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Consumer Federation of America  
Consumer Federation of America Foundation

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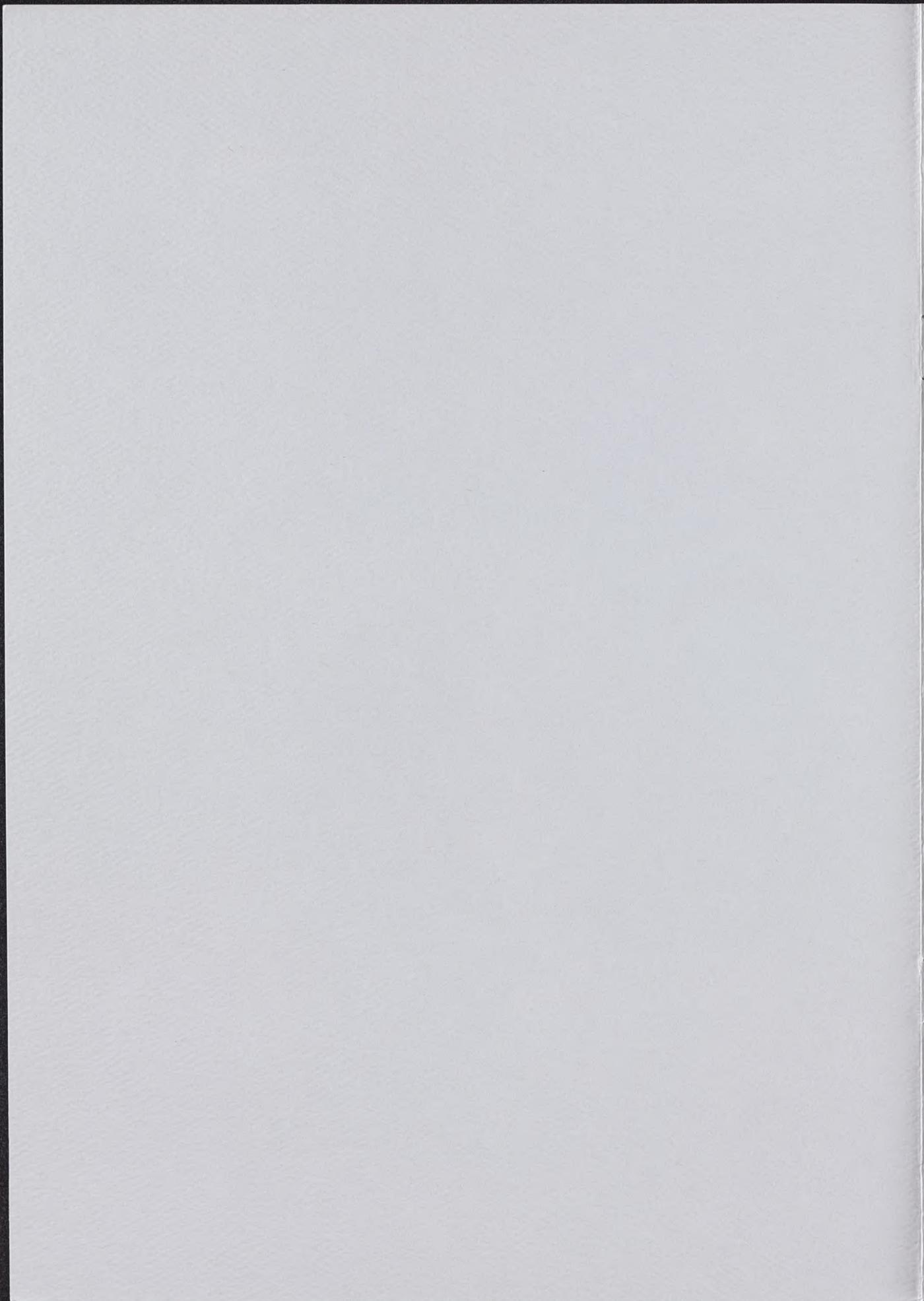
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**2000**

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ANNUAL REPORT

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Dear CFA Member,

This past year, CFA and the CFA Foundation took the lead on numerous policy issues and consumer programs. This advocacy and education was made possible, in part, through a significant expansion of CFA and CFAF income.

The congressional stalemate affected many of our issues. Legislation advancing new product safety and consumer banking protections did not advance. On the other hand, anti-consumer bills restructuring electricity regulation, extending drug patents, capping insurer losses resulting from natural disasters, and restricting consumer access to bankruptcy did not become law.

Before federal regulatory agencies, CFA made progress. Our advocacy before the Department of Agriculture on meat and poultry inspection, the Federal Trade Commission on e-commerce, the Securities and Exchange Commission on selective disclosure, the Justice Department and Federal Trade Commission on the AOL-Time Warner merger, and the White House on release of SPR oil appeared to have made a difference.

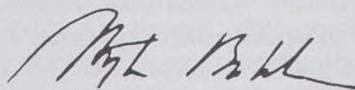
CFA advocates also advanced the consumer interest outside Washington. On issues ranging from state insurance department consumer services to regulation of payday lending to defense of local telecommunications open access to electricity restructuring, CFA's consumer voice was listened to in many states.

Rising foundation grant income allowed the Foundation to significantly increase its education and outreach, particularly in the product safety area. That expansion included developing a child safety website, creating a secondary tobacco smoke PSA, and preparing a major report on the regulation of genetically modified foods.

With continuing support from Consumers Union, we provided much assistance to state and local groups. That assistance included making more than \$100,000 in organizational capacity-building grants and providing an additional nearly \$130,000 in issue-related grants.

Your support and encouragement made possible 2000 accomplishments. Our Chairman, Senator Howard Metzenbaum, CFA staffers, and I thank you for this backing and look forward to working with you in the coming year.

Sincerely,



Stephen Brobeck  
Executive Director  
March 10, 2001

# Advocacy

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## Major Accomplishments

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**Antitrust Enforcement:** With the American Antitrust Institute, CFA continued as the principle consumer voice for adequate enforcement of federal antitrust laws. To antitrust regulators, we objected to the proposed AOL-Time Warner and IBP-related mergers. In the former case, the Federal Trade Commission and the Federal Communications Commission imposed pro-consumer conditions. In the latter, the DOJ had not yet ruled by year's end. In Congress, we testified in opposition to the proposed United-U.S. Air merger, advocated stronger antitrust protections and better funding for enforcement, and successfully opposed legislation providing physicians with an antitrust exemption.

**Banking Protections for the Less Affluent:** CFA continued to be the consumer leader of opposition to bankruptcy legislation written by creditors. Our lobbying, research, press outreach, and coalition coordination could not prevent the House and Senate from reaching agreement on legislation but contributed to the President's decision to veto the bill. Our continuing leadership on the issue of payday loans — which included congressional lobbying, advocacy before federal regulatory agencies, research, press outreach, and support for grassroots advocacy in dozens of states — was instrumental in giving the issue prominence and persuading several states not to legalize anti-consumer practices. We also advised regulators in Canada and Australia on the issue.

**Drinking Water Safety:** With environmental groups, CFA continued to monitor compliance with the 1996 amendments to the Safe Drinking Water Act. We worked with state and local groups to analyze local water quality reports, released a national summary of this research, and served on a related Environmental Protection Agency Advisory Committee. We also coordinated consumer support for stronger drinking water safety regulations, including for bottled water.

**E-Commerce Protections:** CFA continued to advocate consumer e-commerce protections before Congress, federal agencies, and Transatlantic governmental bodies. With other consumer groups, we lobbied Congress on digital signatures legislation, which was approved with some consumer protections. We also advised and lobbied the Federal Trade Commission on on-line privacy for adults and children. We provided U.S. consumer representation in Transatlantic government discussions of jurisdiction and on-line dispute resolution, including the use of credit card charge-backs. With VCCC, CFA worked for pro-consumer changes to the NCCUSL model Uniform Computer Information Transaction Act.

**Electricity Consumer Protections:** We worked closely with CFA member groups to oppose anti-consumer federal legislation that would allow more big utility mergers and restructure utility regulation in ways that would jeopardize consumer welfare. That effort included lobbying the Federal Energy Regulatory Commission and Congress, preparing two major critiques of restructuring, developing principles for pro-consumer restructuring, and negotiating with utilities and other important stakeholders to get them to support pro-consumer principles. Neither the Senate

nor House passed this legislation. In addition, we used the critiques as the basis for arguing the consumer point-of-view in several state debates on restructuring.

**Energy Prices:** In response to rising gasoline prices in 1999 and early 2000, we took the lead among consumer groups in advocating use of the Strategic Petroleum Reserve, which the administration agreed to do. That advocacy included press initiatives, congressional testimony, and communications with the White House. Later in the year, as natural gas prices soared, we organized the release with low-income energy advocates of an analysis of the cost impacts on lower-income households, which generated much press coverage and a positive response from President-elect Bush.

**Food Affordability:** CFA continued to be the principle consumer opponent of federal price supports for sugar, peanuts, and milk. Working with a broad coalition, we advocated legislation to lower prices of these commodities, and we supported this advocacy with research and press outreach. At the same time, we complained about the rising gap between producer and retail prices for sugar and dairy products and also supported legislation that would reduce discrimination against family farmers.

**Food Safety:** With the Center for Science in the Public Interest, CFA took the consumer lead on an array of food safety issues. These included: opposing industry efforts to stop enforcement of the salmonella performance standard for ground beef, a vital element of the effort to reduce food-borne illness; persuading the Clinton Administration to drop efforts to reduce the number of meat and poultry inspectors; and opposing industry efforts to remove effective labeling of irradiated food. CFA also worked with CSPI to advance the proposal to create a single food safety agency. During the year, CFA emerged as a key consumer leader on the issue of genetically engineered foods. While advising and lobbying USDA and the Food and Drug Administration, we oversaw preparation of a major study comparing regulation of GE foods in the U.S. and the European Union. We also provided U.S. consumer representation to the E.U.-U.S. Consultative Forum on Biotechnology, whose final report was lauded by consumer groups in Europe and the U.S.

**Health Care:** CFA took the lead in successful efforts to stop a high-profile campaign in Congress by prescription drug manufacturers to get costly and unwarranted patent extensions. CFA also worked closely with a bipartisan group of senators to draft and build support for legislation to prevent brand name prescription drug manufacturers from using frivolous legal maneuvers to prevent the introduction of cheaper, generic alternatives. Although the legislation was not acted on in 2000, it was well positioned for passage in the new Congress.

**Insurance Protections:** Throughout the year, CFA continued evaluating the performance of state insurance departments, particularly the quality of their websites and the adequacy of their resources. These assessments were taken seriously by insurance commissioners, many of whom called CFA for advice about improving their services. As the year progressed, we began mobilizing opposition to industry proposals for restructuring (and weakening) insurance regulation. We organized a consumer coalition, groups, prepared a major analysis of restructuring proposals, communicated this analysis to regulators at their national meetings, and spoke with congressional leaders. By year's end, we had received some assurance from the National Association of Insurance Commissioners that our views would be taken seriously in their deliberations. CFA also worked with a coalition of consumer and

industry groups in a successful effort to stop passage of disaster insurance legislation that would have benefited large insurance companies at the expense of consumers and smaller insurers.

**Investor Protections:** CFA continued to provide the leading consumer voice on a number of investor protection issues before Securities and Exchange Commission and in Congress. Through coordinating consumer group support, lobbying individual commissioners, and generating press coverage, we played a key role in winning passage of an SEC rule on selective disclosure. We also supported strengthening auditor independence rules, by testifying at a public hearing and helping to fend off a congressional effort to stop or delay the rule. Unfortunately, the rule was significantly watered down before it was adopted. In addition, CFA lobbied and organized consumer group opposition against a proposed rule expanding brokers' exemption from investment advisor regulation. Our efforts were instrumental in slowing the rule, which had not been adopted at year's end, and winning assurances of modest improvements.

**Product Safety:** CFA continued as the lead consumer advocate on several product safety issues before Congress and the Consumer Product Safety Commission. That leadership included mobilizing support for legislation establishing new crib and amusement park safety protections. It also included leading a coalition of organizations in petitioning CPSC to ban baby bath seats and advocating new CPSC regulations on children's bed rails. On firearm safety, we worked closely with the Violence Policy Center to support federal proposals to require safety devices on all new handguns and to give the Treasury Department authority to regulate guns as consumer products. That advocacy included lobbying, coalition-building, grassroots networking, consumer education, and press outreach. At year's end, none of these product safety bills had been adopted.

**Telecommunications Protections:** CFA continued to address key consumer issues resulting from approval of the Telecommunications Act of 1996 and the growth of broadband Internet services. That included opposition to anti-competitive mergers (see "antitrust enforcement"). It also involved lobbying and negotiation of access charges with the Federal Communications Commission. And, it included intervention — through lobbying legislatures and city councils, press outreach, and grassroots networking — in some dozen states and cities to ensure "open access" to telecommunications pipelines into the home. In several jurisdictions, we prevailed.

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## Strategies

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CFA pursued several strategies in advocating more than 50 issues considered by Congress, federal regulatory agencies, federal courts, state and local legislative bodies, and state regulatory agencies. These strategies included legislative and regulatory lobbying, coalition building and grassroots networking, advocacy-related research, and press outreach.

### 1. Legislative and Regulatory Advocacy

CFA's principal lobbying strategy was communicating information and viewpoints to members of Congress and other legislative bodies, their staffers, and regu-

lators. Most of these communications took place in letters, individual conversations, and meetings. Their extent is suggested by the number of testimonies, comments, and petitions submitted to legislative committees or regulatory agencies, and court-related actions.

Month	Committee/Agency	CFA Rep	Issue
January	Federal Reserve	Fox, USPIRG	Payday loans
	EPA SEC	Neidle Roper	Drinking water Broker-dealer exclusion
	USDA	Jaeger	Meat deboning
February	Senate Agriculture	Jaeger	Dairy program
	AK Supreme Court	Fox, NCLC	Payday loans
March	Commerce Dept.	Fox, NCLC	E-commerce
	SEC	Roper	Bond fund ratings
	FCC	Cooper, Plunkett	Broadcast obligations
	FTC TX Finance Comm.	Fox Fox, CU	ADR Payday loans
April	Commerce Dept.	Fox, others	E-commerce
	FCC	Cooper, Plunkett	Broadcast obligations
	Senate Commerce House Government Reform Senate Agriculture	Hunter Plunkett Tucker Foreman	Disaster insurance Financial privacy Meat/poultry inspection
	FDA	Neidle	Bottled water
May	USDA	Tucker Foreman	Food Stamps
	SEC	Roper	Exchange-traded funds
	SEC	Roper, others	Broker-dealer exclusion
June	Senate Judiciary	Cooper	UA-US Air merger
	NAIC	Hunter	Insurance regulation
	TX Finance Comm.	Fox, CU	Payday loans
	SEC	Roper	ADV Form Rêwrite
	SEC	Roper	Market fragmentation
July	Senate Agriculture	Jaeger	Sugar program
	CPSC	Fise	Baby bath seats
	SEC	Roper	After-tax perfor- mance disclosure

Month	Committee/Agency	CFA Rep	Issue
August	EPA SEC	Neidle Roper, others	Drinking water Mutual fund portfolio disclosure
September	House Judiciary	Metzenbaum	Antitrust enforcement
	House Commerce	Plunkett	Physician disclosures
	SEC	Metzenbaum	Auditor independence
	SEC	Roper	SuperMontage
October	FTC	Fox, others	Children's privacy
	AL Banking Dept	Fox	Payday loans
November	EPA	Tucker Foreman	Biotech corn
December	CPSC	Fise	Bed rails
	SEC	Roper	SuperMontage

## 2. Coalition Building

CFA's unique character as a federation of national, state, and local organizations provided opportunities to build and maintain national coalitions on federal and state policy issues. We played a key role in maintaining coalitions on payday loans, drinking water safety, insurance regulation, firearm safety, playground safety, electricity restructuring, telecommunications open access, drug safety and access, and network TV broadcast obligations. Each coalition involved a number of state and local consumer organizations.

## 3. Public Education: The Press

In addition to reacting to hundreds of stories, CFA frequently made news. In 2000, we generated a record-number 48 stories that were reported on by the national press. Also, we worked with other groups in organizing press conferences that led to additional stories. And, we placed a number of op-ed essays and letters to the editor.

Publication	Author	Issue
Cleveland Plain Dealer	Metzenbaum	Gasoline prices
Wisconsin Counties	Jaeger	Dairy program
San Francisco Chronicle	Metzenbaum, Cooper	Microsoft
Lexington Herald Leader	Fox	Payday loans
Washington Post	Hunter	Texas tort reform
Washington Post	Metzenbaum, Cooper	Microsoft
Los Angeles Times	McEldowney, Cooper	Open access
Seattle Post-Intelligencer	Cooper	Microsoft

#### 4. Public Education: Research

CFA staff prepared many studies demonstrating the need for the adoption of new consumer protections or the preservation of existing protections. Most of the following publications were reported on by the news media.

<b>General</b>	<i>CFA's Congressional Voting Record</i> (Gordon) <i>Annual NACAA/CFA Consumer Complaint Survey</i> (Fox, NACAA)
<b>Antitrust</b>	<i>Facts, Law, and Antitrust Remedies: Time for Microsoft to be Held Accountable for its Monopoly Abuses</i> (Cooper)
<b>Banking</b>	<i>Show Me the Money! A Survey of Payday Lenders and Review of Payday Lender Lobbying in State Legislatures</i> (Fox, USPIRG) <i>Retirement Savings of American Households: Asset Levels and Adequacy</i> (Montalto) <i>CARAVAN Survey: Retirement Income and Savings</i> (Brobeck) <i>CARAVAN Survey: Consumer Attitudes about Proposed Bankruptcy Restrictions</i> (Brobeck)
<b>Communications</b>	<i>Disconnected, Disadvantaged, and Disenfranchised: Explorations in the Digital Divide</i> (Cooper) <i>The Digital Society Project: Reader and Advocacy Handbook</i> (Cooper) <i>Maryland Consumers Losing Out Over Failure of Local Competition</i> (Cooper)

<b>Electricity</b>	<i>Mergers and Open Access to Transmission in the Restructuring Electric Industry</i> (Cooper) <i>Structural Flaws in Electricity Markets are Creating Price Volatility and Reliability Problems</i> (Cooper) <i>Reconsidering Electricity Restructuring: Do Market Problems Indicate a Short Circuit or a Total Blackout?</i> (Cooper, CU)
<b>Government</b>	<i>CARAVAN Survey: The Postal Service</i> (Brobeck)
<b>Health/Safety</b>	<i>Measuring Up: Grading the First Round of Drinking Water Right to Know Reports</i> (Neidle, others) <i>Playing It Safe: 5th Nationwide Safety Survey of Public Playgrounds</i> (Fise, USPIRG)
<b>Housing</b>	<i>Trends in Homeownership and Home Equity</i> (Brobeck, Freddie Mac)
<b>Insurance</b>	<i>1988, 1993, and 1998 Changes in State Insurance Department Resources</i> (Hunter) <i>Reinventing State Insurance Regulation for Consumers — A time for Change</i> (Hunter) <i>Study of State Insurance Departments: Internet Web Page Grades</i> (Hunter)

## Member Services

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### CONFERENCES

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The most important CFA meetings were built around Consumer Assembly 2000, the nation's largest annual consumer conference. More than 300 persons in attendance heard speakers including Vice President Al Gore, FTC Chairman Robert Pitofsky, Representatives Edward Markey, Joe Barton, and Stephanie Tubbs Jones, and Common Cause President Scott Harshbarger address issues related to the theme of public policy challenges in the 21st century.

During this week, representatives from CFA member groups conducted the business of the federation. Members of 14 policy subcommittees met to review past policies and recommend new ones. These recommendations were submitted to and voted on at the Annual Meeting, where Board members were also elected.

To address specific issues more thoroughly, CFA organized three issue conferences. In April, more than 200 persons heard Agriculture Secretary Daniel Glickman, Rockefeller Foundation President Gordon Conway, and others discuss food safety and nutrition issues. In October, 130 persons heard Energy Secretary Bill Richardson and others address consumer telecommunications, electricity, and natural gas issues. In December, 200 persons heard Rep. John LaFalce, Federal Reserve Governor Edward Gramlich, and others discuss banking, insurance, and investment issues at CFA's 16th annual financial services conference.

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## PUBLICATIONS

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CFA member organizations received the following publications.

- Eight issues of CFA's newsletter, CFAnews, which reports consumer news and advocacy.
- The 2000 policy resolutions adopted at CFA's Annual Meeting.
- The 1999 Congressional Voting Record, CFA's rating of congressional performance on consumer issues during the previous year.

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## STATE AND LOCAL RESOURCE CENTER

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The CFA Foundation's State and Local Resource Center exists to strengthen state and local member groups by supplying them with information, technical assistance, and resources. With significant funding from Consumers Union's Colston Warne Fund, we provided state and local organizations with the following services.

- More than \$110,000 in organizational or equipment grants to eight organizations.
- Thirty-nine foundation or government funded project grants, totaling more than \$127,000.
- Nearly \$5,000 in small, emergency grants to five organizations.
- Mailed and e-mailed information to state and local groups on a regular basis.
- A state and local web-site that included profiles of issues addressed by many groups.
- One-on-one technical assistance to nine state and local groups plus responses to calls and e-mails from dozens of other groups.

## *CFA Foundation*

The CFA Foundation undertook many consumer research and education projects with assistance from foundation and government grants.

**Energy Efficiency:** CFAF completed the third year of a cooperative agreement with the U.S. Environmental Protection Agency to inform consumers of the economic, environmental, and health benefits of energy efficient products. The Foundation produced and distributed a community leader kit and a fact sheet for younger purchasers of appliance and electronic equipment. It also coordinated the work of 12 state and local groups that promoted energy efficiency in their communities. CFAF continued to maintain an energy efficiency website and distribute a home energy efficiency brochure.

**Regulating Guns as Consumer Products:** In January, CFAF began work on a three-year grant from The Joyce Foundation to initiate a national campaign aimed at regulating guns as consumer products. Working closely with allies in the gun control movement, the Foundation researched and tested consumer messages; developed consumer information for print and electronic distribution, including a

new consumer brochure; and trained six state and local consumer groups to conduct local outreach activities.

**Child Safety Website:** CFAF is developing a comprehensive child safety website with information on child safety and health issues. With a focus on children newborn through age 12, the website will address three audiences: parents, professionals who interact with children, and advocates for child safety. Categories covered by the site include: products for children, recalls, safety at home, safety outside the home, health, child care/education, traveling with children, advocacy tools, and resources. The website will include 226 topics and hundreds of subtopics. It will be available for consumer use in the Spring of 2001.

**Environmental Tobacco Smoke Public Service Announcement:** In cooperation with the U.S. Environmental Protection Agency and the American Medical Association, CFAF produced the second wave of a national, multi-year public service advertising campaign aimed at reducing children's exposure to secondhand smoke in their homes. This television and print advertising targets smoking parents of young children, urging them to smoke outdoors away from their children. It is scheduled for release in Spring 2001.

**Radon and Indoor Air Quality:** In a cooperative agreement with the U.S. Environmental Protection Agency, the Foundation continued its work on a multi-faceted project that began in 1993. It operated the Radon Fix-It Program, a toll-free information service for consumers faced with mitigating high levels of radon in their homes. Since this service began in 1994, more than 35,000 consumers have contacted CFAF for information on how to protect their families against the second leading cause of lung cancer. The project also awarded mini-grants to nine state and local consumer groups who sought to increase public awareness of air quality issues. This outreach focused on secondhand smoke and children in community hospitals, health clinics, doctors' offices, and home day care centers.

**Radon Public Service Announcement:** To increase public awareness of radon and encourage more homeowners to test their homes for radon, CFAF and the U.S. Environmental Protection Agency released a national public service advertising campaign featuring television and radio ads. Both ads were also translated into Spanish and were distributed to Hispanic media markets. The PSAs generated \$8.4 million in donated media time from September to December 2000.

**Food Safety:** CFAF's Food Policy Institute worked on genetically modified food and domestic food safety issues. Under a Rockefeller Foundation grant, the Foundation commissioned and published a 250-page legal analysis comparing the regulation of genetically engineered foods in the U.S. and the European Union. The report, written primarily by University of Texas law professor Thomas McGarity, recommended mandatory pre-market approval and labeling of new genetically engineered food. The Rockefeller grant also provided funds to Consumers International to recruit and train consumer representatives from developing countries to participate in international GM food safety meetings, including those of the Codex Alimentarius Commission.

**Digital Divide:** CFAF received a two-year grant from The Ford Foundation to work with Consumers Union to research and educate on "digital divide" issues. The research identified new sources of information about the ways low-income households are affected by the growth of digital communications. It, and the Digital Society Project: Reader and Advocacy Handbook, were disseminated through eight public forums across the U.S. involving hundreds of state and local

community leaders. CFAF also received a grant from the Open Society Institute to work with other public interest groups on the issue of public interest obligations of TV broadcasters.

**Wealth-Building Among Lower-Income Households:** With grants from The Ford Foundation, the National Endowment for Financial Education, The Cleveland Foundation, and The Gund Foundation, CFAF worked with 100 organizations in Cleveland to plan a local social marketing campaign to encourage lower-income households to save and build wealth. The campaign has set as its first-year goal the enrollment of 2,500 Cleveland Savers and the influencing of another 25,000 area residents through: radio ads, billboards, posters, and other public education; work with hundreds of employers, unions, religious groups, social agencies, and community organizations; and the provision of savings services including a hotline, motivational workshops, one-on-one planning consultations, financial services seminars, wealth-building clubs, and no-fee savings accounts. With a grant from the Bank of America Foundation, CFAF helped Kansas City organizations develop their own savings campaign and undertook research to better understand what types of savings programs, messages, and sponsors are most attractive to lower-income households.

**Consumer Literacy Consortium:** CFA continued managing this group of 25 leading consumer educators whose principal goal is the dissemination of 66 money-saving tips. During the year, an additional 200,000 pamphlets were distributed, bringing the five-year total to 1.3 million. The Consortium began researching government websites that would be useful places to refer consumers for more information about the 28 types of products covered.

# *CFA and CFA Foundation Finances*

Largely because of increased foundation funding, the CFA Foundation budget grew substantially, boosting total CFA and CFAF revenues to more than \$3.7 million. Net assets of the two organizations grew to about \$1.3 million.

	CFA	CFAF
Income	\$848,536	\$2,915,010
Expenses	831,761	2,609,766
Net Assets*	\$638,614	\$664,403

*\*Excludes deferred revenue committed to year 2001 expenses.*



