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UNITED STATES
CONSUMER PRODUCT SAFETY COMMISSION
WASHINGTON, DC 20207

OFFICE OF THE SECRETARY

Memorandum

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Date: July 10, 2001

TO : Commissioners

THROUGH : Todd A. Stevenson, Acting Secretary *T.A. Stevenson*
 Michael S. Solendar, General Counsel *(h)*

FROM : Thomas W. Murr, Jr. *Thomas W. Murr, Jr.*
 Acting Executive Director

SUBJECT : Fiscal Year 2003 Budget Request and Performance Plan

This memorandum transmits the staff recommendation for CPSC's combined FY 2003 budget request and performance plan. We have merged the two documents at the request of the Office of Management and Budget (OMB).

The staff recommends an increase of \$10.2 million over the President's FY 2002 budget request currently pending before Congress. The FY 2003 funding level requested would allow the agency to: 1. Maintain its current program level, including restoration of FY 2002 funding shortfalls; and 2. Make critical investments in our mission to save lives and prevent injuries. CPSC, through FY 2001, has maintained its valuable, cost-effective service to the American public, preventing thousands of family tragedies, and saving society hundreds of millions of dollars. However, without adequate current service funding and additional investments in technology, research, and laboratory development, the agency faces erosion of its effectiveness in the future and loses opportunities for greater efficiencies.

Recommendation Summary

The FY 2003 request is \$64.4 million, an increase of \$10.2 million over our pending FY 2002 budget request of \$54.2 million. Staffing remains at 480 FTEs, but with an increase to restore FTE cuts in the pending FY 2002 request.

Requested Increases above Base Funding

The \$10.2 million increase in the proposed request consists of two distinct types of increases: 1. Increases that allow us to continue our current safety programs at FY 2003 prices; and 2. Critical investments that enhance and strengthen our safety programs and infrastructure.

1. Continue current safety programs - Maintenance of our current program activity (or purchasing power) requires additional funding of \$3,760,000, or over one-third of the total increase. The staff used OMB guidelines to develop the costs of maintaining current agency

NOTE: This document has not been reviewed or accepted by the Commission.

Initial mlc Date 7/10/01

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services. Statutorily mandated staff compensation increases alone will cost \$2,645,000 in FY 2003. This amount reflects Federal pay increases proposed by the President as well as increases in salary costs due to the agency's staffing and retention actions. Also related to staff salary costs is a \$750,000 request to restore funding for 9 FTEs to be cut in the FY 2002 budget, if alternative savings are not found. The request, however, does not cover the recent congressional proposal to increase the President's FY 2002 Federal pay raise (thus, increasing FY 2003 costs).

In addition, the staff estimates that \$200,000 will be necessary to meet increased costs (due to annual inflation) of non-compensation items such as service contracts and staff travel. There are also staff estimated space rent increases of \$165,000, pending General Services Administration (GSA) confirmation.

2. Critical investments in infrastructure and programs – Investments of \$6.4 million are proposed in several areas. These enhancements are necessary if the agency is to keep its business processes current, keep abreast of consumer product market changes, and maintain its product safety leadership.

A. Reducing Product Hazards to Children and Families – An increase of \$1,795,000 is proposed to improve the delivery of service in the program that directly addresses product hazards. These proposed increases seek to:

- **Modernize testing laboratory** - \$1 million. The FY 2003 request includes funding to begin implementing a redevelopment plan for our laboratory. CPSC's laboratory provides critical support to our compliance investigations and safety standards activities. Although the Commission and GSA have made modest investments in the physical facilities and equipment at the laboratory over the past 25 years, these investments have made only slight modifications to the existing structures, which were originally designed for military use.

We believe, and GSA agrees, that we can make significant productivity and efficiency gains by redeveloping the site. For example, we can make much better use of the limited available space by relocating and consolidating specialized laboratory and office sites. In FY 1999, we took the first step by funding the development of a long-range laboratory site plan. GSA is now developing this plan. We expect the final plan to require a multi-year investment of at least several million dollars. The proposed funding for 2003 would pay for the first increment of the plan. Final costs are dependent on completion of the GSA study expected by this Fall and the subsequent pricing of the project by GSA.

- **Update cigarette ignition test method** - \$250,000. We use a standard cigarette for testing for our various Flammable Fabrics Act standards. Changes and variations in cigarette products traditionally used for flammability tests are anticipated in response to market changes and legislative activities. For example, New York State passed legislation that will require all cigarettes sold in the state to be "safe burning" (cigarettes having a reduced ignition propensity) by the year 2003. The requested funds would permit the development of a surrogate test method that does not rely on the use of actual cigarettes.
- **Strengthen compliance investigation support** - \$345,000. Staff requests \$200,000 to restore funds cut in the pending FY 2002 budget. Contract support funds used to secure necessary outside testing, analysis, and expertise in pursuit of complex product hazard investigations

were temporarily reduced in the FY 2002 budget request to Congress to meet the total request limit approved by OMB. Funding of this requirement gives us the capability to undertake major investigations of hazardous products without dropping other vital on-going work, such as our Safe Online Shopping Internet monitoring or other on-going investigation activities. Also included is \$145,000 to fund the current demands for field support of compliance investigations. This includes about \$112,000 to meet increased travel requirements to conduct investigations and to collect product samples. An additional \$33,000 is requested to fund an increased number of product samples needed for compliance investigations to match current product sample collection rates. The field is currently meeting support demands with funding diverted from other agency operations.

- ***Enhance consumer hotline operation*** - \$200,000. This funding would improve the Hotline in two ways. First, it would allow consumers to order safety publications through the Hotline staff instead of forwarding the requests to our consumer information staff. This would free up time on the part of our limited consumer information staff and speed up the delivery of publications to the consumer. Second, the funds would allow the Hotline to operate up to 2 hours longer so we could provide a full 8 hours of national operator coverage.

B. Identifying and Researching Product Hazards - An increase of \$2.6 million is proposed to improve our ability to identify, analyze, and research product hazards. These proposed increases seek to:

- ***Fully fund hospital injury reporting*** - \$400,000. With the expansion of the National Electronic Injury Surveillance System (NEISS) to include all-trauma injuries, we have seen an unanticipated increase in the number of consumer product cases reported. Our costs have increased because we pay hospitals by the number of cases reported. The funding requested would cover the costs of this increased reporting, as well as cover a general increase in the cost of our reporting hospital contracts.
- ***Implement new fire data system*** - \$200,000. We are now conducting a pilot test of a data system that we believe will improve our ability to estimate the number of deaths and injuries from fires involving consumer products. The new system would provide an improved statistical sample by collecting fire data through our NEISS system. We anticipate that the pilot will be successful, and the funds requested would pay for establishing the new system.
- ***Conduct consumer use studies*** - \$500,000. These funds would establish the capability to conduct product exposure and consumer use studies to help us more precisely assess the potential risk from hazardous products. Initially, staff would seek information about the use of various children's products to assist staff in estimating risk, developing new projects, and evaluating the effectiveness of past Commission work.
- ***Reestablish research program*** - \$1.5 million. As an agency that depends on science and engineering to evaluate and solve product hazards, CPSC needs a strong applied research program. In the early years, our budget included funding for "hazards contracts." We used these contracts to conduct applied research that, for example, helped the agency address the problems of carbon monoxide (CO) poisoning from gas space heaters and toxic formaldehyde emissions in consumer homes. However, past budget reductions eliminated this research capability. And while one of our early candidates, smoke alarms, is now being funded on a partnership basis, it is several years later than desired.

We requested the reestablishment of our research capability in our last few budget requests, but deferred the program because of funding limitations. Both OMB and the Congress praised the concept. Thus, for FY 2003, we are again proposing funding that would permit work on one to two research projects. The total amount of the proposed research budget (\$1.5 million) is modest in comparison to other Federal agencies with similar health and safety responsibilities. The staff is continuing to develop research topics from a group of candidates that support our Results Act goals. The Commission will choose the actual research projects at the start of the FY 2003 operating plan to reflect the most current information and priorities.

C. Information Technology - As a data-driven agency, we must continually invest in the tools we use to identify and analyze hazards. The FY 2003 budget proposal requests information technology funds of \$1,850,000 to:

- **Maintain information technology capability** - \$350,000. These funds would permit the establishment of a three to four year modernization cycle of agency computers and software.
- **Integrate databases** - \$650,000. Funding would integrate our hazard databases, a step that will improve our ability to quickly identify and address product hazards. The effort would involve integrating our electronic databases and integrating those databases with paper-based data to create a one-stop knowledge management system.
- **Expand telecommuting** - \$200,000. New funding is required to expand our telecommuting capability to our headquarters staff to meet the requirements of P.L. 106-346. Funding of \$150,000 is needed to provide greater remote access by staff to agency databases and networks to allow greater telecommuting participation by our headquarters staff. Also included is \$50,000 to permit faster access by our existing telecommuting staff in the field.
- **Implement information technology reforms** - \$350,000. We must respond to new government-wide information technology initiatives such as electronic commerce, enhanced security, and full access by the disabled (Section 508). These initiatives will require enhancements of present agency systems to develop a more secure electronic government infrastructure that includes standards for privacy, security, and data integrity.
- **Replace Human Resource system** - \$300,000. The agency's current Human Resources system used to help the agency manage its personnel actions and payroll is 30 years old. The system has become inefficient and costly to maintain. This request would provide an up-to-date system that would eliminate, for example, manual conversions of personnel actions into payroll actions.

D. Other Increases –

- **Inspector General (IG) support** - \$65,000. The Office of the Inspector General, under P.L. 106-398, has a new requirement to conduct annual audits of the agency's information security. The estimated annual cost of conducting an audit by contract is estimated at \$60,000. Additionally, staff is requesting \$5,000 in operating costs to provide for increased travel to conduct field audits and to operate the newly established IG Hotline.

- *Implement security recommendations* – \$130,000. Staff estimates that forthcoming physical security recommendations from GSA will cost \$130,000 to implement. These include possible guard service, alarms, and other measures for our headquarters location.

Activity Changes Within the Base

In addition to increases above our base level of \$54.2 million, there are changes in activities between planned FY 2002 work and proposed FY 2003 work. These changes occur in the Hazard Assessment and Reduction area. New activities include:

Reducing Fire and Electrical Hazards -

Fire:

- Sensor Technologies – evaluate sensor technologies to determine their applicability to address consumer product hazards
- Smoke Alarms, Sound Effectiveness – evaluate sound effectiveness of smoke alarms especially for older adults
- Fire Safety Devices – evaluate emergency escape masks.

Electrocution:

- Small Home Tools – conduct hazard assessment to determine need for further work
- Lighting Products – conduct hazard assessment to determine need for further work
- Swimming Pools – develop materials to alert pool owners about electrocution hazards with older pools

Reducing Hazards to Children and Families:

- Playground Equipment – assess need to revise/update safety recommendations with particular emphasis on protective surfacing and climbing equipment
- Baby Bath Seats – work on standards development activities, as appropriate
- Toy Test Fixtures – evaluate potential for simplifying or reducing the number of test fixtures that address choking; review data to see if there are additional hazardous shapes not covered by current fixtures
- Swimming Pools – assess two pool safety devices not previously evaluated - perimeter alarms and flotation devices

Reducing Household and Recreation Hazards:

- Power Scooters – evaluate the hazard patterns to determine need for voluntary standard

Reducing Child Poisonings and Other Chemical Hazards:

- Arsenic in Treated Wood – assess potential exposure and risk and pursue standards development, as appropriate
- Arts and Craft Materials – evaluate common school arts and crafts materials and provide guidance regarding their safe use

Our base program activities for the Hazard Identification and Analysis, Compliance, Consumer Information and Agency Management functions do not change.

Results Act and the Budget Request

The long-range goals contained in the agency's current Results Act strategic plan guided the development of our combined budget request and performance plan. These strategic goals include reductions in the rate of death from children's poisonings, fire, carbon monoxide poisonings, and electrocutions. We also have a goal to reduce the rate of children's head injuries. In addition, the strategic plan includes industry and customer service satisfaction goals, as well as goals for human resources. The performance plan addresses all the strategic plan long-range goals, as well as establishing annual performance goals for all agency program work in response to OMB guidance. For FY 2003, we have merged the budget request and performance plan documents at the request of OMB.

Next Steps

The staff is available to answer any questions you may have before the briefing on July 19. If needed, a decision meeting is scheduled on July 26.

After the Commission decision, the staff will prepare a revised budget and performance plan to reflect Commission budget decisions and additional information required by the Office of Management and Budget. We will provide this revised document to the Commission before submission of the FY 2003 request to OMB on September 10.

Please contact Ed Quist, NJ Scheers, or me if you have any questions about this budget and performance plan submission. Thank you.

Attachment