. markets. The Commission's order requires the company to create two new divisions that could compete independently in the relevant markets, and to divest one of those divisions within six months. In addition, four consumer protection cases also were in administrative litigation in FY 2005.

Promoting Innovation. The FTC continued efforts to harmonize the application of competition law with the patent system in order to benefit consumers by fostering the invention and development of new goods, services, and processes. These efforts included continued administrative litigation in a significant matter involving alleged abuses of the standards-setting process to exploit patent rights. In FY 2005, the Commission considered an appeal from an ALJ dismissal of the complaint in an adjudicative proceeding. The complaint charged that a defendant violated the antitrust laws by knowingly failing to disclose its relevant intellectual property holdings to a standards-setting organization in which it was a participant. In dismissing the complaint, the ALJ concluded that the defendant's conduct did not amount to deception or a violation of its duties and that complaint counsel did not prove that its conduct violated the antitrust laws. A Commission decision is forthcoming.

Advocating for Competition before the Courts and Other Government Entities. In FY 2005, the FTC sent comments to the governors of California, North Carolina, and North Dakota urging them to veto bills that likely would restrict competition among pharmaceutical companies in ways that could harm consumers. The bills included proposals: (1) to require Pharmacy Benefit Managers (PBMs) to disclose certain information to purchasers of their services, prescribers, or consumers; (2) to restrict a PBM's ability to set up low-cost pharmacy networks; or (3) to prohibit the use of certain cost-reducing drug substitutions. The FTC's PBM efforts have proved successful. Governor Schwarzenegger cited the FTC's comment on the potential harmful effects of the California bill when he vetoed it. While the North Dakota bill passed, it did not contain the provisions to which the FTC objected. In September 2005, the FTC issued a report entitled "Pharmacy Benefit Managers: Ownership of Mail-Order Pharmacies." The report, in response to a Congressional request in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, examined whether private-sector entities that offer prescription drug coverage pay more for such drugs when using a mail-order pharmacy owned by a PBM, as opposed to using a mail-order or retail pharmacy that the PBM does not own. The report concluded that the prescription drug plan sponsors generally paid lower prices for drugs purchased through PBM-owned mail-order pharmacies.

Other FTC advocacy efforts contributed in other areas. An intense real estate market has prompted some legislatures—often with pressure from state real estate commissions — to create proposals that impose minimum service requirements on brokers. These proposals place competitive restrictions on limited service brokerages, which offer unbundled services for lower prices. They also limit consumers' ability to choose a lower level of brokerage services. The FTC sent comments about the potential harms of minimum service requirements to parties considering such proposals including the Texas Real Estate Commission (TREC), the governor of Missouri, and the Alabama Senate Members. The FTC's efforts have had mixed success. Although TREC did not pass its proposed regulation, the Texas legislature passed a bill that has a similar effect as TREC's regulation. Despite the FTC's efforts in Missouri, the governor signed the bill. Alabama's legislature, however, did not pass the bill. The FTC also continues to comment on attempts to define the practice of law broadly, which may restrict competition between attorneys and lay service providers in ways that harm consumers. The FTC's advocacies against broad definitions of the unauthorized practice of law continue to be successful.

PLANNED ACTIVITIES IN FY 2006 AND BEYOND

Over the next few years, the FTC will continue to devote resources to significant law enforcement and policy initiatives designed to protect consumers and the competitive process.

CONSUMER PROTECTION MISSION. Through its Consumer Protection Mission, the FTC focuses broad efforts to fight consumer fraud, deception, and unfair practices and to protect consumer privacy, including fighting identity theft and deceptive spam.

Fighting Data Security Breaches and Identity Theft. Privacy continues to be an important concern of American consumers. To address these issues most effectively, in 2006 a new Privacy and Identity Protection Program was established. The FTC's approach in this arena encompasses both enforcement and education, and will focus on identity theft, data security, and enforcement of the Gramm-Leach-Bliley Act. The agency will direct other enforcement efforts at the failure of businesses to take reasonable steps to protect the security of sensitive personal or financial information and to enforce other representations made to consumers concerning the privacy and security of their personal information.

Fighting Spam and Spyware. Spam increasingly is used to deliver spyware and download viruses onto consumers' computers, and often represents an unwanted intrusion into consumers' privacy. The FTC receives roughly 300,000 spam messages a day from groups and individuals worldwide; to date, more than 285 million spam messages have been sent to the FTC. This spam is stored in a searchable database, enabling the FTC staff and other law enforcement agencies to track trends and identify law enforcement targets. In FY 2006, the FTC will enhance the spam database to provide improved case generation, evidentiary support in litigation, and trend analysis. Separately, the FTC will continue to work with its federal, state, and local law enforcement partners on the Spam Task Force, and will continue to encourage the private sector to develop technological remedies to help reduce spam reaching consumers' inboxes. Additionally, the FTC will continue bringing cases against spyware purveyors and initiatives to educate consumers on how to avoid spam and spyware problems. The FTC also will continue working with ISPs and others to implement sender authentication standards.

Fighting Fraud and Deception. More than one million entries were added to the Consumer Information System database in FY 2005. The database now houses more than five million inquiries and complaints. The FTC continues to target the most prevalent consumer frauds in the cases that it brings by drawing from *Consumer Sentinel*, a secure Web site that provides access to fraud and identity theft complaints to more than 1,425 law enforcement organizations in the United States, Canada, and Australia, and from Internet "surfs" and "sweeps" that ferret out specific claims and solicitations that likely deceive consumers and violate the law. Information from consumer fraud and identity theft surveys will allow the FTC to refine and expand its use of these databases and further target enforcement efforts.

Working with Criminal Law Enforcers to Protect Consumers. The FTC will continue to promote the work of its Criminal Liaison Unit (CLU), dedicated to encouraging criminal prosecution of consumer fraud by coordinating with criminal law enforcement authorities on consumer fraud cases. The CLU identifies law enforcement agencies and case agents for specific types of consumer fraud cases, educates criminal law enforcement authorities about the FTC and its mission, and coordinates training of FTC staff by criminal law enforcement to help them prepare cases for referral and ensure smooth progress of parallel prosecutions.

Enforcing the National Do Not Call Registry to Stop Unwanted Telemarketing Calls. Consumers have registered more than 110 million telephone numbers on the FTC's National Do Not Call Registry. While compliance is high, the FTC will give priority in FY 2006 and beyond to enforcement of the Do Not Call provisions of the Telemarketing Sales Rule to ensure that consumers do not receive unwanted telemarketing calls and the Registry is not used for unintended purposes.

Protecting Children in the Marketplace. The FTC maintains an active program to monitor, report on, and provide educational materials about marketing to children, including advertising and marketing of violent entertainment products, online gambling, pornography, and alcohol, as well as food marketing and childhood obesity. In particular, the FTC analyzes complaints that deal with law violations relating to media violence. The FTC also focuses on children's interests through its enforcement of the Children's Online Privacy Protection Act. The FTC will continue to monitor the entertainment industry's marketing practices. Additionally, the FTC will work with video game publishers and retailers to ensure that Teen- and Mature-rated games are marketed or sold in accord with the rating's age guidelines, and will educate parents about video game content. Finally, the FTC will review the findings of our 2005 workshop on childhood obesity and the recommendations by the Institute of Medicine concerning industry self-regulation addressing food advertising and marketing practices aimed at children.

Combating Cross-Border Fraud. The FTC will continue to protect U.S. consumers in the global marketplace through international law enforcement and policy initiatives. With respect to law enforcement, cases increasingly involve an international component as defendants, their operations, or their assets are moved offshore. This makes it difficult to locate and stop scams or to provide redress to consumers. The FTC is meeting these challenges by forming and sustaining international partnerships to assist in locating, investigating, and halting international outlaws. On the policy side, the FTC is promoting international development of market-oriented consumer protection policies, when such policies adequately address consumer harm. If legislation, such as the U.S. SAFE WEB Act, is enacted, the FTC will gain improved abilities to combat cross-border consumer protection law violations, and will require resources to enforce the Act.

Focusing on Health Fraud. The deceptive marketing of products that may affect consumer health and safety will continue to be an FTC priority. Over the last decade, the FTC brought more than 100 law enforcement actions challenging false or unsubstantiated claims about the efficacy or safety of a wide variety of dietary supplements and misleading claims for all types of weight loss products. Going forward, the FTC will continue its aggressive program by focusing its law enforcement on violations that create the greatest risks to consumer health.

Using FTC Expertise to Protect Hispanic Consumers. To focus on frauds aimed at Hispanic consumers, the FTC will continue to use the findings of the staff's 2004 fraud survey, ideas generated at the Hispanic Outreach Forum and Law Enforcement Workshops, and partnerships developed as part of the Hispanic Initiative. For example, the FTC will continue to hold regional follow-up workshops to meet with enforcement officials and community-based organizations to discuss law enforcement and outreach to protect Hispanic consumers in that region. The FTC also will continue to expand dedicated space on its Web site devoted to Spanish-language information and to promote the Spanish-language complaint form. To date, the FTC has produced more than 100 consumer and business education pieces in Spanish, and will continue this important initiative. The agency will continue to bring enforcement actions, including sweeps with its law enforcement partners, against scams aimed at vulnerable groups, including other minority groups identified in staff's fraud survey.

Preventing Deceptive Lending Practices, Deceptive Debt Counseling, and Other Credit Schemes. The FTC will continue its law enforcement efforts against those unscrupulous lenders who deceive consumers about loan terms, rates, or fees. The FTC also will continue its law enforcement actions against bogus organizations that target consumers with bad credit or significant consumer debt, deceptively promising to help them manage their debt and instead further damaging these consumers' credit and finances. The FTC also will continue to bring actions against companies that harass, intimidate, and deceive consumers in their debt collection practices.

Enforcing Legislation. Three bills enacted in FY 2004 provided the FTC with tools and responsibilities for addressing spam, identity theft, and non-federally-insured depository institutions. As noted earlier, the CAN-SPAM Act and FACT Act provide important measures to prevent identity theft, help victims recover from identity theft, and enhance the accuracy of and consumer access to credit information. In addition, the recently enacted Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 requires the FTC to establish and maintain a toll-free phone number that provides certain disclosures to consumers relating to open-end credit plans. The FTC will continue through 2006 and beyond to implement these laws by issuing rules, meeting statutory requirements, and taking appropriate enforcement actions.

MAINTAINING COMPETITION MISSION

Competition is the ultimate consumer protection. The work of the FTC's competition mission is critical to protect and strengthen the free and open markets that are the cornerstones of a vibrant economy. Robust competition promotes lower prices, higher quality products and services, and greater innovation, all of which benefit consumers.

Reviewing a High Number of Mergers. Economic activity generally and the number of HSR merger filings have increased during FY 2004 and 2005. During FY 2005, the FTC experienced an increase of more than 25 percent in the number of mergers requiring investigation. The total dollar value of merger transactions reported under HSR also increased substantially from $630 billion in FY 2004 to $1.1 trillion in FY 2005. We anticipate a demanding merger review workload in FYs 2006 and 2007.

Improving the Merger Review Process. While the FTC has implemented some improvements in this area in recent years, merger review process reform is currently a top priority. The FTC has established an internal task force to examine the merger review process in detail and to recommend further improvements to ease the burden on affected parties and increase internal efficiency, while still meeting the Commission's obligation to collect sufficient information to fulfill the agency's competition mission. The task force has focused, in particular, on productions in response to agency "second requests" under HSR." The additional improvements include seeking methods to identify relevant materials stored electronically, improving the agency's ability to receive electronic productions, developing instructions and specifications for electronic productions, and taking further steps to improve the timeliness and efficiency of the review process.

Offering Commentary on the Horizontal Merger Guidelines. Issued by the FTC and the DOJ's Antitrust Division in 1992, the Horizontal Merger Guidelines reflect the essential factors that are considered in sound merger analysis and describe how those factors should be considered. Both Agencies are now working together on a Commentary on the Guidelines, informed by the experience of the last thirteen years. The Commentary is designed to bring greater transparency to the Agencies' merger analysis and greater certainty to businesses and merger practitioners. Using the Commentary to explain the Agencies' approach to merger analysis is expected to enhance the quality of communications between the government and merging parties during the merger review process.

Enhancing Expertise on the Competitive Effects of Single-Firm Conduct. The FTC has long recognized the public interest in advancing knowledge of challenging legal issues. In recent years, the FTC and the Antitrust Division of the DOJ have conducted a number of public hearings designed to inform policy- and decision-makers on vital issues affecting consumers and the economy - for example, on issues such as antitrust and health care, on competition policy in the real estate industry, and on the interface between antitrust and intellectual property. Beginning in Spring 2006, the Agencies will continue these efforts by holding a series of public hearings designed to examine single-firm conduct under Section 2 of the Sherman Act. Section 2, which proscribes exclusionary or predatory monopoly conduct, presents some of the most complex issues facing the FTC, the courts, the antitrust bar, and the business community. Hearing participants will discuss the standards used in recent Section 2 cases and consider what economic learning contributes to the analysis with respect to exclusionary or predatory conduct. The primary goal of the hearings will be to define more specifically the boundaries between legitimate single-firm conduct that is procompetitive or benign, and anticompetitive single-firm conduct that may harm consumers.

Promoting Competition in Health Care and Prescription Drugs. The rapidly rising cost of health care is a matter of concern for consumers, employers, insurers, and the nation as a whole. Health-related products and services now account for more than 15 percent of GDP, and that share has grown by 25 percent since 1990. Thus, promoting competition in the health care sector will continue to be a major priority for the FTC. Among other activities, the FTC will continue to stop anticompetitive agreements between physicians and hospital service organizations and monitor hospital and other mergers that may raise the cost of health care. The FTC also will address rising prescription drug prices by monitoring pharmaceutical company mergers and working to ensure the continued availability to consumers of lower-cost generic drugs.

Studying Authorized Generics. The FTC currently is initiating a study on authorized generics. The study is intended to help the agency understand the circumstances under which innovator companies launch authorized generics; collect and analyze data on how competition between generics and authorized generics during the 180-day exclusivity period has affected short-run price competition and long-run prospects for generic entry; and build on the economic literature about the effect of generic drug entry on prescription drug prices.

Preventing Anticompetitive Activity in Energy Industries. The price of gasoline continues to be a concern for consumers, and is a commensurately high priority for the FTC. A recently completed FTC report analyzes the many factors that influence fluctuations in the prices that U.S. consumers pay for gasoline at their local gas station. One of the report's conclusions is that over the past 20 years, changes in the price of crude oil have led to 85 percent of the changes in the retail price of gasoline in the United States, while other important factors include increasing demand, supply restrictions, and federal, state, and local regulations such as clean fuel requirements and taxes. Although these price determinants are beyond its jurisdiction, the FTC will continue to focus closely on gasoline markets and will move quickly to address any anticompetitive activity. To this end, in 2005 the FTC appointed a senior energy counsel to initiate and coordinate the agency's response to developments in the petroleum industry. In addition, under its Gasoline Price Monitoring Project, the FTC will continue to track retail gasoline prices in 360 cities nationwide and wholesale prices in 20 major urban centers to identify unusual changes in gasoline prices; if any such changes are detected, the FTC staff promptly will investigate the cause. If the investigation reveals evidence of anticompetitive conduct, the FTC will not hesitate to take strong enforcement action, as it has in one case recently settled against a major petroleum company in which the allegations involved hundreds of millions of dollars in potential consumer harm. Moreover, in FY 2006 the FTC will continue work on two ongoing related investigations pursuant to recent Congressional directives. One investigation will determine whether the price of gasoline has been or is being manipulated. The other investigation – which the agency has combined with the manipulation inquiry – is examining possible instances of gasoline price gouging in the wake of Hurricane Katrina. The FTC expects to furnish a report to Congress on the findings of these investigations in the spring of 2006, and the agency will take swift and decisive enforcement action if these investigations unearth violations of the laws that the FTC enforces.

Increasing Our Emphasis on High Technology. The growing importance of technology is placing increasing demands on the FTC's antitrust enforcement mission in both the merger and nonmerger segments. FTC antitrust investigations more and more often involve high-technology sectors of the economy, such as those that produce computer hardware and pharmaceutical products. Furthermore, issues in antitrust matters increasingly intersect with intellectual property concerns, raising difficult questions about how to reconcile these two bodies of law, both of which have a goal of promoting innovation. As these trends continue, the FTC requires more and more specialized technical and legal knowledge and expertise. In FY 2006 and beyond, the FTC will enhance its ability to investigate and litigate complex matters involving high-tech segments of the economy by increasing the technical support it receives from independent experts and consultants.

Preventing Misuse of Government Processes. An important part of the FTC's competition agenda includes efforts to identify, investigate, and, where appropriate, prosecute the misuse of government processes. The FTC's activities regarding these types of anticompetitive efforts include, for example, enforcement actions challenging efforts to deter generic drug market entry by improperly listing patents in the Food and Drug Administration's "Orange Book" or otherwise abusing government regulatory processes. The FTC is also focusing on the misuse of government processes involving intellectual property rights, such as when a firm improperly obtains intellectual property rights, or litigates to enforce them in bad faith. In FY 2006 and beyond, the FTC will devote additional resources to scrutinize competitors' misuse of government processes to hamper rivals.

Promoting Global Competition. The FTC will continue to work with competition agencies worldwide to promote best practices and to address and minimize policy divergences to ease burdens on private firms that operate on a global basis, consistent with the needs of competition enforcers to collect sufficient information to conduct their investigations. Given international differences in laws, cultures, and priorities, complete convergence on competition policy is unlikely in the foreseeable future. Nonetheless, the agencies have found significant areas of agreement through participation in international bodies, such as the OECD and the ICN.

Pursuing Ongoing Administrative Litigation. Administrative litigation provides an opportunity for the FTC to apply its institutional expertise to the development of antitrust jurisprudence. Currently, the FTC has several competition matters in administrative litigation, and this litigation workload is expected to continue through FYs 2006 and 2007. Antitrust litigation, whether in an administrative proceeding or in federal court, requires major expenditures for travel, stenographic reporting, and expert witnesses, in addition to significant staff time.

Advocating for Competition before the Courts and Other Government Agencies. The FTC works to eliminate public impediments to a competitive marketplace by persuading other government policy-makers to apply sound competition principles as they make decisions affecting consumer welfare. Among its activities, the FTC expects to file, typically at the request of state legislators, a number of comments on proposed legislation affecting competition in the areas of limited service real estate brokerage, the direct shipment of wine to consumers, and contractual relationships between product suppliers and distributors. For example, FTC staff will continue to examine issues addressed in the joint FTC and DOJ workshop on Competition Policy and the Real Estate Industry, such as the effect on consumers of restrictions on new real estate brokerage business models. The FTC staff also will conduct a study of the efficacy of its competition advocacy program over the past five years. In addition to these activities, FTC staff will continue to provide guidance on important competition policy issues, through issuing reports and filing *amicus* briefs to help courts resolve important competition issues.

Enforcing FTC Orders. The FTC must maintain an effective compliance program so that consumers receive the benefits of competition obtained through FTC orders issued after the culmination of investigation and litigation. The FTC focuses on devising and drafting effective orders for each individual matter, a highly fact-specific process. In addition, the agency conducts general and historical analyses on the effectiveness of various kinds of merger and nonmerger remedies, such as divestiture orders. The FTC also must litigate, when necessary, to vindicate its authority to order relief to protect competition.

NEEDED RESOURCES - FY 2007

The FTC's FY 2007 budget request for $223,000,000 supports 1,074 FTE. The increase of $13,000,000 over the FTC's FY 2006 enacted level consists of -

Mandatory Salary and Contract Expenses [$6,000,000]. Mandatory salary and contract expenses include -

- The annualized three-month cost of the January 2006 pay increase, and nine-month cost of a January 2007 pay raise at an annual rate of 2.2 percent [$3,400,000].
- Upward grade classifications pursuant to 5 C.F.R. 531.401 et seq. [$1,300,000].
- Contract and other non-pay inflation [$1,300,000].

Consumer Protection Enforcement, Analysis, and Outreach and Maintaining Competition Litigation Support [$3,800,000].

- Identity Theft and Information Security [$1,100,000]. To meet the pressing demands of information security and identity theft issues, funds will be needed for experts to assist in information security investigations and to conduct further Identity Theft surveys. Also, additional funds are needed to maintain the current level of services delivered by the Consumer Response Center and the anticipated increase in demand generated by the FACT Act outreach efforts.
- FACT Act study and analysis [$1,000,000]. As mandated by Congress, the FTC will perform a major, nationwide data gathering of 1,000 consumers' credit reports to determine their accuracy with feedback from the scored consumers.
- Toll-free number for the "Bankruptcy Abuse Prevention and Consumer Protection Law of 2005 (Public Law 109-8) [$1,000,000]. This Act, enacted in April 2005, requires the FTC to establish and maintain a toll-free number that provides certain disclosures to consumers about open end credit plans via an automated system or live operator.

- Hispanic Outreach [$300,000]. The FTC will continue to increase its outreach and law enforcement efforts to protect Hispanic consumers. Efforts include travel, translation services, production of education materials and Web tools, and outreach to media and Hispanic consumer and community groups.

- Maintaining Competition Litigation Support [$200,000]. Antitrust litigation costs continue to rise given the expanding global economy issues, especially for expert witness advisory contracts and stenographic services.

- Combating Fraud [$100,000]. An important component of the FTC's fraud program is finding and prosecuting those individuals who violate FTC orders. To further these efforts, we need increased funding for travel, training, and surveys.

- International Efforts [$50,000]. Additional funds are needed for our Canadian telemarketing witness travel program and for new consumer protection issues that have international aspects.

- Do Not Call Registry [$50,000]. The 50 million telephone numbers placed on the National Do Not Call Registry between June and October 2003 will expire during the summer and early fall of 2008. Funds will be needed in FY 2007 to begin the outreach campaign for "re-registering."

Human Capital, E-gov, and Information Technology Initiatives [$1,400,000].

- Information Systems Project Managers [$500,000]. These funds are needed to increase contractor support for applications and systems development project managers. These resources will be used to manage all enhancements, modifications and new deployments of all agency systems, including, but not limited to, e-Premerger, Consumer Information System, Do Not Call, and electronic document management. The FTC also will invest in enhanced computer software and hardware that will help the agency review and manage the vast volume of electronic discovery materials received from parties and increase staff's access to investigative data.

- Reassessment/Replacement of the Personnel/Payroll System [$400,000]. In FY 2005, the FTC began efforts to define its requirements for a new, integrated financial management system. As a part of this process, the current personnel/payroll system, the Federal Personnel and Payroll System, will need to be reassessed to determine its ability to be integrated with the financial management system.

- Part 3 Adjudicative E-filing [$300,000]. Currently, the FTC contracts to use a web-based filing system for comments on rulemakings, studies, and workshops. The FTC needs additional funds to extend the web-based filing format to filings in Part 3 adjudicative matters.

- Human Capital [$200,000]. Today's rapidly growing technological and global marketplace requires hiring professional staff with the specialized skills needed to investigate complex economic issues and apply sophisticated legal precedents to antitrust and consumer protection activities. Recruiting and retaining these top candidates is a challenge and high priority at the FTC. The additional funds will be used to increase recruitment and retention incentives, relocation costs, and award amounts.

Records Management, Facility Maintenance, and Administration Needs [$1,000,000].

- Records Management [$500,000]. The continued overhaul of the FTC's records management program and the reduction of records backlog is a multi-year project, requiring contractor support. Work includes, but is not limited to, separating agency records from non-records, developing an electronic records management system, and updating agency record retention schedules.

- Facility Maintenance and Office Equipment Replacement [$500,000]. Funds are needed for the ongoing and increased maintenance needs of the FTC's buildings and replacement of outdated, worn, and broken furniture.

Physical Security Initiatives [$800,000].

- Guard Services [$500,000]. The continued terrorist threat situation and the increasing number of FTC events that are open to the public require additional guard services.

- Command Center [$300,000]. The FTC needs to relocate the control room and replace and expand much of the current equipment. A control center properly outfitted with equipment and staff will provide protection to FTC buildings and employees from intruders and others who may engage in unlawful or harmful activities.

APPROPRIATIONS LANGUAGE PROVISIONS

Federal Deposit Insurance Corporation Improvement Act. The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) amended the Federal Deposit Insurance Act. As originally enacted, the FDICIA imposed various statutory responsibilities on the FTC that the agency did not have the resources or expertise to perform effectively. Accordingly, since 1992, Congress, with Administration support, has prohibited the FTC from spending funds on some or all of the responsibilities assigned to it under section 151 of the Act.

The requested appropriations language for FY 2007 contains a revised spending restriction, reflecting significant discussion and agreement among the FTC, Government Accountability Office, relevant bank regulatory agencies, and congressional committees, that provides an appropriately narrow role for the FTC under section 151. This role enables the FTC to continue to enforce the FDICIA provisions requiring non-federally-insured depository institutions to disclose that they do not have federal insurance and the federal government does not guarantee that the depositor will get back his or her money, but reinstates the enforcement ban with respect to insurance audit and "look alike" provisions, as well as the shutdown and business plan provisions.

Other Provisions. The requested appropriations language continues in effect provisions in prior-year appropriation acts that (1) allow for the purchase of uniforms and hire of motor vehicles; (2) allow services as authorized by 5 U.S.C. 3109; (3) limit to $300,000 the amount available for contracts for collection services in accordance with 31 U.S.C. 3718; (4) allow up to $2,000 for official reception and representation expenses; (5) allow for the collection of offsetting fees; (6) allow for the gross sum appropriated to be reduced as offsetting fees are collected; and (7) allow all funding to be available until expended.

OFFSETTING FEE COLLECTIONS

This submission assumes that total offsetting collections from HSR filing fees and Do Not Call fees will provide the FTC $138,000,000 in FY 2007. The FTC assumes the $85,000,000 difference between offsetting collections and the $223,000,000 request will be funded through a direct appropriation.

HSR Premerger Filing Fees. This submission assumes offsetting HSR fee collections will provide the FTC $120,000,000 in FY 2007. These fees are authorized by section 605 of Public Law 101-162, as amended effective February 1, 2001, in the FY 2001 Commerce-Justice-State Appropriations Act (Section 630, Public Law 106-553).

Do Not Call Fees. This submission assumes offsetting collections of $18,000,000 from Do Not Call fees. These fees, first collected in FY 2003, will be used to maintain and enforce a national database of telephone numbers of consumers who choose not to receive telephone solicitations from telemarketers and to carry out other Telemarketing Sales Rule activities.

GOVERNMENT PERFORMANCE AND RESULTS ACT (GPRA)

The FY 2007 budget request is based on the FTC's GPRA Strategic Plan for FYs 2003 - 2008 and supported by the FY 2006 and FY 2007 Performance Plans included in this submission. The FTC also will continue to work closely with Congress, the Office of Management and Budget, and its stakeholders to ensure that its strategic goals, objectives, and measures continue to provide relevant information.

PRESIDENT'S MANAGEMENT AGENDA

As described in more detail in a following section also titled "President's Management Agenda," the FTC is committed to managing its resources effectively and achieving immediate, concrete, and measurable results in each of the five management initiatives: human capital; competitive sourcing; e-government; financial management; and integration of budget and performance. Over the past decade, the agency has found new ways to meet growing demands and reach out to more consumers and businesses without an appreciable addition of personnel. To address these issues, the FTC has been engaged in long-term, concerted efforts to work better and smarter. These efforts dovetail with the President's Management Agenda. To date, the agency has established an outstanding record of assessment, realignment, innovation, and improvement. Also, there are several continuing efforts underway to address, among other areas, recruitment and training, diversity and opportunity, program performance and associated costs, and financial systems and associated reporting.

Budget Request Summary

($ in thousands)

Budget by Mission:	Fiscal Year 2006 FTE	Fiscal Year 2006 Dollars	Fiscal Year 2007 FTE	Fiscal Year 2007 Dollars	Change FTE	Change Dollars
Consumer Protection	567	$117,000	567	$125,000	0	$8,000
Maintaining Competition	507	93,000	507	98,000	0	5,000
Total	1,074	$210,000	1,074	$223,000	0	$13,000

Budget by Funding Source:	Fiscal Year 2006	Fiscal Year 2007	Change
Offsetting Collections			
HSR Filing Fees	$116,000	$120,000	$4,000
Do-Not-Call Fees	23,000	18,000	-5,000
Subtotal Offsetting Collections	$139,000	$138,000	-$1,000
General Fund	71,000	85,000	14,000
Total	$210,000 *	$223,000	$13,000

*Reflects rescissions of $1 million.

Summary of Changes
($ in thousands)

	FY 2006	FY 2007	Change
Budget Authority	$210,000	$223,000	+$13,000
Full-time Equivalents	1,074	1,074	+0

Explanation of Change:	FTE	Dollars
A. Mandatory Salary and Contract Expenses:		
Annualized three-month cost of the January 2006 pay increase, and nine-month cost of the January 2007 pay increase.	---	+$3,400
Upward grade classifications pursuant to 5 C.F.R. 531.401 et seq.	---	+$1,300
Contract and other non-pay inflation.	---	+$1,300
Subtotal	---	**+$6,000**
B. Non-FTE Program Needs:		
Consumer Protection enforcement, analysis, and outreach and Maintaining Competition litigation support.	---	+$3,800
Human Capital, e-gov, and information technology initiatives.	---	+$1,400
Records management, facility maintenance, and administration needs.	---	+$1,000
Physical security initiatives.	---	+$800
Subtotal	---	**+$7,000**
Total Change	**+0**	**+$13,000**

Annual Performance Plan Objectives by Program FTE

Consumer Protection Mission

	Fiscal Year 2006				Fiscal Year 2007			
	CP Obj. 1 1.1	**CP Obj. 2 1.2**	**CP Obj. 3 1.3**	**Prgm. Total Total**	**CP Obj. 1 1.1**	**CP Obj. 2 1.2**	**CP Obj. 3 1.3**	**Prgm. Total Total**
Privacy & Identity Protection	5	27	2	34	5	27	2	34
Financial Practices	4	36	1	41	4	36	1	41
Marketing Practices	11	117	4	132	11	117	4	132
Advertising Practices	6	56	2	64	6	56	2	64
Enforcement	3	41	2	46	3	41	2	46
Planning & Information	43	3	2	48	43	3	2	48
International Consumer Protection	2	7	1	10	2	7	1	10
Consumer & Business Education	0	0	18	18	0	0	18	18
Economic & Consumer Policy Analysis	0	4	1	5	0	4	1	5
Program Management	6	17	3	26	6	17	3	26
CP Mission Support	33	95	15	143	33	95	15	143
Total Mission	**113**	**403**	**51**	**567**	**113**	**403**	**51**	**567**

Maintaining Competition Mission

	Fiscal Year 2006				Fiscal Year 2007			
	MC Obj. 1	**MC Obj. 2**	**MC Obj. 3**	**Prgm. Total**	**MC Obj. 1**	**MC Obj. 2**	**MC Obj. 3**	**Prgm. Total**
Premerger Notification	15	0	9	24	15	0	9	24
Merger & Joint Venture Enforcement	11	168	11	190	11	169	11	191
Merger & Joint Venture Compliance	1	11	1	13	1	11	1	13
Nonmerger Enforcement	8	108	7	123	8	108	7	123
Nonmerger Compliance	0	3	0	3	0	2	0	2
Antitrust Policy Analysis	2	3	2	7	2	3	2	7
Other Direct Mission Resources	3	14	3	20	3	14	3	20
MC Mission Support	14	102	11	127	14	102	11	127
Total Mission	**54**	**409**	**44**	**507**	**54**	**409**	**44**	**507**

Fiscal Years 2001- 2007
Annual Performance Measures

	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Target	FY 2007 Target
Consumer Protection Mission **Goal 1: Prevent fraud, deception, and unfair business practices in the marketplace.**							
Objective 1.1–Identify fraud, deception, and unfair practices that cause the greatest consumer injury:							
Measure 1.1.1: (FY 2001-2007) Annual number of consumer complaints and inquiries entered into database.	430,000	680,000	944,000	994,000	1,015,000	950,000	1,000,000
Measure 1.1.2: (FY 2003-2007) Annual number of consumer complaints and inquiries related to identity theft entered into database.	—	—	321,000	314,000	348,000	350,000	375,000
Objective 1.2–Stop fraud, deception and unfair practices through law enforcement:							
Measure 1.2.1: (FY 2001-2007) Dollar savings for consumers from FTC actions which stop fraud.	$487 million	$561 million	$606 million	$349 million	$366 million	$400 million	$400 million
Measure 1.2.2: (FY 2001-2002) Total expenditures of deceptive or unfair advertising campaigns stopped.	$86 million	$40 million	—	—	—	—	—
Measure 1.2.3: (FY 2003-2007) Number of data searches conducted by FTC and law enforcement personnel of the FTC's Consumer Sentinel database.	—	—	27,685	87,000	79,000	40,000	42,000
Measure 1.2.4: (FY 2003-2007) Number of data searches conducted by law enforcement personnel of the FTC's Identity Theft complaints.	—	—	2,167	2,120	1,680	2,100	2,200
Objective 1.3–Prevent consumer injury through education:							
Measure 1.3.1: (FY 2001-2007) Number of education publications distributed to or accessed electronically by consumers.	15.0 million	19.3 million	28.0 million	26.5 million	35.3 million	25.0 million	26.0 million
Measure 1.3.2: (FY 2003-2007) Number of education publications related to Identity Theft distributed to or accessed electronically by consumers.	—	—	3.0 million	3.7 million	6.0 million	3.3 million	3.5 million
Measure 1.3.3: (FY 2003-2007) Number of Spanish-language education publications distributed to or accessed electronically by consumers.	—	—	458,000	737,000	1,157,000	550,000	700,000

Fiscal Years 2001- 2007
Annual Performance Measures

	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Target	FY 2007 Target
Maintaining Competition Mission							
Goal 2: Prevent anticompetitive mergers and other anticompetitive business practices in the marketplace.							
Objective 2.1–Identify anticompetitive mergers and practices that cause the greatest consumer injury:							
Measure 2.1.1: (FY 2001-2007) Percent of HSR second requests resulting in enforcement action.	68%	68%	70%	55%	52%	60-80%	60-80%
Measure 2.1.2: (FY 2001-2003) Number of nonmerger investigations opened per year.	56	59	50	----	----	----	----
Measure 2.1.3: (FY 2004-2007) Percent of nonmerger investigations which result in enforcement action.	----	----	----	63%	50%	60-80%	60-80%
Objective 2.2–Stop anticompetitive mergers and practices through law enforcement:							
Measure 2.2.1: (FY 2001-2007) Positive outcome of cases brought by FTC due to alleged violations.	94%	100%	100%	100%	95%	80%	80%
Measure 2.2.2: (FY 2001-2003) Dollar savings for consumers resulting from FTC actions stopping anticompetitive mergers.	$2,500 million	$726 million	$292 million	----	----	----	----
Measure 2.2.3: (FY 2004-2007) Dollar volume of commerce in markets in which FTC took action to prevent anticompetitive mergers.	----	----	----	$8.5 billion	$61.8 billion	$40 billion	$40 billion
Measure 2.2.4: (FY 2001-2003) Dollar savings for consumers resulting from FTC actions stopping anticompetitive nonmerger activity.	$157 million	$86 million	$211 million	----	----	----	----
Measure 2.2.5: (FY 2004-2007) Dollar volume of commerce in markets in which FTC took action to prevent anticompetitive conduct.	----	----	----	$2.6 billion	$19.4 billion	$20 billion	$20 billion
Objective 2.3–Prevent consumer injury through education:							
Measure 2.3.1: (FY 2001-2003) Quantify number of education and outreach efforts.	141	285	306	----	----	----	----
Measure 2.3.2: (FY 2001-2003, FY 2005-2007) Quantify number of hits on antitrust information on FTC Web site.	2.6 million	4.4 million	Over 10 million	----	9.8 million	10 million	10 million
Measure 2.3.3: (FY 2004) Measure and establish appropriate targets for the number of hits on the FTC antitrust Web site relevant to business and legal communities.*	----	----	----	7.7 million	----	----	----
Measure 2.3.4: (FY 2004) Measure and establish appropriate targets for the number of hits on the FTC antitrust Web site relevant to policy makers and the general public.*	----	----	----	0.3 million	----	----	----

*For FY 2004, Objective 2.3 has two different components -- educating the legal and business communities about enforcement policies and standards to facilitate compliance with the law, and (2) educating the public in general, as well as policymakers, about the benefits of competition. For this reason, the FTC established two performance measures based on the volume of traffic on the FTC's Internet site. See Federal Trade Commission Strategic Plan, Fiscal Years 2003 - 2008 at 17. While the underlying rationale remains sound, this distinction has proved far more difficult to implement than first anticipated. Much of the antitrust-related content on the FTC's Internet site, such as press releases and speeches, is of interest to the general public as well as the business and legal communities. Some material is likely relevant primarily to the business and legal communities, very little (e.g., the FTC's "Plain English Guide to the Antitrust Laws") could be said to be of interest only to the general public. Because it is very difficult to make a meaningful distinction between the FTC's relative success in educating the business and legal communities versus the general public, the agency discontinued Measures 2.3.3 and 2.3.4 and re-established Measure 2.3.2 which is the total volume of antitrust-related Internet traffic on the FTC Web site.

Proposed Appropriations Language

SALARIES AND EXPENSES

For necessary expenses of the Federal Trade Commission, including uniforms or allowances therefor, as authorized by 5 U.S.C. 5901-5902; services as authorized by 5 U.S.C. 3109; hire of passenger motor vehicles; and not to exceed $2,000 for official reception and representation expenses, [$211,000,000] *$223,000,000* to remain available until expended: *Provided*, That not to exceed $300,000 shall be available for use to contract with a person or persons for collection services in accordance with the terms of 31 U.S.C. 3718: *Provided further*, That, notwithstanding any other provision of law, not to exceed [$116,000,000] *$120,000,000* of offsetting collections derived from fees collected for premerger notification filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (15 U.S.C. 18a), regardless of the year of collection, shall be retained and used for necessary expenses in this appropriation: *Provided further,* That, notwithstanding any other provision of law, [$23,000,000]*$18,000,000* in offsetting collections derived from fees sufficient to implement and enforce the Telemarketing Sales Rule, promulgated under the Telephone Consumer Fraud and Abuse Prevention Act (15 U.S.C. 6101 et seq.), shall be credited to this account, and be retained and used for necessary expenses in this appropriation: *Provided further,* That the sum herein appropriated from the general fund shall be reduced as such offsetting collections are received during fiscal year [2006] *2007,* so as to result in a final fiscal year [2006] *2007* appropriation from the general fund estimated at not more than [$72,000,000] *$85,000,000: Provided further,* That none of the funds made available to the Federal Trade Commission may be used to enforce [subsection (e)] *subsections (a), (e), or (f)(2)(B)* of section 43 of the Federal Deposit Insurance Act (12 U.S.C. 1831t) or section 151(b)(2) of the Federal Deposit Insurance Corporation Improvement Act of 1991 (12 U.S.C. 1831t note).

Program and Financing

($ in millions)

Identification Code: 29-0100-0-1-376	FY 2005 actual	FY 2006 est	FY 2007 est
Obligations by program activity:			
00.01 Consumer Protection	47	40	48
00.02 Maintaining Competition	35	31	37
01.92 Subtotal, Direct Program	82	71	85
09.01 Consumer Protection	67	77	77
09.02 Maintaining Competition	51	62	61
09.03 Reimbursable Program	1	1	1
09.99 Total Reimbursable Program	119	140	139
10.00 Total New Obligations[1]	201	211	224
Budgetary resources available for obligation:			
21.40 Unobligated balance carried forward, start of year	8	14	2
22.00 New budget authority (gross)	206	199	224
22.10 Resources available from recoveries of prior year obligations	1	...	...
23.90 Total budgetary resources available for obligation	215	213	226
23.95 Total new obligations[1]	-201	-211	-224
24.40 Unobligated balance carried forward, end of year	14	2	2
New budget authority (gross), detail:			
Discretionary:			
40.00 Appropriation	88	72	85
40.35 Appropriation permanently reduced	-1	-1	...
40.36 Unobligated balance permanently reduced	...	-12	...
43.00 Appropriation (total discretionary)	87	59	85
Spending authority from offsetting collections (Discretionary)			
68.00 Offsetting collections (HSR Fees)	100	116	120
68.00 Offsetting collections (Do Not Call Fees)	18	23	18
68.00 Offsetting collections (Fed. Reimb. Programs)	1	1	1
68.90 Spending authority from offsetting collections (total discretionary)	119	140	139
70.00 Total new budget authority (gross)	206	199	224
Change in obligated balances:			
72.40 Obligated balance, start of year	36	47	38
73.10 Total new obligations[1]	201	211	224
73.20 Total outlays (gross)	-189	-220	-228
73.45 Recoveries of prior year obligations	-1	...	...
74.40 Obligated balance, end of year	47	38	34
Outlays (gross), detail:			
86.90 Outlays from new discretionary authority	162	178	203
86.93 Outlays from discretionary balances	27	42	25
87.00 Total outlays (gross)	189	220	228
Offsets:			
Against gross budget authority and outlays:			
Offsetting collections (cash) from:			
88.00 Federal sources	1	1	1
88.40 Non-Federal sources - HSR Fees	100	116	120
88.40 Non-Federal sources - Do Not Call Fees	18	23	18
88.90 Total, offsetting collections (cash)	119	140	139
Net budget authority and outlays:			
89.00 Budget authority	87	59	85
90.00 Outlays	71	80	89
9502 Unpaid obligation, end of year	47		

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

Object Classification

($ in millions)

Identification Code: 29-0100-0-1-376		FY 2005 actual	FY 2006 est	FY 2007 est
Direct Obligations:				
	Personnel Compensation:			
11.1	Full-time permanent	38	34	40
11.3	Other than full-time permanent	3	3	3
11.5	Other personnel compensation	1	...	1
11.9	Total Personnel compensation	42	37	44
12.1	Civilian personnel benefits	10	9	11
21.0	Travel and transportation of persons	1	1	1
23.1	Rental payments to GSA	7	6	7
23.3	Communications, utilities, and miscellaneous charges	1	1	2
24.0	Printing and Reproduction	1	1	1
25.1	Advisory and assistance services	11	9	11
25.2	Other services	1	1	1
25.3	Other purchases of goods and services from Government accounts	2	2	2
25.4	Operation and maint. of facilities	...	1	1
31.0	Equipment	4	3	4
32.0	Land and structures	2	...	...
99.0	Subtotal, obligations, Direct obligations	82	71	85
Reimbursable Obligations:				
	Personnel Compensation:			
11.1	Full-time permanent	52	67	65
11.3	Other than full-time permanent	5	5	5
11.5	Other personnel compensation	1	2	1
11.9	Total personnel compensation	58	74	71
12.1	Civilian personnel benefits	14	18	17
21.0	Travel and transportation of persons	1	1	1
23.1	Rental payments to GSA	10	12	11
23.3	Comm., utilities and misc. charges	2	2	2
24.0	Printing and reproduction	1	1	1
25.1	Advisory and assistance services	17	17	20
25.2	Other services	2	2	2
25.3	Other purchases of goods and services from Government accounts	3	3	4
25.4	Operation and maint. of facilities	1	1	1
25.7	Operation and maint. of equipment	1	1	1
26.0	Supplies and materials	1	1	1
31.0	Equipment	6	7	7
32.0	Land and structures	2	...	...
99.0	Subtotal, Reimbursable obligations [1]	119	140	139
99.9	Total new obligations	201	211	224

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

Personnel Summary

Identification Code: 29-0100-0-1-376	FY 2005 actual	FY 2006 estimate	FY 2007 estimate
Direct			
1001 Full-time equivalent employment	417	364	409
Reimbursable			
2001 Full-time equivalent employment	602 [1]	716 [2]	671 [2]

[1]Includes 3 FTE reimbursed by other federal agencies.

[2]Includes 6 FTE reimbursed by other federal agencies.