



**Federal
Communications
Commission**

Fiscal Year 2005 Budget Estimates

Submitted to Congress

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INTRODUCTION

Most people know that if you watch television, talk on the phone, or listen to the radio, the Federal Communications Commission (FCC) is part of your life due to its role in regulating interstate and international communications by radio, television, wire, satellite, and cable. What people may not recognize is the extent to which every area of their life is intertwined with the communications technologies that the FCC has responsibility to regulate under the Communications Act of 1934, as amended. For example, because almost all electrical and electronic equipment emits radio frequencies, FCC equipment authorization rules protect you:

- When you heat your breakfast waffle in the microwave,
- When your child plays with their radio-controlled airplane,
- When you push the button on your garage door opener,
- When your toll fee is automatically deducted from the little plastic box attached to your windshield without having to stop at the booth,
- When the cashier at the coffee shop rings up your favorite morning drink using an electronic cash register and inventory control system,
- When you turn on your computer,
- When you go to the medical center for a CAT scan,
- When you upgrade to a digital hearing aide,
- When your child's class uses the Internet to visit with other school children in another country,
- When the local video store contacts its remote, central computer network to find out if you have enough bonus points to qualify for a free rental,
- When you swipe your credit card at the gasoline pump,
- When you lock your car with your remote entry system,
- When your teenager upstairs sends their homework assignment to the printer downstairs via your new wireless home network, or
- When you activate your home alarm system before going to bed.

And, these are just a few of the thousands of ways in which the vital work of the FCC contributes to the economy and helps facilitate both personal freedoms and public goods. Perhaps no one example better illustrates the breadth and importance of the FCC's role in modern America than September 11, 2001, when all Americans were reminded of the importance of reliable, easily available, and interoperable communications systems – both for emergency personnel responding to a tragedy and individuals checking on family and friends.



So, while the formal charge of Congress to the FCC can be summed up in less than 30 words – ensure that the American people have available, at reasonable costs and without discrimination, rapid, efficient, Nation-and world-wide communication services whether by radio, television, wire, satellite, or cable¹ – the day-to-day reality may be that there is no more ubiquitous presence in the lives of most Americans than the FCC-regulated communications industries.²

To successfully carry out the responsibilities inherent to this daily reality, the FCC is requesting from Congress a Fiscal Year 2005 budget of \$292,958,000. We project we will work 2,015 full-time equivalents (FTEs) in order to carry out the following commitments:

1. **Implement the policy vision set forth in the FY 2003 – FY 2008 Strategic Plan:**

Since its founding, the United States has transformed itself through the use of technology. Communications technologies – from Alexander Graham Bell’s telephone to Marconi’s radio to today’s Internet – have been one of the primary drivers of this transformation. While some of today’s providers of communications services and technologies struggle through economic and technological upheavals, Americans generally understand that today’s immediate problems do not signal a crisis or collapse in the possibility of continued growth through the application of technology. Instead, a slow, but steady, stream of technological advances coupled with sounder business practices and appropriate enforcement of regulations will ensure that American consumers, governments, businesses, and industry continue to enjoy the advantages of technological and economic progress based upon the availability of reliable, innovative communications products and services.

More than half of the FCC’s FY 2005 budget request will be used to support the following Strategic Goals:

- a. **Broadband** – The FCC intends to continue its efforts in FY 2005 to establish regulatory policies that promote competition, innovation, and investment in broadband services. It will also closely monitor and report to Congress and the American people on the Nation’s progress toward the deployment of broadband services in the United States and abroad.

¹ 47 U.S.C §151 – Title 1, Section 1 of the Communications Act of 1934, as amended.

² Irwin Stelzer, “The Politics of Broadband,” *Public Interest*, 85-96, Winter 2002.



- b. **Spectrum** – FCC efforts to encourage the highest and best use of spectrum domestically and internationally will become even more essential in FY 2005 if the United States is to encourage the growth and rapid deployment of innovative and efficient communications technologies and services.
- c. **Media** – In conformance with congressional mandates and judicial decisions, in FY 2005 the FCC must revise its media regulations so that media ownership rules promote competition and diversity in a comprehensive, legally sustainable manner and continue to implement the mandated migration to digital modes of delivery. We also will continue to clarify and ensure compliance with general media regulations.
- d. **Homeland Security** – The FCC is dedicated to providing the leadership and policy guidance necessary to promote the reliability, security, and survivability of our Nation’s communications infrastructure.

2. **Continue the investment in “new beginnings for an old Commission”:**

The FCC is responsible to Congress and the American people for ensuring that an orderly, efficient, and effective framework exists within which communications products and services can quickly and affordably be provided to consumers and businesses. This includes the Commission’s day-to-day work of licensing and authorizing providers of communications products and services. Equally important, the FCC must also vigorously enforce non-interference rules, ensure the universal availability of basic telephone service, make communications services accessible to all people whether they live in a rural area or have a disability, and protect and inform consumers about their rights.

The FY 2005 budget request also focuses on two additional strategic goals in this area:

- e. **Competition** – In FY 2005 the FCC will continue its important work of supporting and enhancing the Nation’s economy through implementing the investment and competition portions of the Telecommunications Act of 1996. This includes the licensing and authorization of several thousand communications products and services each year. It also includes vigorous enforcement and consumer education programs. By carrying out programs in this area the FCC will help ensure that the communications and video programming revolution continues and that all consumers will have the opportunity to make meaningful choices among and have equal access to communications services.



- f. **Modernize the FCC** – The FCC is committed to being an up-to-date, well run organization capable of achieving the goals and programs in the FY 2005 performance budget. The Commission will continue on a variety of fronts to emphasize effective, efficient, and legally compliant performance and results through excellent management. The FCC will also strive to ensure that it has the appropriate mix of expert, well-prepared staff, that it maximizes the benefits of technology in its programs, and that it uses other best management practices to meet the mission critical challenges ahead.



EXECUTIVE SUMMARY

In order to attain the goals set forth in our Strategic Plan and implement the FY 2005 Performance Budget, **the Federal Communications Commission ("FCC") is requesting an FY 2005 appropriation of \$292,958,000.**¹ We project the FCC will work **2,015 full-time equivalents (FTEs) in FY 2005.**

The Commission will use the FY 2005 funds to carry out its fundamental mission to implement the Communications Act of 1934, as amended, in a manner that promotes the availability, at reasonable costs and without discrimination, rapid, efficient, Nation-and world-wide communications services whether by radio, television, wire, satellite, or cable, for the American people.

Our Fiscal Year 2005 request reflects resources necessary for the Commission to keep abreast of industry changes and set rational regulatory and productivity goals. This request builds on the resources originally identified and requested in the FY 2003/FY 2004 President's Budget. The Commission **is requesting \$13,107,000 in funding to ensure that the FCC has the tools and services** to facilitate its efforts. This 4.8% increase to the FY 2004 Budget for essential Commission activities will support our efforts to address in a timely manner the issues arising from an exploding communications industry, resulting in economic growth for the Nation, including maintenance and modernization of our information technology systems and infrastructure, equipment and vehicle lifecycle replacement for our enforcement and engineering field facilities and skills-based training to enhance employee productivity Commission-wide. **An additional \$5,893,000 is requested for uncontrollable increases to pay employee salaries and provide for inflationary increases** for office space rental, supplies, printing, postage and contractual services.

FY 2004 Baseline Assumptions

The requested resources will be utilized to accomplish the mission and goals of the FCC. Currently 72% of the FY 2004 appropriation recommended level is earmarked to pay the salaries and benefits of our employees. Additionally, 26% will be spent for non-discretionary expenses such as space rental, telephones, mail, utilities, etc. The remaining 2% will enable the agency to meet only minimum requirements for outreach, employee training, programmatic travel, economic and engineering analysis and the myriad of needs to accomplish the six goals of the FCC.

The FCC's success in ensuring it is capable of meeting the future needs of both consumers and the communications industries is tied directly to the resources requested in this document.

In order to develop our request for FY 2005, under guidance from the Office of Management and Budget, we began with the **base funding level assumptions** contained in the FY 2004 Budget for the FCC of **\$273,958,000.** This amount represents **\$1,000,000 in net direct budget authority** and assumes we collect **\$272,958,000 in offsetting collections** from regulatory fees.

¹ This amount does not include any reimbursable costs to be funded from spectrum auctions program receipts as offsetting collections. The distribution of auctions operating cost is presented in Appendix D.

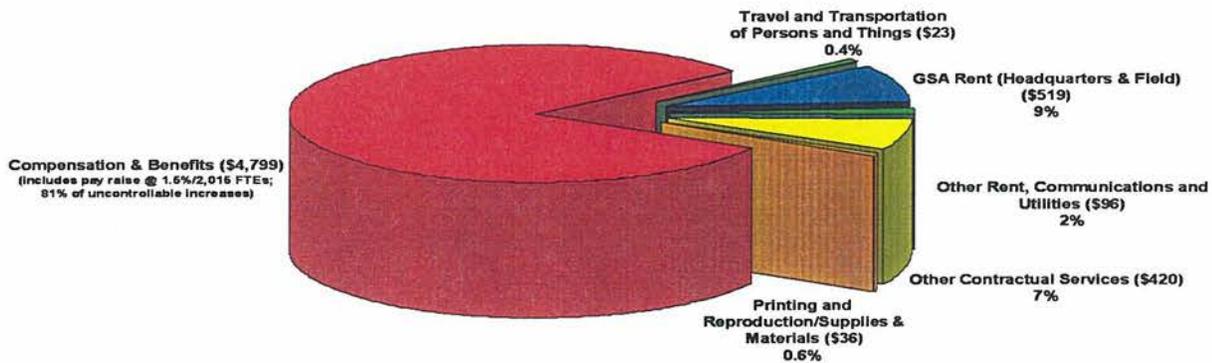


FY 2005 Current Services

In FY 2005 it is anticipated that FCC's uncontrollable and inflationary cost increases will total \$5,893,000. These uncontrollable costs include 25% of the FY 2004 pay raise (4.1%), which must be annualized in FY 2005, as well as a projected FY 2005 locality and pay raise totaling 1.5%. In addition funds are included for inflationary costs for various non-compensation accounts including miscellaneous rents, mail, service contracts, etc.

The following chart illustrates the distribution of uncontrollable pay and inflationary cost increases for FY 2005.

**Distribution of Requested Funding for
Pay Raise and Inflationary Costs \$5,893,000**
(Dollars in Thousands)



These uncontrollable increases, when added to the base, total a "current services" level of \$279,851,000 for FY 2005. Funding at this level is critical if we are to respond to the universe of communications issues and current challenges facing the FCC to provide the industry and the consumer with well-defined communications policy and oversight. In addition to funds required to maintain this current services level, we have requested funds to restore critical programmatic initiatives.



FY 2005 Programmatic Increases

In order to achieve our objectives at this time of great innovation in the communications industry, the FCC must strive to stay on the cutting edge of changes in technology, economics and law, and must have the tools necessary to respond effectively to the challenges posed in the telecommunications sector. The Commission is requesting **\$13,107,000 in funding to maintain critical programmatic initiatives** to achieve the mandates of the Communications Act and transform the FCC to deal effectively with the industry we serve, to the benefit of consumers. **We are requesting \$13,107,000 to provide funding to continue critical long term program initiatives which were delayed and/or significantly unfunded in FY 2004 due to budgetary constraints, including:**

- **\$6,295,000 for several key multi-year information technology initiatives** that directly further all aspects of our performance budget. These include replacing obsolete programming tools integral to the effective functioning of systems that allow the public to file license applications on line and to participate in the rulemaking process electronically. These funds will also enable continued development and enhancement of several electronic systems, including the Customer Information Management System (CIMS), which improves our ability to handle consumer inquiries, and the International Bureau Filing System (IBFS), which accelerates licensing of satellite, earth and space station facilities. This funding will also provide for the restoration of contract staff lost in FY 2004 who provide “help desk” services to individuals using FCC licensing, fee payment and website services, as well as to FCC staff.
- **\$2,460,000 for information technology equipment** to support our multiyear lifecycle management program. This funding provides for the replacement of aged end user equipment and enhances the Commission’s infrastructure by replacing a number of the primary servers and other application-specific database servers, providing for the replacement and technology refreshment offered under certain lease/purchase agreements, as well as the replacement of critical network components.
- **\$2,800,000 for technical equipment** to ensure the Commission has up-to-date tools to achieve the agency’s Spectrum and Homeland Security initiatives. These funds will enable us to continue our long term plans for lifecycle replacement of outdated enforcement field monitoring equipment and scientific engineering test equipment, which was delayed in FY 2004 due to budget constraints, and to meet the requirements for FY 2005. The agency’s multiyear plan to upgrade all technical and test equipment, first identified in the President’s Budget for FY 2003, is vital to success of the agency’s effective management of the electromagnetic spectrum and ability to respond to threats to safety of life.
- **\$802,000 to provide for the purchase of replacement monitoring vehicles including the materials to equip them.** These resources will strengthen the effectiveness of the Commission’s field enforcement activities, directly furthering Spectrum and Homeland Security goals and objectives.



- **\$750,000 to provide funds to enhance the skills-based training to critical FCC program areas including Excellence in Engineering and Excellence in Economic Analysis programs. A central element of our Modernization agenda, enhanced funding of FCC University's career development activities, will ensure that the Commission has cutting edge technical, economic and other expertise needed to fulfill the myriad challenges outlined in this performance budget.**

The funding for programmatic initiatives, when added to the "current services" funding, brings the Commission's **total request for FY 2005 to \$292,958,000**. This amount represents **\$20,000,000 in net direct budget authority assuming a collection of \$272,958,000 in offsetting collections from regulatory fees**.

Cost Recovery Programs

Since FY 1987 the Commission has strived to reduce the cost of Government operations through user fee cost recovery programs. The first program initiated at the Commission was the Application Processing Fee program, referred to as "Section 8" fees. That program was designed to recover a substantial portion of the costs of the Commission's application processing functions, which account for the majority of the licensing activity costs. **The funds received under this program are deposited directly into the General Fund of Treasury and are not available for use by the FCC.** Congress appropriates approximately this same amount annually to offset the agency's costs.

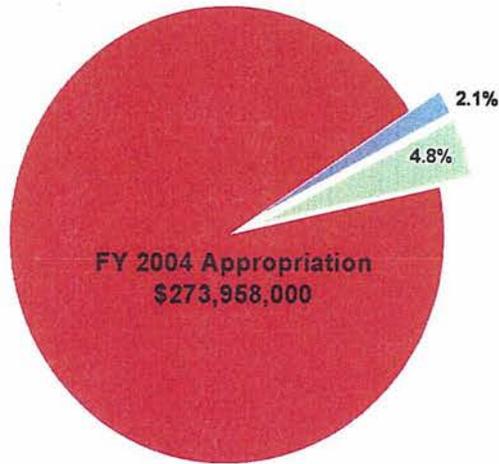
The second cost recovery program is the Regulatory Fee program. Implemented in FY 1994, this program collects fees to recover the costs attributable to the Commission's non-licensing activities. These fees are often referred to as "Section 9" fees. These fees apply to most current licensees and to other entities (*e.g.*, cable television systems) which benefit from the Commission's regulatory activities not directly associated with its licensing or application processing functions. **These fees can be retained by the Commission and applied to obligations incurred during the fiscal year, thereby reducing the amount of appropriated funds required to be provided from the General Fund of Treasury.** Since FY 1994, the fee offset to the FCC's appropriation has increased from 37% in the initial year of implementation to more than 99% of the agency's FY 2004 appropriation. The FY 2005 proposal would offset more than 93% of the total request.

These fee programs are discussed in more detail in the "Fee Collections and Auctions" section of this submission.

Our FY 2005 budget request is summarized in the following charts.



**FY 2005 Budget Request, \$292,958,000
Incremental Increases to Base
(Dollars in Thousands)**



FY 2005 Request: \$292,958,000

Uncontrollable Cost Increases, - Pay Increases, & Benefits, \$4,799 -Inflationary CPI \$1,094	FCC Uncontrollable/ Inflationary Increases: \$5,893 (2.1%)
Critical IT Projects, \$8,755	FCC Programmatic Increases: \$13,107 (4.8%)
Enforcement Bureau - Monitoring Equipment \$1,800 - Vehicles \$802	
OET - Test Equipment \$1,000	
Training, \$750	
Total Requested Increase: \$19,000 (6.9%)	

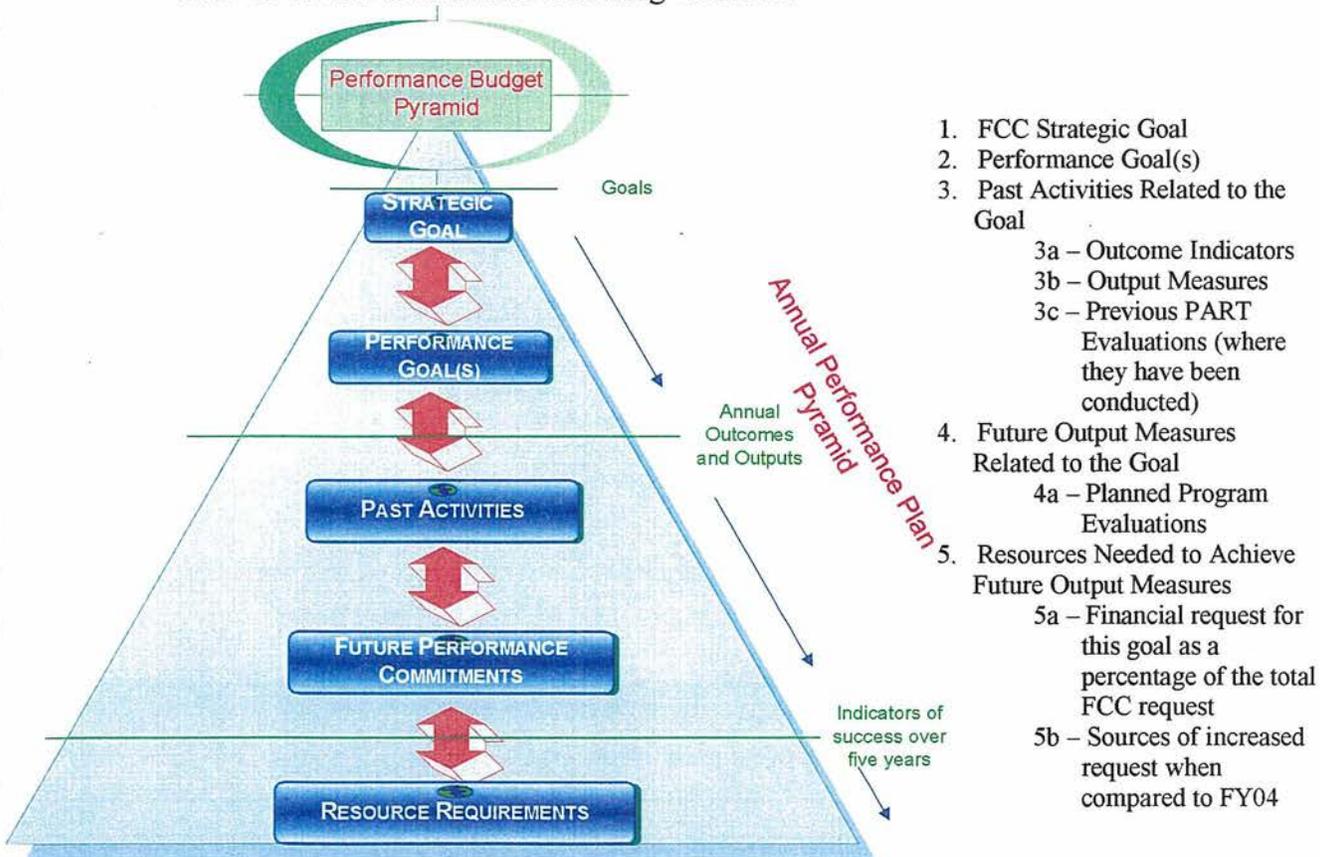
Distribution of Budget Authority:	FY 2004	FY 2005
Direct Appropriation	\$1,000	\$20,000
Regulatory Fees (Offsetting Collections)	\$272,958	\$272,958

FISCAL YEAR 2005 PERFORMANCE BUDGET

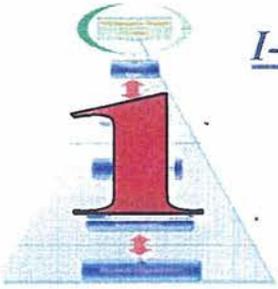
The impact of the Federal Communications Commission (FCC) can be seen in most Americans' daily lives as they flip open their phones, click through their television channels, and flick off their radios before going to sleep at night. The FCC's mission – *ensuring that the American people have available, at reasonable costs and without discrimination, rapid, efficient, nation- and world-wide communication services; whether by radio, television, wire, satellite, or cable* – has an enduring impact on modern American life. Nowhere is this success more evident than in the communications network, such as the deployment of advanced, ubiquitous radio communications equipment, the nationwide infrastructure of wired telephone lines, and hundreds of thousands of miles of television-carrying cable.

To carry out the responsibilities inherent in this mission, the FCC is requesting from Congress a Fiscal Year 2005 budget of \$292,958,000, which we project will fund 2,015 full-time equivalents (FTEs), in order to carry out the Output Measures made in the following performance budget.

Each of the following six sections follows the suggested structure of the most recent OMB A-11 and contains the following elements:



This performance budget provides summary information on our FY 2003 output measures. More detailed information is provided in the FY 2003 Annual Program Performance Report.



I-1. Strategic Goal: Broadband

Establish regulatory policies that promote competition, innovation, and investment in broadband services and facilities while monitoring progress toward the deployment of broadband services in the United States and abroad.

I-2. Performance Goal:

Broaden the deployment of broadband technologies across the US and globally.

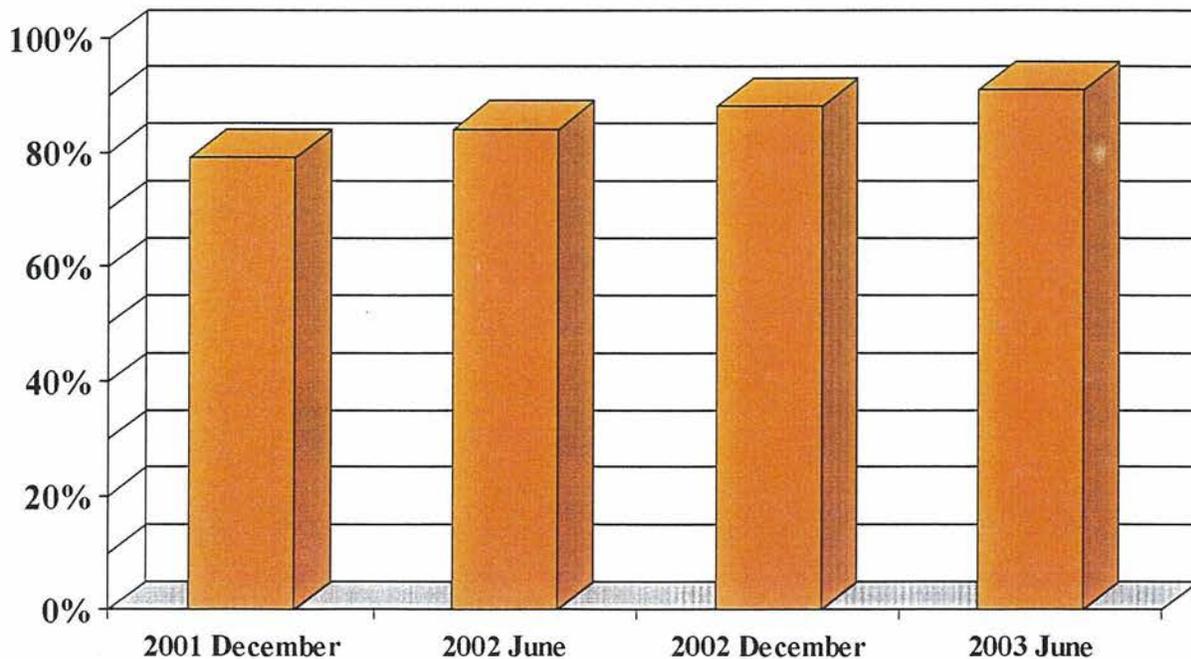
I-3. Past Activities Related To This Goal:

I-3a. Outcome Indicators:

1. Increasing access to broadband services.
2. Increasing access to broadband services and devices across multiple platforms: DSL, cable modem, satellite, terrestrial wireless, etc.
3. Increasing number and types of unlicensed/licensed wireless broadband devices.

Outcome Indicator 1: Percentage of Zip Codes with Access to High-Speed Internet Services

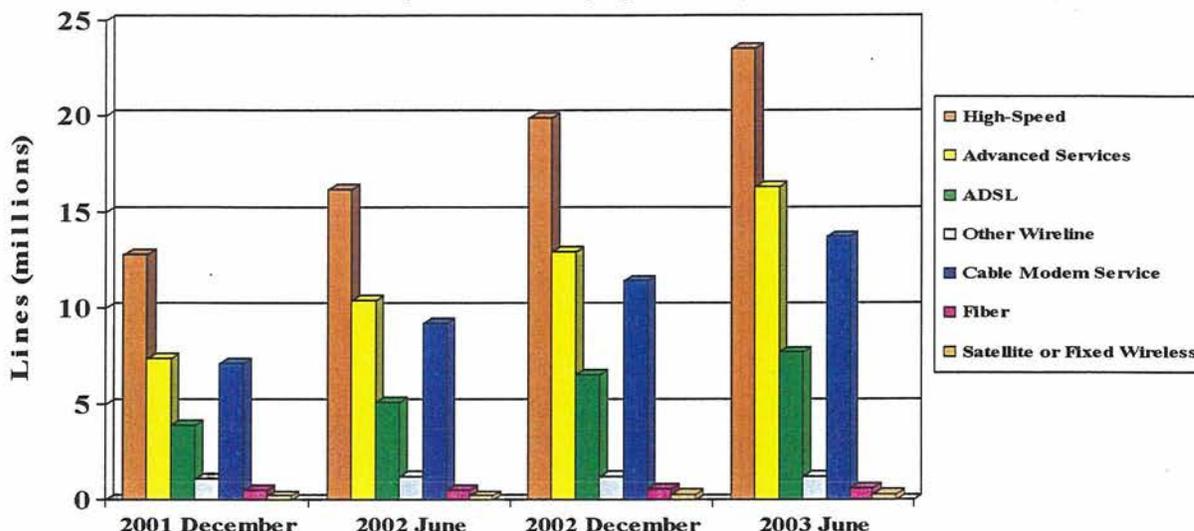
Source of Data: Wireline Competition Bureau's *High-Speed Services for Internet Access*



Outcome Indicator 2:

Access to Broadband Services/ Devices Across Multiple Platforms

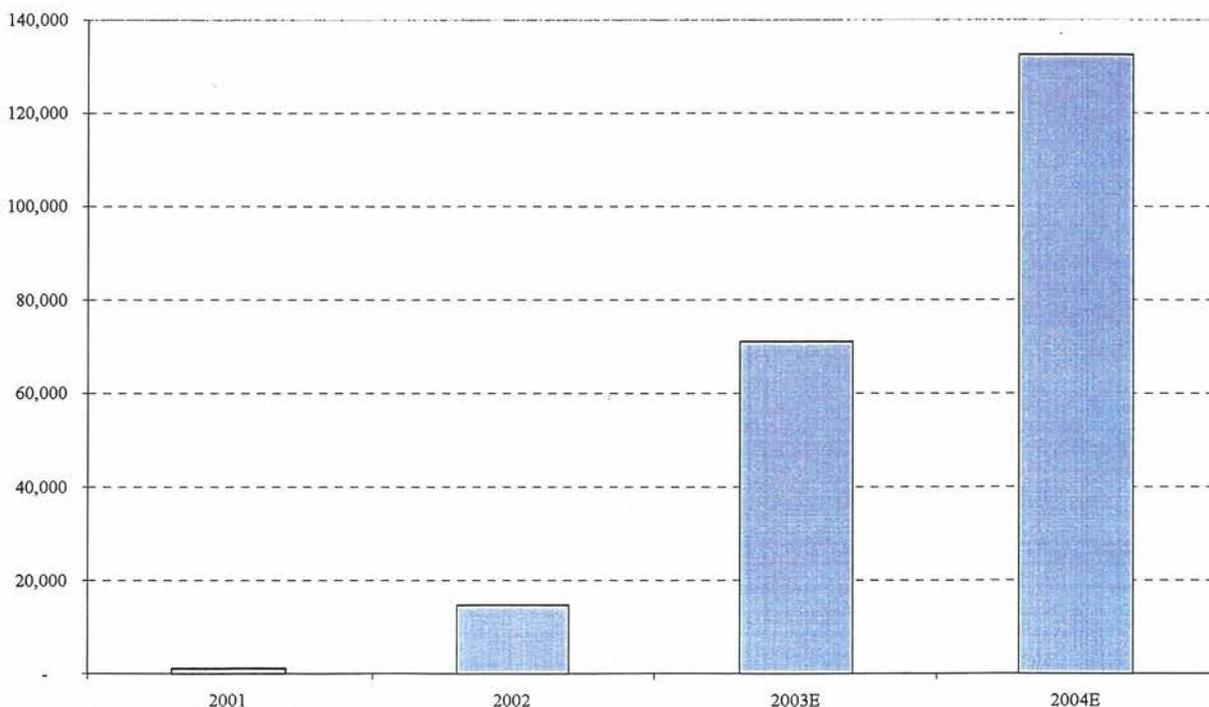
Source of Data: Wireline Competition Bureau's *High-Speed Services for Internet Access Semi-Annual Report*



- ❖ **High-Speed Services:** Services with the capability of supporting a bandwidth in excess of 200 kilobits per second (kbps) in at least one direction. High-speed Internet (access) and digital TV (service) are examples of applications that could “ride” over advanced services, whereas asymmetric digital subscriber lines (ADSL) and cable modem service are particular technologies that are used to deliver advanced services and/or high-speed services.
- ❖ **Advanced Services:** Services that have the capability of supporting, in both the provider-to-customer (downstream) and the customer-to-provider (upstream) directions, a bandwidth in excess of 200 kbps in the last mile.

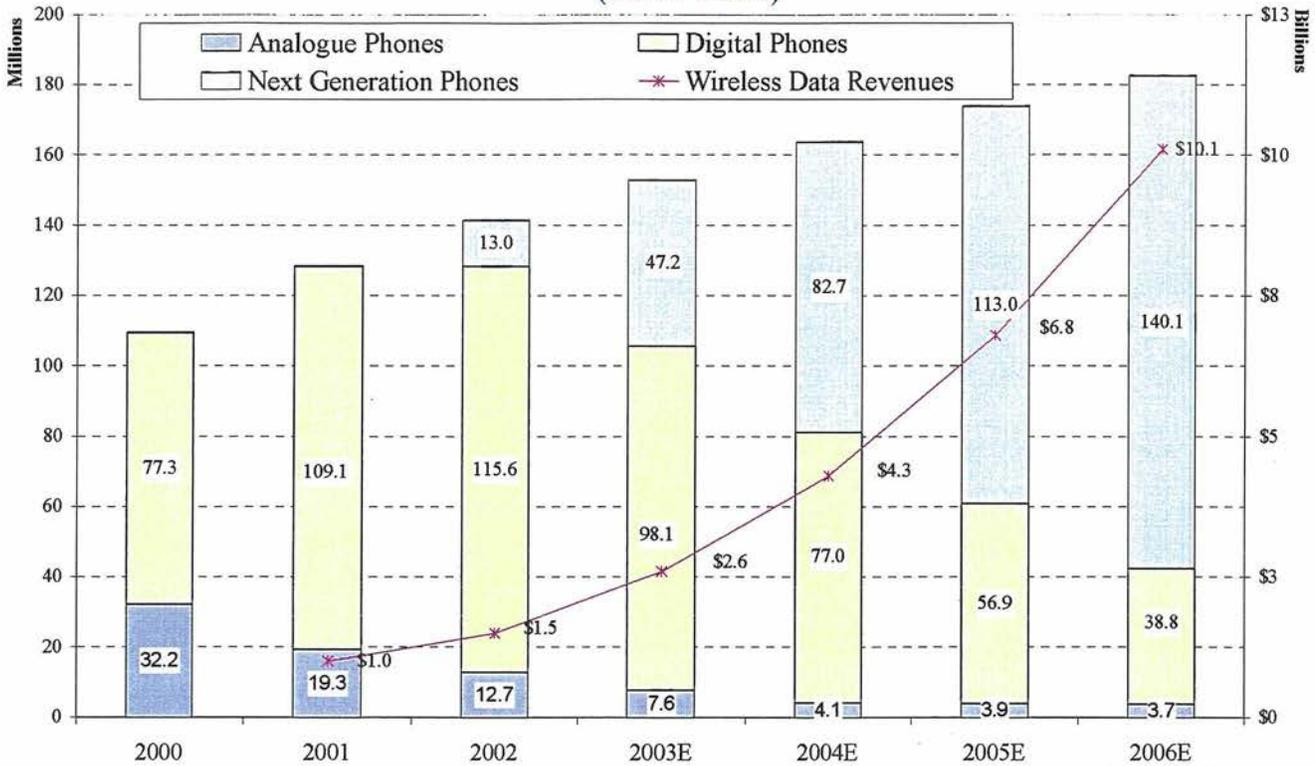
Outcome Indicator 3:

Number of Wi-Fi Hotspots Worldwide (2001-2004)



Source: Gartner Dataquest, June 2003

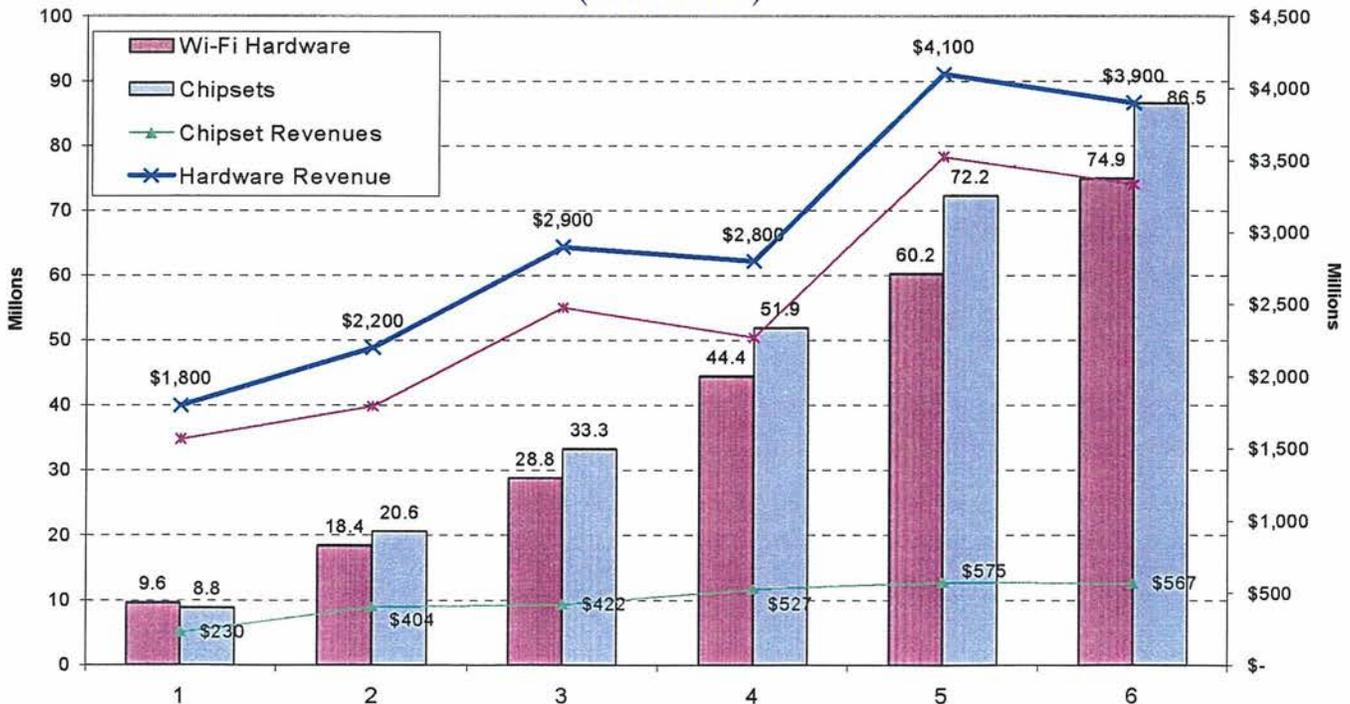
Outcome Indicator 3: U.S. Cellular Phone Adoption (2000-2006)



Source: MorganStanley, March 2003

"Next Generation" refers to 2.5G and 3G advanced wireless services.

Outcome Indicator 3: Worldwide Wi-Fi Hardware and Chipset Sales (2001-2007)



Sources: In-Stat/MDR, December 2002 & March 2003

"Wi-Fi" collectively refers to the Institute of Electrical and Electronic Engineers' (IEEE) suite of wireless networking protocols 802.11b, 802.11g, and 802.11a.

I-3b. Output Measures:

FY03 Output 1 – Conduct rulemakings that encourage the deployment and adoption of broadband technologies:

- o National Performance Standards Measure Notice of Proposed Rulemaking (NPRM),
- o The Incumbent Local Exchange Carrier broadband notice,
- o Triennial Unbundled Network Element review,
- o Wireline broadband NPRM,
- o Cable Modem proceeding,

FCC adopted five of the proceedings listed above that will build the foundation for a comprehensive and consistent national broadband policy and will promote greater investment in the Nation's broadband infrastructure.

FY03 Output 2 – Develop a statutory definition and analytical framework for broadband services across multiple platforms.

In a Declaratory Ruling, the FCC classified the cable modem service as an interstate “information service” that is subject to FCC jurisdiction and not a “cable service” as previously defined by the Communications Act (classification under Court Appeal).

FY03 Output 3 – Initiate study of power line communications in the provision of broadband services to the home.

On April 23, 2003, the FCC issued a Notice of Inquiry seeking public comment on using existing electrical power lines to provide Internet and broadband services to homes and offices.

FY03 Output 4 – Collect and publish baseline data on the deployment of broadband services, particularly to rural America.

As of December 2002, 417 providers (holding companies) of local telecommunications and broadband services filed a FCC Form 477, a questionnaire used to determine whether advanced telecommunications capability is being deployed to all Americans in a reasonable and timely fashion.

FY04 Output 1 – Conduct rulemakings/issue and vigorously enforce regulations that influence the deployment and adoption of broadband technologies:

- o Wireline Broadband Proceeding,
- o Cable Modem Proceeding,
- o Advanced Wireless Services,
- o MVDDS proceeding,
- o MDS/ITFS NPRM, and
- o Biennial Review proceedings.

FY04 Output 2 – Review and, if necessary, adjust the definition of what constitutes broadband.

FY04 Output 3 – Continue to measure the deployment of broadband technology, particularly to rural America.

FY04 Output 4 – Take further action in ongoing rulemaking proceeding to evaluate Broadband over Power Lines.

FY04 Output 5 – Continue to facilitate access to spectrum in order to encourage deployment of new and innovative broadband services.

FY04 Output 6 – Create and maintain a dialogue with regulators at the state, local and tribal level and around the globe on policies to promote broadband development.

I-4. Future Output Measures Related To This Goal:

FY05 Output 1 – Conduct rulemakings/issue and vigorously enforce regulations that influence the deployment and adoption of broadband technologies:

- o Wireline Broadband Proceeding,
- o Cable Modem Proceeding,
- o Advanced Wireless Services,
- o MDS/ITFS NPRM, and

- o Biennial Review proceedings.

FY05 Output 2 – Review economic and regulatory factors that impede broadband's deployment, particularly to rural America.

FY05 Output 3 – Continue to measure the deployment of broadband technology, particularly to rural America.

FY05 Output 4 – In connection with Commission proceedings, develop testing procedures for broadband equipment useful for facilitating authorization under Commission rules.

FY05 Output 5 – Create and maintain a dialogue with regulators at the state, local and tribal level and around the globe on policies to promote broadband development.

FY05 Output 6 – Facilitate deployment of satellite broadband services.

I-4a. Planned Program Evaluations:¹

FY 2005 – Universal Service Fund

FY 2006 – Spectrum Auction Program Account

FY 2007 – Spectrum Auction Direct Loan Financing Account

FY 2008 – FCC (General Salaries and Expenses)

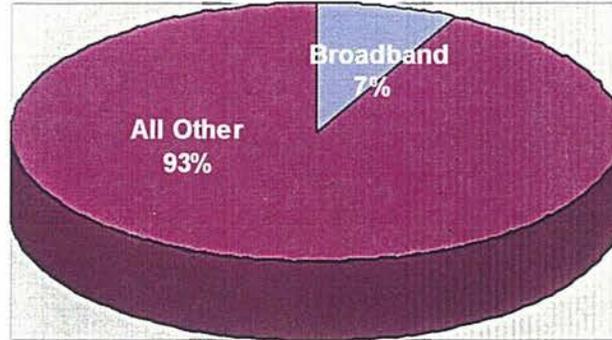
I-5. Resources Needed To Achieve Future Output Measures:

Processes	Skills	Technology
<ul style="list-style-type: none"> ▪ Rulemaking ▪ Industry analysis ▪ Data collection ▪ Discussions with state, local, tribal and global regulators ▪ Technology analysis ▪ Notice of Apparent Liability/Forfeitures 	<ul style="list-style-type: none"> ▪ Understanding of relevant legal, economic, international and regional factors. ▪ Ability to analyze impact of multiple communications markets. ▪ Forecasting likely scenarios for convergence of varied technologies. ▪ Assessing opportunities for emerging technologies. ▪ Auditing, investigating, and enforcing. 	<ul style="list-style-type: none"> ▪ Electronic Document Management System (EDOCS) ▪ Electronic Comment Filing System (ECFS) ▪ Desktop/Network Document Development and Data Access Analysis Tools ▪ Universal Licensing System (ULS) ▪ Columbia Engineering Lab ▪ International Bureau Filing System (IBFS)

Funds and Staff					
FY 2003		FY 2004		FY 2005	
\$20,323,094	151 FTE's	\$18,629,144	137 FTE's	\$19,659,368	142 FTE's

¹ Program evaluations, using the Program Assessment Rating Tool (PART) methodology and format, will be conducted by staff or contractors of the FCC's Office of Managing Director in the fiscal years indicated. Program evaluations are one of several methods the FCC uses to validate measured values. The other validation techniques are certifications of reliability from data sources; the FCC's ongoing vulnerability assessment program; and audits, reports, and reviews performed by groups such as the Inspector General (IG) and U. S. General Accounting Office (GAO). Specific detail on data sources, baseline data, use of agency systems, and reliance on external data sources are part of the methodology section associated with each of these validation techniques.

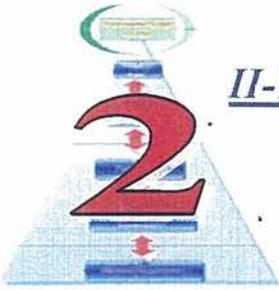
I-5a. Broadband As A Percentage Of Total FY05 Financial Requests:



I-5b. Sources Of Increased Request When Compared To FY04:

FY04 Goal Request	Goal's Distributed Fixed Increases ²	Goal's Programmatic Increases	FY05 Goal Request
\$18,629,144	\$400,724	\$629,500	\$19,659,368

² These increases are proportionally distributed across all six strategic goals.



II-1. Strategic Goal: Competition

Support the Nation's economy by ensuring that there is a comprehensive and sound competitive framework for communications services and devices. Such a framework should foster innovation and offer businesses and consumers meaningful choice in services and devices. Such a pro-competitive framework should be promoted domestically and overseas.

II-2. Performance Goals:

Ensure American consumers can choose among multiple reliable and affordable means of communications.

Ensure that all American consumers have and retain reliable wireless and wireline phone services.

Create and maintain a dialogue with regulators around the globe to foster and sustain the creation of pro-competitive foreign and domestic markets.

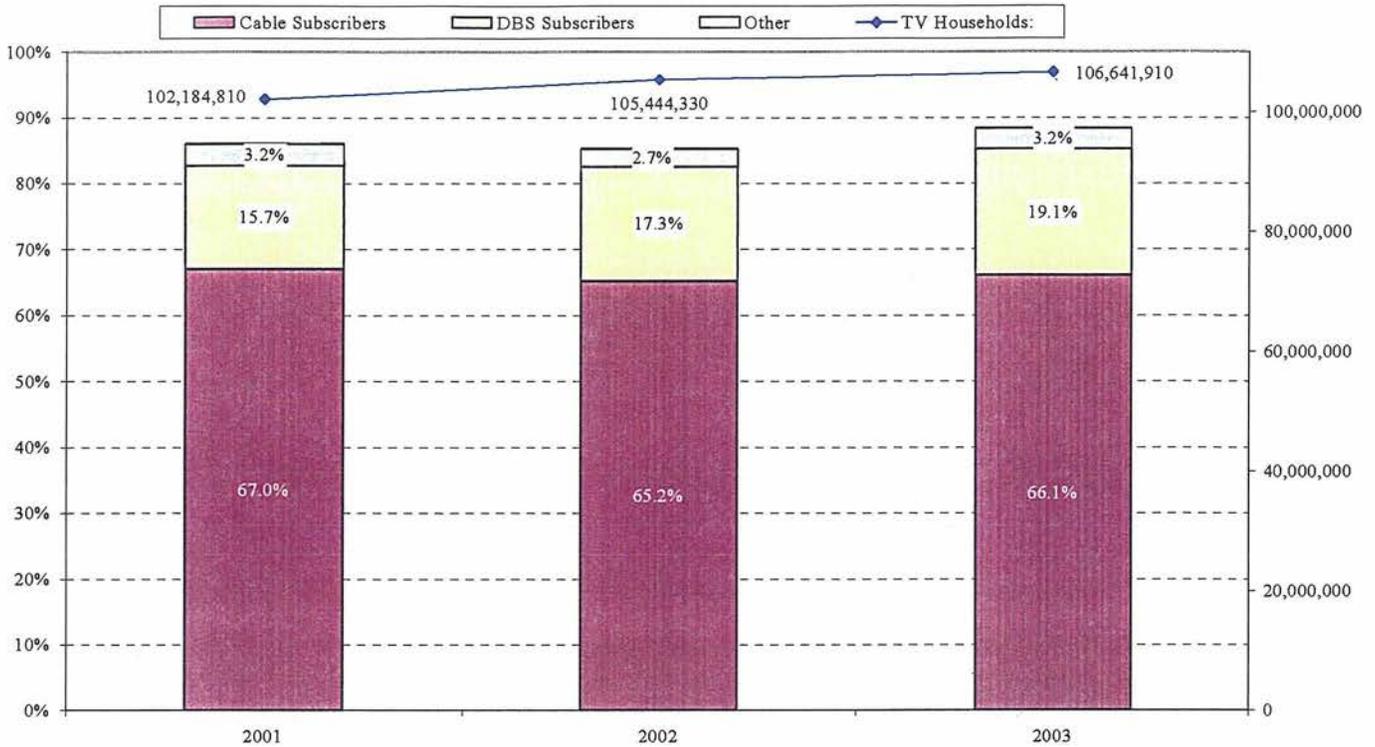
Create and maintain a dialogue with American consumers so that they are informed about their rights, choices and responsibilities and ensure these rights through strong enforcement.

II-3. Past Activities Related To This Goal:

II-3a. Outcome Indicators:

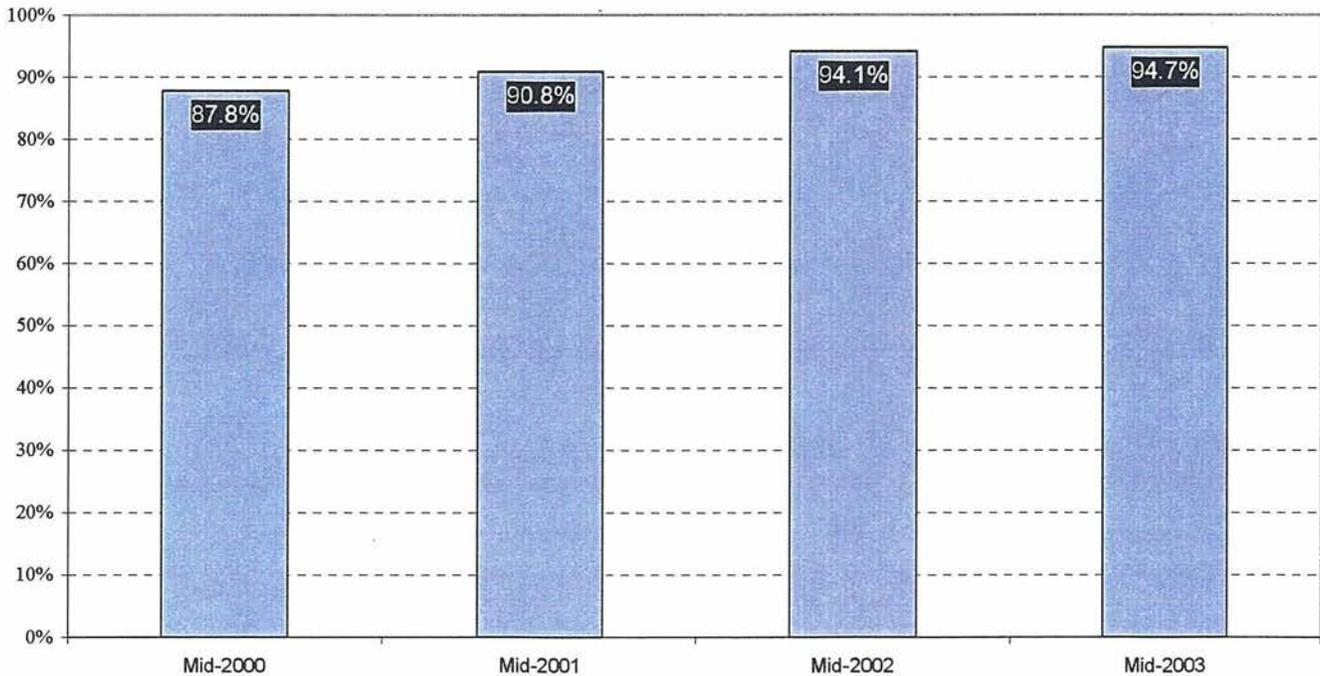
1. Increasing percentage of households with competing providers for multichannel video programming and information services.
2. Increasing number of consumers and businesses have a choice among wireless and wireline service providers.
3. Lower relative price for wireless and wireline services.
4. Decreasing price for international calls.

Outcome Indicator 1: MVPD Subscribers as a Percentage of TV Households



Source: FCC

Outcome Indicator 2: Wireless Carrier Market Entry

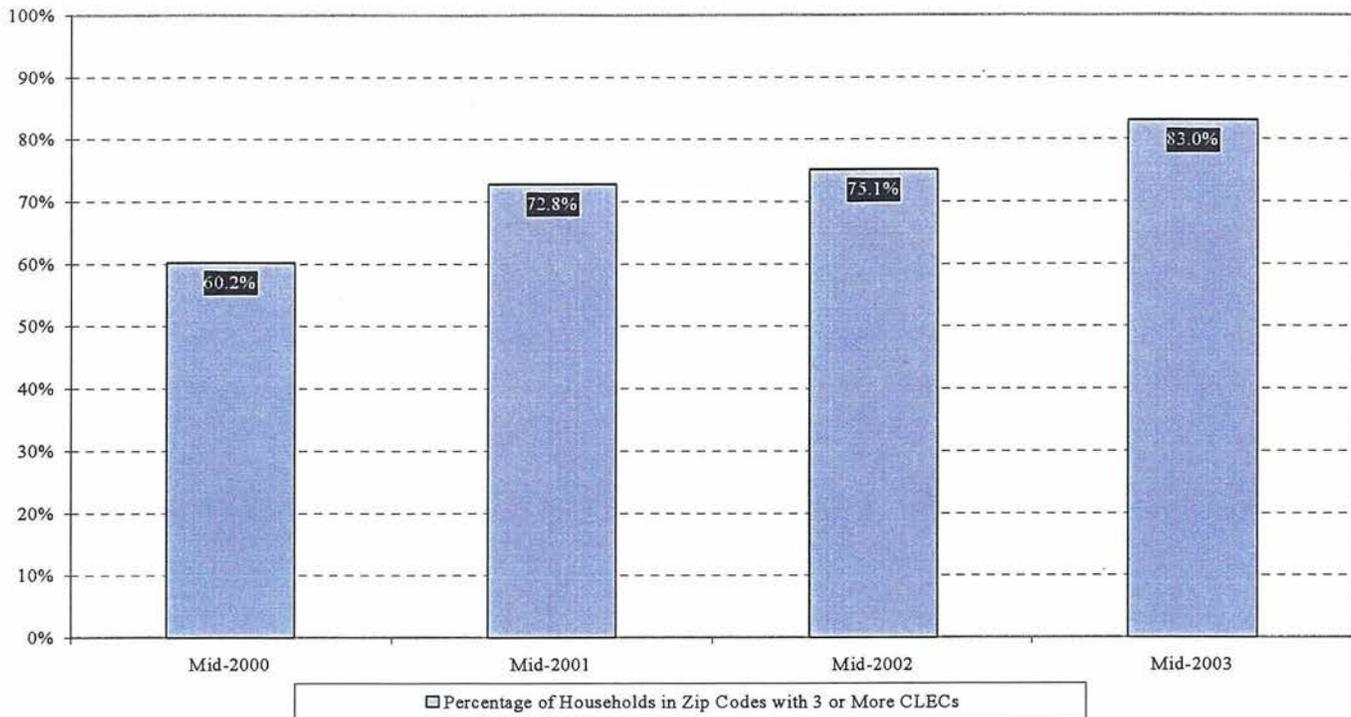


Source of Data: WTB's CMRS Report

Percentage of US Population in a County with 3 or More Wireless Carriers

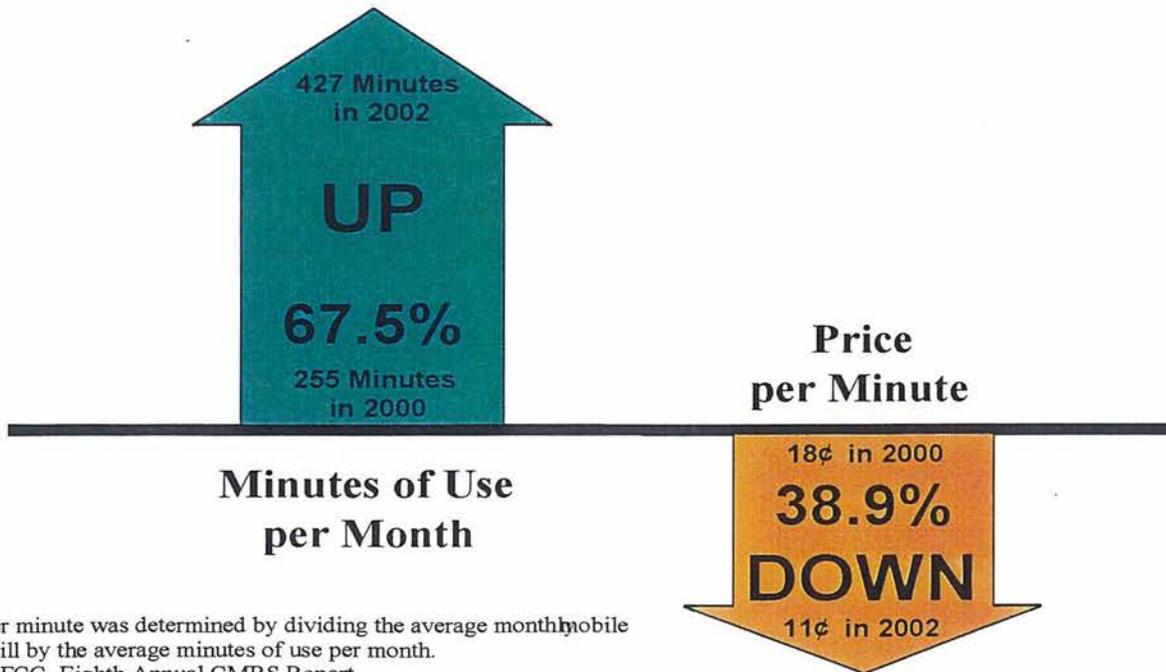
Wireless carriers generally do not release information on the number of completed calls or service downtime. However, the existence of multiple carriers in the same geographic areas permits customers multiple avenues of access to wireless service.

**Outcome Indicator 2:
Competitive Local Exchange Carrier Market Entry
(2000-2003)**



Source: Local Telephone Competition: Status as of June 30, 2003, Industry Analysis and Technology Division, Wireline Competition Bureau, FCC, Table 15 (Dec 2003).

**Outcome Indicator 3:
Wireless Minutes of
Use per Month 2000 to 2002**



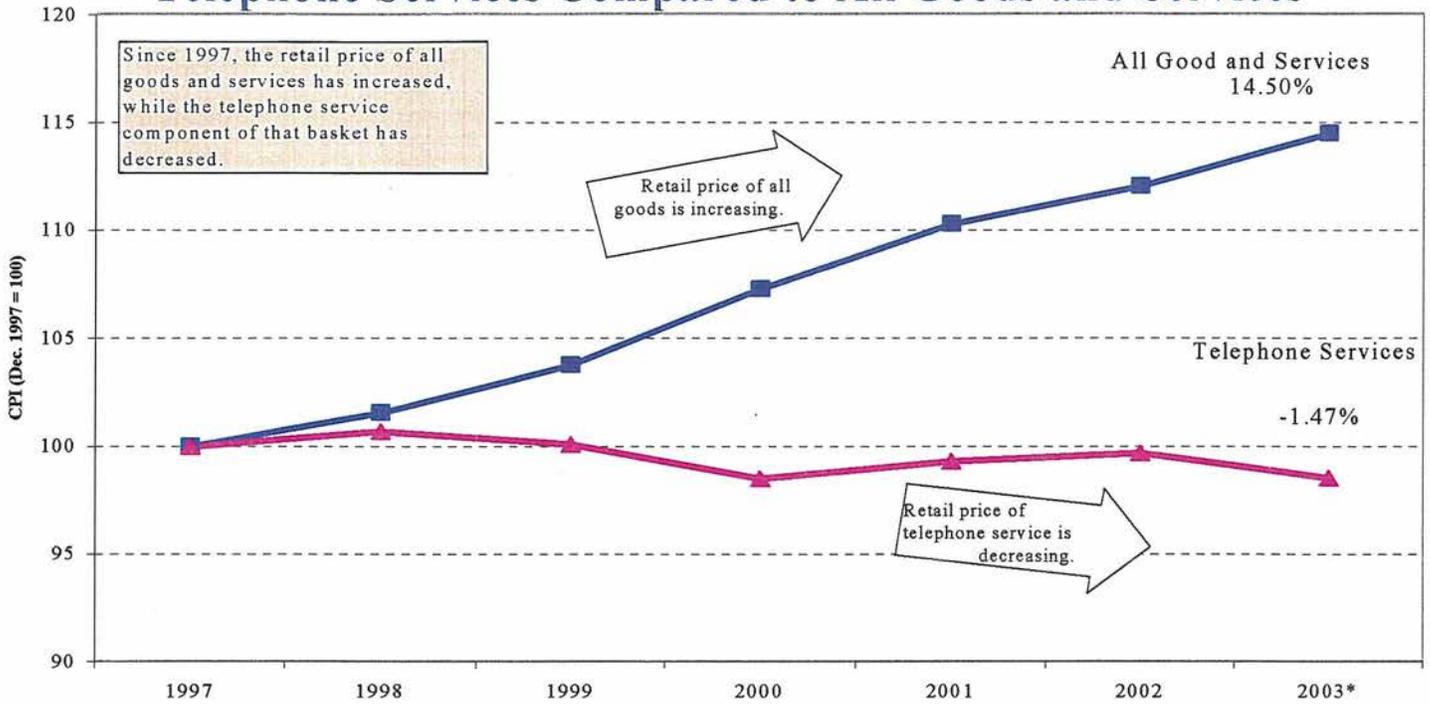
Price per minute was determined by dividing the average monthly mobile phone bill by the average minutes of use per month.

Source: FCC, Eighth Annual CMRS Report

NB: December 2003 statistical data will not be available until July 2004.

Outcome Indicator 3:
Consumer Price Indices

Telephone Services Compared to All Goods and Services



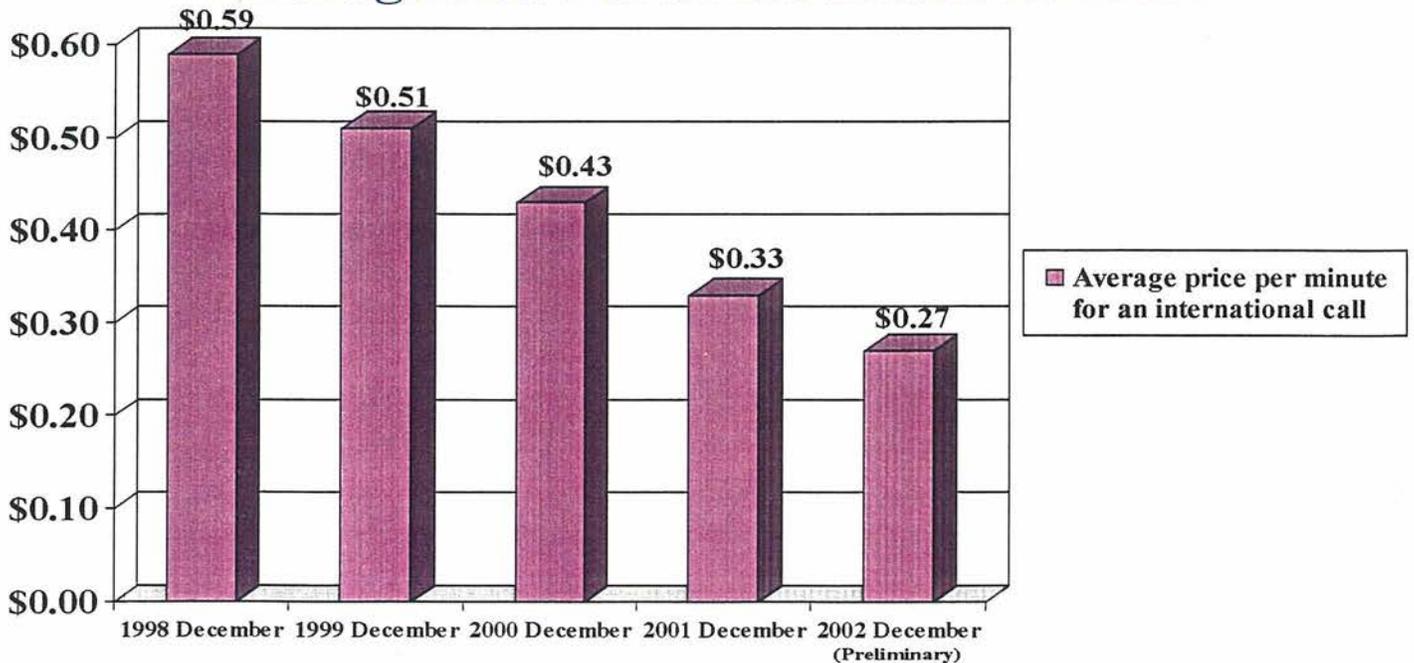
Source: Bureau of Labor Statistics.

The CPI index of telephone services is based on a market basket intended to represent the telephone-related expenditures of a typical urban household, includes local, long distance, and cellular services.

* Jan-Oct

Outcome Indicator 4:

Average Price of an International Call



December 2003 statistical data will not be available until January 2005.

Total U.S. Revenue/Outgoing U.S. minutes = Price Per Minute.

II-3b. Output Measures:

FY03 Output 1 – Conduct review and make recommendations to improve the Universal Service Fund (USF) contribution methodology.

In December 2002, the FCC adopted new rules to improve the USF contribution methodology.

FY03 Output 2 – Enforce regulations that encourage reliable, affordable provision of multichannel video programming services by multiple providers.

On December 23, 2002, the FCC adopted its Ninth Annual Report on competition in the market for the delivery of video programming.

FY03 Output 3 – Conduct quarterly reviews of carrier compliance with Section 214 (continuity of service) requirements.

As of September 30, 2003, 49 applications were filed with the FCC under Section 214 of the Telecommunications Act of 1996 for discontinuance of wireline service.

FY03 Output 4 – Conduct review of international regulatory and accounting rate policies that will promote competition and lower international calling rates for U.S. consumers.

On October 10, 2002, the FCC adopted an Notice of Proposed Rulemaking addressing the reform of the International Settlements Policy, international simple resale and benchmarks policy, and the issue of foreign mobile termination rates.

FY03 Output 5 – Initiate and maintain a dialogue with regulators around the globe on broadband and other emerging technologies.

The FCC held discussions with regulators from Italy, Germany, India, Denmark, Jamaica, China, Singapore, Brazil, Spain, Russia, Japan, Korea, and representatives of the Telecommunications Regulators Association of Southern Africa on broadband and other emerging technologies. Additionally, the agency

hosted 490 international visitors from 124 countries during FY 2003.

FY04 Output 1 – Foster the pro-competitive goals of the Telecommunications Act by reforming total element long-run incremental cost (TELRIC), intercarrier compensation, and universal service, examining voice over internet protocol (VOIP), local number portability, forbearance, biennial review proceeding, and implementing and enforcing provisions of the UNE proceeding.

FY04 Output 2 – Adopt and enforce regulations which streamline and encourage reliable affordable communications services by multiple providers.

FY04 Output 3 – Adopt and enforce rules to streamline administration of the Universal Service support mechanism and protect against waste, fraud, and abuse.

FY04 Output 4 – Conduct quarterly reviews of carrier compliance to ensure continuity of service requirements are met.

FY04 Output 5 – Increase consumer awareness of their rights in relation to phone service and enforce regulations to ensure those rights.

FY04 Output 6 – Maintain a dialogue with regulators around the globe on competition issues.

FY04 Output 7 – Review and analyze merger and transfers of control requests to ensure that consumers retain reliable and affordable communications services that serve the public interest.

FY04 Output 8 – Adopt and implement policies that will decrease the price of international calls.

FY04 Output 9 – Initiate international reporting reform.

II-3c. PART Results:

Schools and Libraries (E-rate) program analysis is contained in the President's FY 2005 Budget. In accordance with the Program Assessment Rating Tool (PART) results, FCC is developing long-term and annual measures, including efficiency measures.

II-4. Future Output Measures Related To This Goal:

FY05 Output 1 – Foster the pro-competitive goals of the Telecommunications Act by reforming TELRIC, intercarrier compensation, and universal service, examining voice over internet protocol (VOIP), local number portability, forbearance, biennial review proceeding, and implementing and enforcing provisions of the unbundled network elements (UNE) proceeding.

FY05 Output 2 – Adopt, implement and enforce regulations that promote the provision of advanced communications to all consumers, including wireless and satellite multichannel video services.

FY05 Output 3 – Implement rules to streamline Universal Service Fund (USF) administration and protect against waste, fraud, and abuse through effective enforcement.

FY05 Output 4 – Conduct quarterly reviews of carrier compliance to ensure continuity of service requirements are met.

FY05 Output 5 – Continue international reporting reform.

FY05 Output 6 – Increase consumer awareness of their rights in relation to phone service and enforce regulations to ensure those rights.

FY05 Output 7 – Maintain a dialogue with regulators around the globe on competition issues.

FY05 Output 8 – Review and analyze merger and transfers of control requests to ensure that consumers retain reliable and affordable communications services that serve the public interest.

FY05 Output 9 – Adopt and implement policies that will decrease the price of international calls.

FY05 Output 10 – Prepare for WRC-07.

II-4a. Planned Program Evaluations:³

FY 2005 – Universal Service Fund

FY 2006 – Spectrum Auction Program Account

FY 2007 – Spectrum Auction Direct Loan Financing Account

FY 2008 – FCC (General Salaries and Expenses)

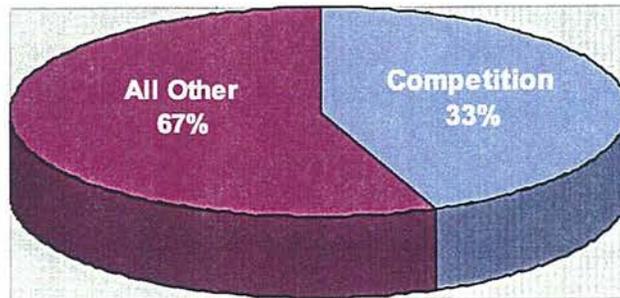
³ Program evaluations, using the Program Assessment Rating Tool (PART) methodology and format, will be conducted by staff or contractors of the FCC's Office of Managing Director in the fiscal years indicated. Program evaluations are one of several methods the FCC uses to validate measured values. The other validation techniques are certifications of reliability from data sources; the FCC's ongoing vulnerability assessment program; and audits, reports, and reviews performed by groups such as the Inspector General (IG) and U. S. General Accounting Office (GAO). Specific detail on data sources, baseline data, use of agency systems, and reliance on external data sources are part of the methodology section associated with each of these validation techniques.

II-5. Resources Needed To Achieve Output Measures:

Processes	Skills	Technology
<ul style="list-style-type: none"> ▪ Rulemaking ▪ Industry and consumer analysis ▪ Consumer protection ▪ Discussions with state, local, tribal and global regulators ▪ Notice of Apparent Liability/Forfeitures 	<ul style="list-style-type: none"> ▪ Understanding of relevant legal and economic policies and various communications marketplaces. ▪ Understanding of international and regional factors. ▪ Understanding the limitations, time frames, lead times, compatibility and testing problems involved in implementation of technologies and their deployment. ▪ Consumer and public education and interaction skills. ▪ Auditing, investigating, enforcing. ▪ Forecasting changing needs and expectations toward underserved publics. 	<ul style="list-style-type: none"> ▪ Complaint Analysis and Resolution Reporting System (OSCAR) ▪ Consumer Information Management System (CIMS) ▪ Automated Reporting Management Information Systems (ARMIS and Equipment Authorization System) ▪ Electronic Tariff Filing System (ETFS) ▪ Desktop/Network Document Development and Data Access Tools ▪ International Bureau Filing System (IBFS)

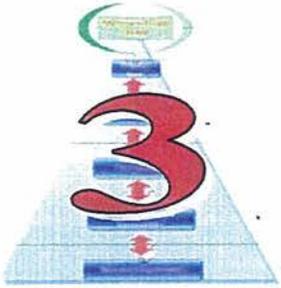
Funds and Staff					
FY 2003		FY 2004		FY 2005	
\$95,925,002	714 FTE's	\$93,693,636	690 FTE's	\$96,338,542	690 FTE's

II-5a. Competition As A Percentage Of Total FY05 Financial Requests:



II-5b. Sources Of Increased Request When Compared To FY04:

FY04 Goal Request	Goal's Distributed Fixed Increases	Goal's Programmatic Increases	FY05 Goal Request
\$93,693,636	\$2,015,406	\$629,500	\$96,338,542



III-1. Strategic Goal: Spectrum

Facilitate the highest and best use of spectrum domestically and internationally to promote the growth and rapid deployment of innovative and efficient communications technologies and services.

III-2. Performance Goals:

Ensure that spectrum is used efficiently and effectively.

Facilitate domestic and international deployment of new spectrum-based technologies and services.

Generally shift from rigid to flexible policy models.

Promote ease of access to spectrum by more users.

III-3. Past Activities Related To This Goal:

III-3a. Outcome Indicators:

1. Increasing number of approvals for enhanced telecommunications equipment.
2. Facilitate deployment of new or existing services/devices that make efficient use of spectrum, while ensuring continued operation of existing services.
3. Effectively advance U.S. positions on spectrum in international negotiations and enforcement of treaties (number of U.S. positions partially or fully adopted).

Outcome Indicator 1:

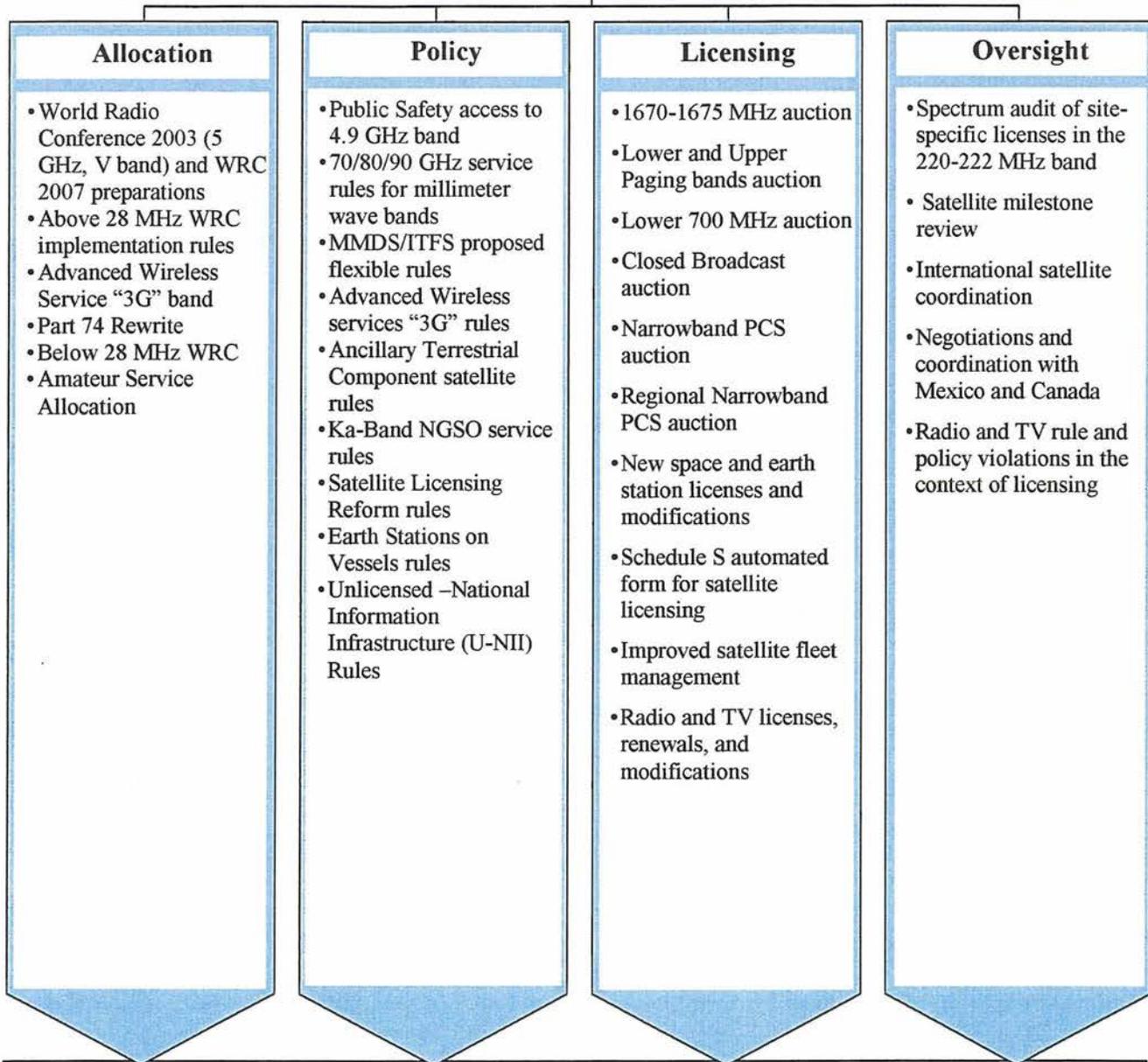
Enhanced Telecommunications Equipment Authorizations in Fiscal Year 2003

Source of Data: Office of Engineering Technology (Lab) Equipment Authorization System Reports

Type of Telecommunications Equipment Approved (Grants Issued)	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Total FY 03
Telecommunications Certification Bodies (TCB)	1,054	1,166	1,250	1,475	4,945
FCC Equipment Authorization Services (EAS)	158	134	122	107	521
Total	1,212	1,300	1,372	1,582	5,466

Outcome Indicator 2:

Facilitate deployment of new or existing services or devices that make efficient use of spectrum



Potential Long-term Outcomes for Spectrum

In FY 2003, the Commission made significant progress in developing and implementing spectrum initiatives that contribute to overall performance goals for spectrum both domestically and internationally. Collectively, these activities promote:

- **Increased access to spectrum** by making new or more flexible spectrum available (via auction or other means) for public safety, broadband mobile and fixed, satellite and other uses, including unlicensed applications.
- **Expedient delivery of service to consumers** through improved licensing mechanisms that utilize automation, encourage licensee due diligence and sharing of spectrum to further efficiency.
- **Deployment of new technologies and robust services** through enhanced performance standards, and other rules that will encourage future investment as well as research and development activities.
- **Efficient and effective use of spectrum** through build-out compliance and audit procedures.

Outcome Indicator 3: International Negotiations

Source of Data: International Bureau

The World Radiocommunication Conference (WRC) 2003 established treaty text in the form of Radio Regulations, which bind countries once ratified. The FCC participates in the U.S. delegation to the WRC as the advocate for commercial operators for two main reasons: (1) to secure spectrum allocations that allow for new telecommunications services to enter the market; and (2) to protect incumbent telecommunication services from interference.

	Agenda Items (Major WRC-03 Issues)	United States Position Advanced
World Radiocommunications Conference for 2003 (WRC-2003)	<ul style="list-style-type: none"> ➤ Harmonization of Public Protection/Disaster Relief Spectrum ➤ High Speed Internet Access for Airline Passengers ➤ Regulatory Restrictions on the Global Positioning System (GPS) ➤ Wi-Fi (5 GHz spectrum) 	<p>The WRC-2003 adopted a Resolution that provides guidance to countries on possible bands for use by public protection or disaster relief systems. The United States achieved its objective of including in the Resolution the ranges 746-806 MHz, 806-869 MHz and 4940-4990 MHz for future advanced solutions for public protection and disaster relief.</p> <p>The United States succeeded in getting the WRC-2003 to make a secondary aeronautical mobile satellite service allocation in the 14-14.5 GHz band. This allocation will allow systems, including the Boeing <i>Connexion</i> system, to provide high speed broadband service to airline passengers. Lufthansa and British Air have already provided the service on a test basis.</p> <p>The WRC-2003 addressed regulatory issues related to the radio navigation satellite service (RNSS) such as GPS. The United States successfully resolved the regulatory issues including the most contentious related to coordination of systems. As a result of negotiations, the U.S. GPS system and Galileo (the proposed European system) will follow formal coordination procedures on a going-forward basis only. The U.S. achieved its goal of ensuring the International Telecommunication Union would not retroactively apply radio regulation procedures to earlier GPS filings.</p> <p>The United States achieved its goal of allocating additional spectrum for mobile systems including Wi-Fi operations. The WRC-03 allocated 455 MHz of spectrum in the 5 GHz band. Consistent with the FCC's position, the WRC-03 decision provides flexibility to allow outdoor applications in part of the band. U.S. consumers will benefit by the economies of scale that this international allocation affords the ICT manufacturers.</p>

Outcome Indicator 3: Enforcement of Treaties

During FY 2003, work was performed on a large number of issues dealing with coordination of bilateral cross-border spectrum use in Canada and Mexico.

CANADA

Interim Arrangement with Wireless Communications Service
 Amendment to Digital Television Letter of Understanding for Public Safety Access to Channels 63 & 68
 Special Coordination Protocol (SCP) between Skytel Corp. of U.S and DataTrail of Canada
 SCP between Nextel Comm of U.S. and Tele-Mobile Co. in Canada

MEXICO

United States and the Secretaria de Comunicaciones y Transportes FM and TV Channel 6
 United States and the Secretaria de Comunicaciones y Transportes Low Power TV & other services in the 700 MHz band

III-3b. Output Measures:

FY03 Output 1 – Increase the number of new spectrum use licenses (prompt assignment).

During FY 2003, the FCC processed nearly 521,000 applications for wireless telecommunications services. This included 236,000 applications for new and renewed licenses and special temporary authority, 50,000 assignments of licenses and transfers of control, 56,000 license modifications, and 179,000 other requests. Ninety-eight percent of these applications were processed in 90 days or less.

FY03 Output 2 – Improve satellite licensing and fleet management.

The FCC completed three steps to reform its satellite licensing. First, in April 2003, the FCC adopted a new first-come/first-served approach for satellite space station licensing. Second, in June 2003, the FCC allowed companies the ability to move satellites within their fleets to locations for which they have a license. Third, in June 2003, the FCC introduced a number of initiatives to facilitate the application process for satellite and earth station licenses.

FY03 Output 3 – Complete study to determine measures to facilitate deployment of cognitive radio.

During FY 2003, the FCC held two public workshops on cognitive radio technologies to discuss the latest developments in this area.

FY03 Output 4 – Initiate proceedings to allocate spectrum and promote the efficient use of unlicensed devices.

As of September 2003, the FCC adopted seven rulemakings to increase the deployment and allocation of underutilized spectrum and to promote the use of unlicensed spectrum.

FY03 Output 5 – Negotiate and enforce satellite and other coordination treaties with affected countries.

In FY 2003, work was performed on a large number of issues dealing with coordination of bilateral cross-border spectrum use in Canada and Mexico.

FY03 Output 6 – Advance U.S. positions on spectrum use at the 2003 World Radiocommunications Conference.

At the World Radiocommunication Conference for 2003, the U.S. addressed and resolved three major issues: Harmonization of Public Protection/Disaster Relief Spectrum; (2) High Speed Internet for Airline Passengers; and (3) Regulatory Restrictions on the Global Positioning System (GPS).

FY04 Output 1 – Continue implementation of recommendations made by the Spectrum Policy Task Force and take steps to improve the efficient and effective use of spectrum such as promoting the use of spectrum for new efficient technologies and systems.

FY04 Output 2 – Increase the number of new spectrum users.

FY04 Output 3 – Negotiate and enforce satellite and other coordination treaties with affected countries.

FY04 Output 4 – Develop rules to permit the licensing of innovative satellite technologies.

FY04 Output 5 – Advance U.S. positions on spectrum through the International Telecommunications Union and other for a, including preparations for WRC-07.

FY04 Output 6 – Enforce satellite milestones.

FY04 Output 7 – Encourage the deployment of new spectrum efficient technologies, including spread spectrum systems, ultra-wideband systems and cognitive radio.

FY04 Output 8 – Enforce regulations and investigate complaints affecting communications systems and infrastructure.

FY04 Output 9 – Construct anechoic test facility for making sensitive measurements for advanced equipment and systems at the Columbia Engineering Laboratory.

FY04 Output 10 – Increase reliance on market-driven transactions to promote and facilitate efficient spectrum usage.

III-4. Future Output Measures Related To This Goal:

FY05 Output 1 – Continue implementation of recommendations made by the Spectrum Policy Task Force and take steps to improve the efficient and effective use of spectrum such as promoting the use of spectrum for new, spectrum efficient technologies and systems.

FY05 Output 2 – Increase the number of new spectrum users.

FY05 Output 3 – Negotiate and enforce satellite and other coordination treaties with affected countries.

FY05 Output 4 – Develop rules to permit the licensing of innovative satellite technologies.

FY05 Output 5 – Advance U.S. positions on spectrum through the International Telecommunications Union and other for a, including preparations for WRC-07.

FY05 Output 6 – Enforce satellite milestones.

FY05 Output 7 – Encourage the deployment of new spectrum efficient technologies, including

spread spectrum systems, ultra-wideband systems and cognitive radio.

FY05 Output 8 – Enforce regulations and investigate complaints affecting communications systems and infrastructure.

FY05 Output 9 – Promote the efficient use of spectrum for new technologies.

FY05 Output 10 – Increase reliance on market-driven transactions to promote and facilitate efficient spectrum usage.

FY05 Output 11 – Begin a multi-year audit of spectrum use to identify underutilized blocks of spectrum.

FY05 Output 12 – Identify 100 megahertz of encumbered spectrum bands below 5 GHz and currently licensed under legacy command-and-control regimes to transition to expanded flexible rights licensing models within the next five years.

III-4a. Planned Program Evaluations:⁴

FY 2005 – Universal Service Fund

FY 2006 – Spectrum Auction Program Account

FY 2007 – Spectrum Auction Direct Loan Financing Account

FY 2008 – FCC (General Salaries and Expenses)

III-5. Resources Needed To Achieve Output Measures:

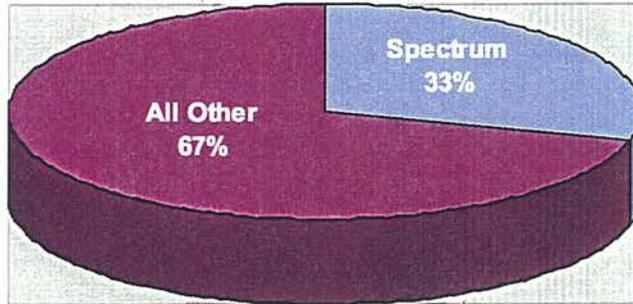
Processes	Skills	Technology
<ul style="list-style-type: none"> ▪ Rulemaking ▪ Industry analysis ▪ Data collection ▪ Licensing ▪ Engineering 	<ul style="list-style-type: none"> ▪ Prospective and innovative thinking in order to identify ways to use spectrum while ensuring adequate communications for public 	<ul style="list-style-type: none"> ▪ Auctions system ▪ Universal Licensing System (ULS) ▪ International Bureau Filing System (IBFS)

⁴ Program evaluations, using the Program Assessment Rating Tool (PART) methodology and format, will be conducted by staff or contractors of the FCC’s Office of Managing Director in the fiscal years indicated. Program evaluations are one of several methods the FCC uses to validate measured values. The other validation techniques are certifications of reliability from data sources; the FCC’s ongoing vulnerability assessment program; and audits, reports, and reviews performed by groups such as the Inspector General (IG) and U. S. General Accounting Office (GAO). Specific detail on data sources, baseline data, use of agency systems, and reliance on external data sources are part of the methodology section associated with each of these validation techniques.

<ul style="list-style-type: none"> ▪ Intergovernmental collaboration and international negotiations ▪ Notice of Apparent Liability/Forfeitures ▪ Spectrum audits 	<p>safety and critical infrastructure protection.</p> <ul style="list-style-type: none"> ▪ Auditing, investigating, enforcing. ▪ Understanding of economical and technical aspects of spectrum uses for the benefit of the public. ▪ Understanding of international and regional factors. 	<ul style="list-style-type: none"> ▪ Experimental Licensing System (ELS) ▪ Cable Operations and Licensing System (COALS) ▪ Antenna Structure Registration System (ASRS) ▪ Columbia Engineering Laboratory ▪ Enforcement equipment ▪ Equipment Authorization System (EAS) ▪ Consolidated Database System (CDBS) ▪ Desktop/Network Document Development and Data Access Tools ▪ COSER Database System
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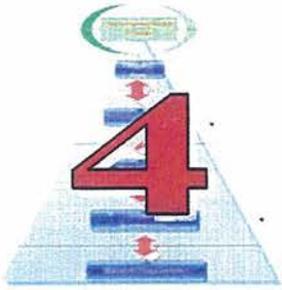
Funds and Staff					
FY 2003		FY 2004		FY 2005	
\$80,750,426	600 FTE's	\$89,584,266	658 FTE's	\$96,015,527	653 FTE's

III-5a. Spectrum As A Percentage Of Total FY05 Financial Requests:



III-5b. Sources Of Increased Request When Compared To FY04:

FY04 Goal Request	Goal's Distributed Fixed Increases	Goal's Programmatic Increases	FY05 Goal Request
\$89,584,266	\$1,927,011	\$4,504,250	\$96,015,527



IV-1. Strategic Goal: Media

Revise media regulations so that media ownership rules promote competition and diversity in a comprehensive, legally sustainable manner, facilitate the mandated migration to digital modes of delivery, and clarify and ensure compliance with general media obligations.

IV-2. Performance Goals:

Develop a sound analytic foundation for media ownership rules.

Facilitate the transition to digital television and radio.

Clarify and ensure compliance with general media obligations.

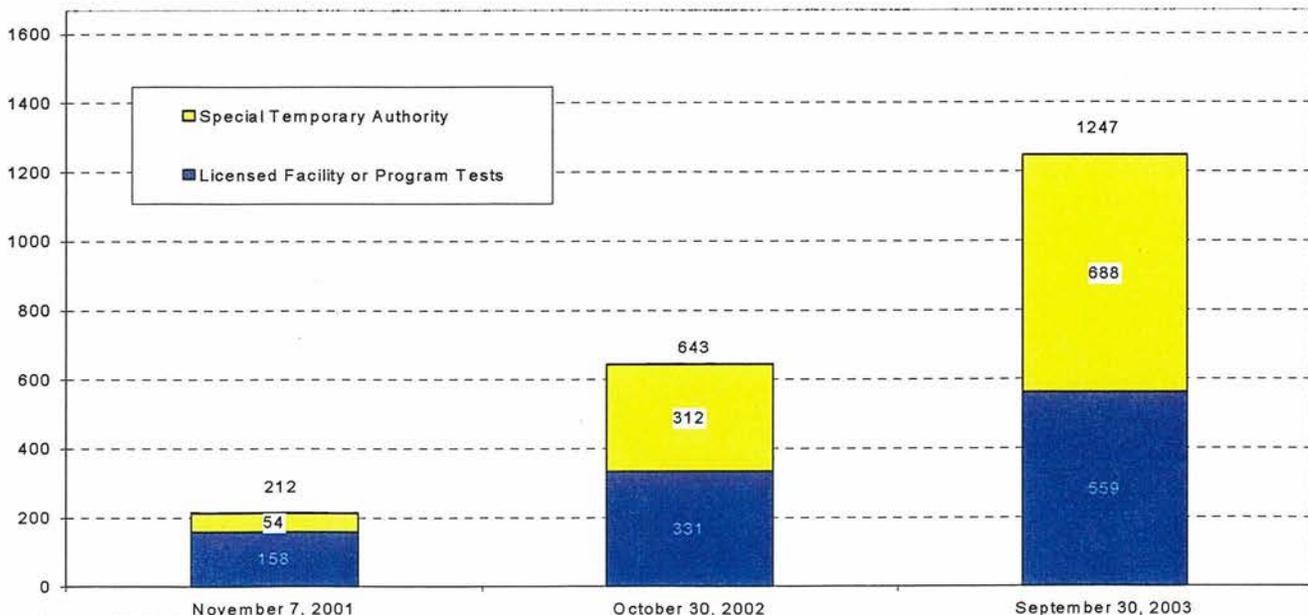
IV-3. Past Activities Related To This Goal:

IV-3a. Outcome Indicators:

1. Significant progress in the transition to digital television and radio.
2. Increasing investment by consumers in digital equipment.
3. Increasing deployment by industry in digital programming, equipment, and infrastructure.

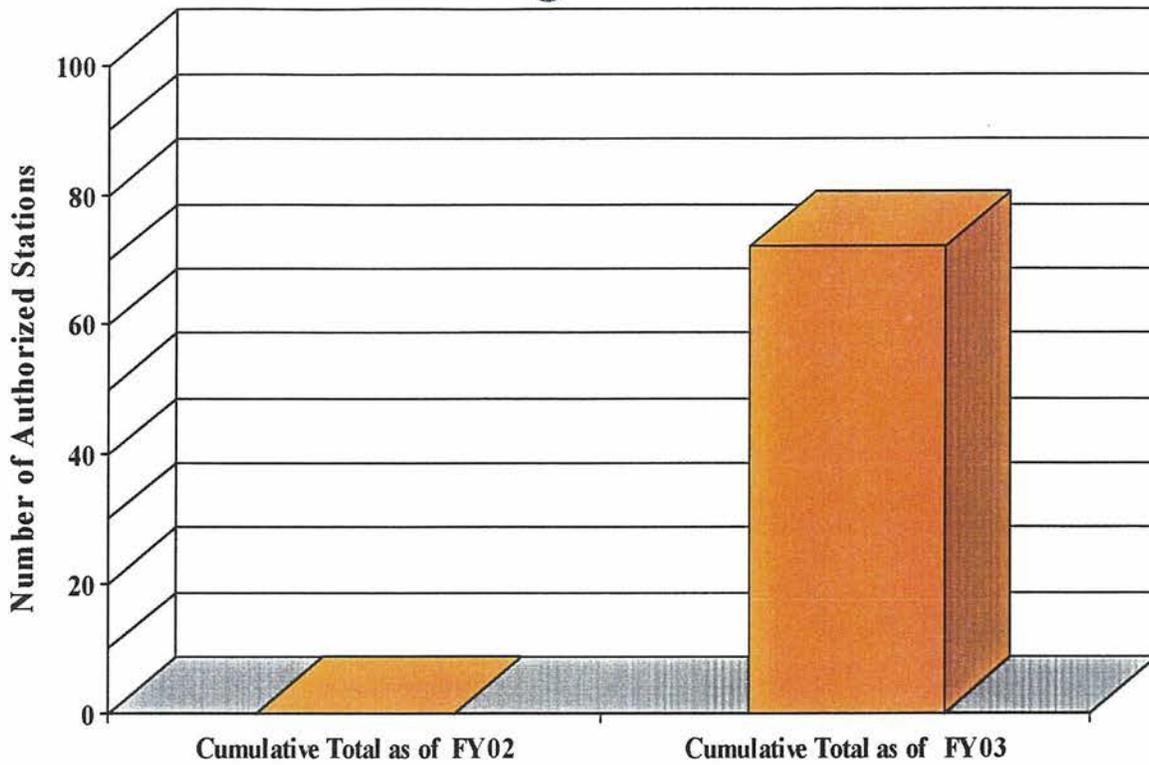
Outcome Indicator 1:

DTV Stations Authorized to be on the Air

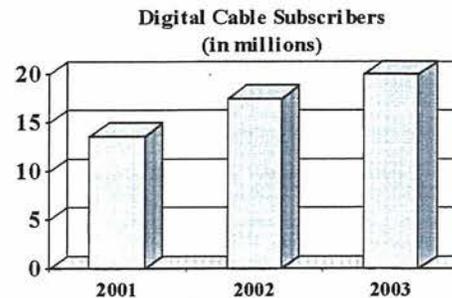
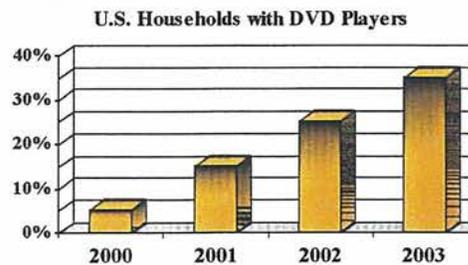
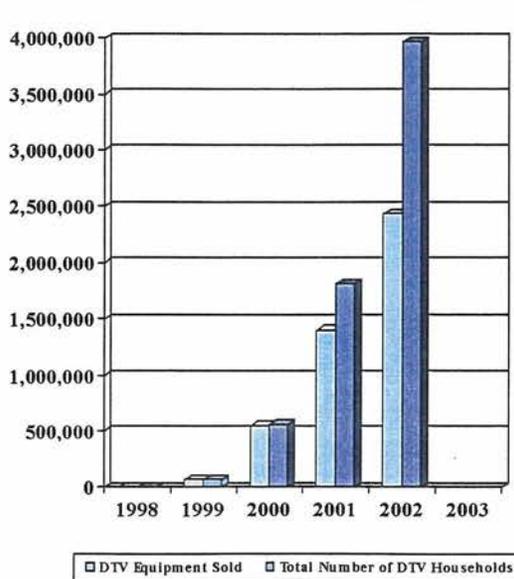


Source: Media Bureau

Outcome Indicator 1:
Transition To Digital Terrestrial Radio

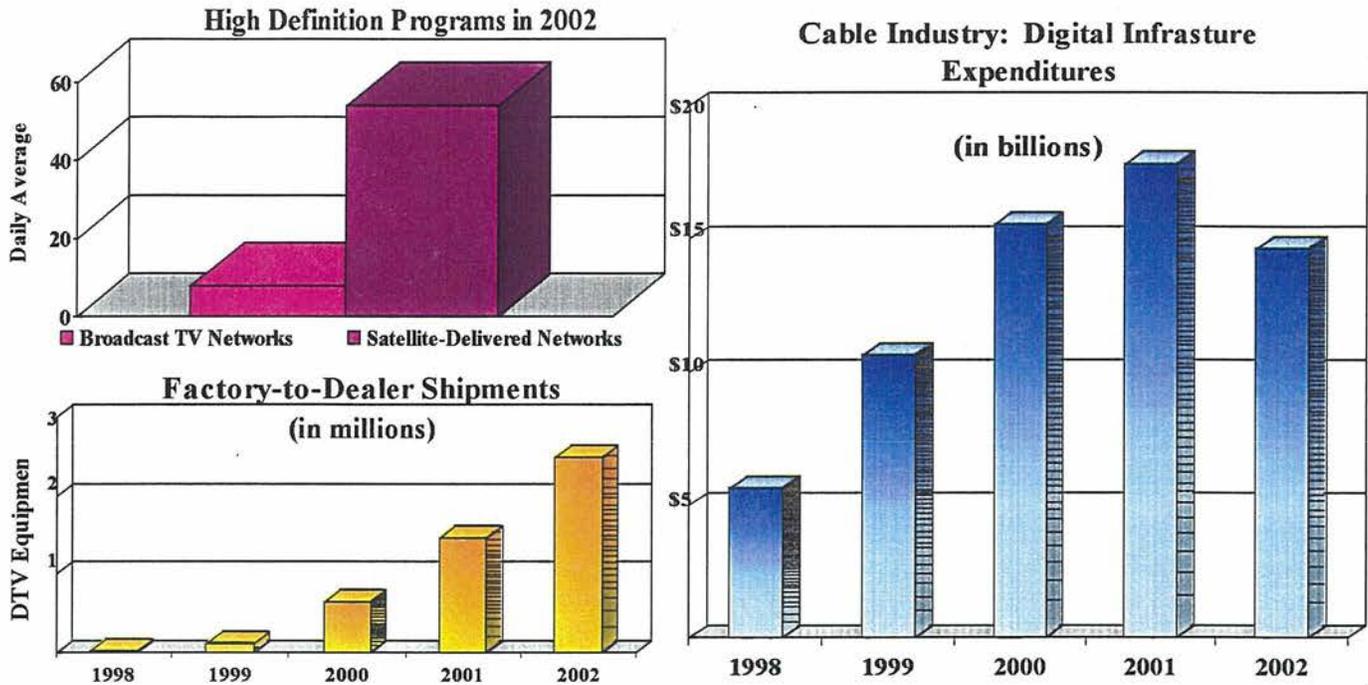


Outcome Indicator 2:
Increasing Investment by Consumers in Digital Equipment



2003 statistical data will not be available until the Summer of 2004.

Outcome Indicator 3: Deployment by Industry in Digital Programming, Equipment, and Infrastructure



2003 statistical data will not be available until the Summer 2004.

IV-3b. Output Measures:

FY03 Output 1 – Complete selected studies that support development of appropriate media rules for the current media marketplace.

On October 1, 2002, the FCC’s Media Ownership Working Group released 12 media ownership studies that support the development of appropriate media rules for the media marketplace.

FY03 Output 2 – Issue Third Biennial Review Report of Broadcast Ownership Rules.

On June 2, 2003, the FCC revised its broadcast ownership rules, in compliance with Section 202(h) of the Communications Act, to assure that the rules protect diversity, localism, and competition while taking account of the media marketplace.

FY03 Output 3 – Create and enforce regulations to advance the digital transition and implement public education efforts.

In October 2002, the Commission adopted a Report and Order selecting a digital audio transmission standard. This action permits, but does not require, broadcasters to begin providing terrestrial digital radio service immediately. The FCC continues to license commercial and non-commercial digital television (DTV) stations. The FCC also addressed key standard and technology issues related to the broadcast flag and plug-and-play.

FY03 Output 4 – Develop statistical data for tracking consumer/industry investment in digital programming and equipment.

The FCC created a mechanism to track investments in digital programming, equipment, and infrastructure.

FY04 Output 1 – Resolve challenges to revised rules issued in Third Biennial Review of Broadcast Ownership Rules and issue NPRM for Fourth Biennial Review of broadcast ownership rules to assure that the rules reflect the current media marketplace.

FY04 Output 2 – Adopt and enforce regulations to advance the digital transition and implement public education efforts, e.g., DTV Must-Carry, DTV Periodic Review, DTV LPTV and TV Translators, Plug-and-Play, Broadcast Flag, and Digital Audio Systems and Service Rules.

FY04 Output 3 – Initiate any further actions to gather information and data from consumers,

industry, civic organizations, and others to assess broadcasters' service to local communities.

FY04 Output 4 – Resolve and enforce broadcast, cable and satellite operating matters in a timely way (e.g., children's television, public files, leased access, main studio, EEO, political programming, closed captioning, analog must carry, and other non-technical rules).

FY04 Output 5 – Conduct staff review of DTV technical rules to identify any changes needed to facilitate the completion of the DTV transition mandated by statute.

FY04 Output 6 – Foster the digital television transition by negotiating cross-border agreements with Canada and Mexico.

IV-4. Future Output Measures Related To This Goal:

FY05 Output 1 – Complete Fourth Biennial Review of Broadcast Ownership Rules, including adoption of revised Media Ownership Rules that reflect the current media marketplace.

FY05 Output 2 – Continue to adopt and enforce regulations to advance the digital transition and implement public education efforts, e.g., DTV Must-Carry, DTV Periodic Review, DTV LPTV and TV Translators, Plug-and-Play, Broadcast Flag, and Digital Audio Systems and Service Rules.

FY05 Output 3 – Issue a Report to gather information and data from consumers, industry, civic organizations, and others to assess broadcasters' service to local communities.

FY05 Output 4 – Resolve and enforce broadcast, cable and satellite rule compliance matters that arise in licensing proceedings in a

timely way (e.g., children's television, public files, leased access, main studio, EEO, political programming, closed captioning, analog must carry, and other non-technical rules).

FY05 Output 5 – Initiate any actions to revise DTV technical rules and table of allotments necessary to facilitate the completion of the DTV transition mandated by statute.

FY05 Output 6 – Foster the digital television transition by working with industry to educate consumers to stimulate consumer investment in digital equipment.

FY05 Output 7 – Foster the digital television transition by negotiating cross-border agreements with Canada and Mexico.

IV-4a. Planned Program Evaluations:⁵

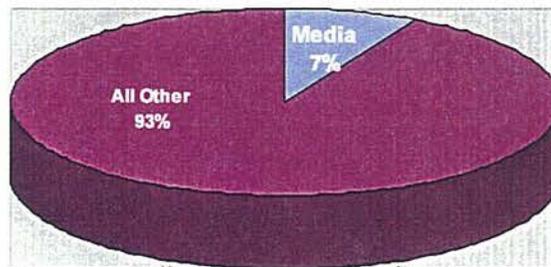
- FY 2005 – Universal Service Fund
- FY 2006 – Spectrum Auction Program Account
- FY 2007 – Spectrum Auction Direct Loan Financing Account
- FY 2008 – FCC (General Salaries and Expenses)

IV-5. Resources Needed To Achieve Output Measures:

Processes	Skills	Technology
<ul style="list-style-type: none"> ▪ Rulemaking ▪ Industry monitoring and analysis ▪ Data collection ▪ Licensing ▪ Notice of Apparent Liability/Forfeitures ▪ Education 	<ul style="list-style-type: none"> ▪ Engineering, economic, and legal skills necessary to implement mandatory digital transitions. ▪ Auditing, investigating, enforcing. ▪ Understanding of economic and legal impacts of converging media technologies. ▪ Ability to educate American consumers on the advantages of digital media. 	<ul style="list-style-type: none"> ▪ Columbia Engineering Laboratory ▪ Enforcement equipment ▪ Engineering utilities applications ▪ Consolidated Database System (CDBS) ▪ International Bureau Filing System (IBFS) ▪ Cable Operations and Licensing System (COALS) ▪ Desktop/Network Document Development and Data Access Tools ▪ Auctions system

Funds and Staff					
FY 2003		FY 2004		FY 2005	
\$21,677,967	162 FTE's	\$21,368,724	158 FTE's	\$22,457,878	158 FTE's

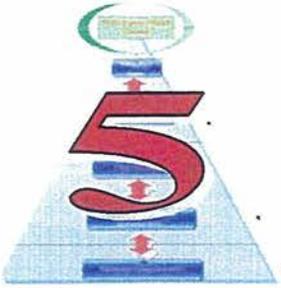
IV-5a. Media As A Percentage Of Total FY05 Financial Requests:



⁵ Program evaluations, using the Program Assessment Rating Tool (PART) methodology and format, will be conducted by staff or contractors of the FCC's Office of Managing Director in the fiscal years indicated. Program evaluations are one of several methods the FCC uses to validate measured values. The other validation techniques are certifications of reliability from data sources; the FCC's ongoing vulnerability assessment program; and audits, reports, and reviews performed by groups such as the Inspector General (IG) and U. S. General Accounting Office (GAO). Specific detail on data sources, baseline data, use of agency systems, and reliance on external data sources are part of the methodology section associated with each of these validation techniques.

IV-5b. Sources Of Increased Request When Compared To FY04:

FY04 Goal Request	Goal's Distributed Fixed Increases	Goal's Programmatic Increases	FY05 Goal Request
\$21,368,724	\$459,654	\$629,500	\$22,457,878



V-1. Strategic Goal: Homeland Security

Provide leadership in evaluating and strengthening the Nation's communications infrastructure, in ensuring rapid restoration of that infrastructure in the event of disruption, and in ensuring that essential public health and safety personnel have effective communications services available to them in emergency situations.

V-2. Performance Goal:

Promote a reliable, secure, and survivable communications infrastructure for the United States.

V-3. Past Activities Related To This Goal:

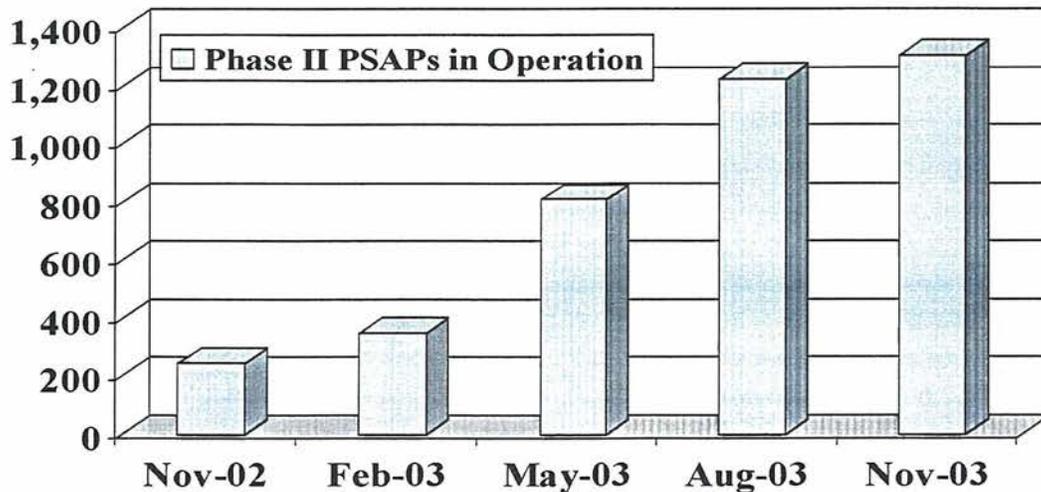
V-3a. Outcome Indicators:

1. Increasing deployment of E-911.
2. Increasing Telecommunications Service Priority (TSP) participation.
3. Increasing amounts of spectrum available for public safety communications.
4. Decreasing number of interference complaints affecting public safety communications [measurement under development].

Outcome Indicator 1:

Phase II E-911 Operational Growth

Nov. 1, 2002 – Nov. 1, 2003
(Cumulative)



Number of Public Safety Answering Points (PSAPs) receiving Phase II location information from at least one mobile service licensee. Phase II rules require licensees to transmit 911 caller location information to PSAPs with greater accuracy than Phase I deployment.

Outcome Indicator 2:
Increase Telecommunications Service Priority Participation

Source of Data: Office of Engineering Technology TSP Restoration Program Summary Report

Fiscal Year 2003				
User Type	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
911 Administrators	759 (1.0%)	1,211 (1.6%)	1,947 (2.6%)	2,471 (3.3%)

The Telecommunications Service Priority (TSP) program is an FCC initiative to identify and prioritize telecommunication services that support national security or emergency preparedness (NS/EP) missions. TSP consists of 75,000 nationwide telephone and data (to computer centers) lines. The TSP program also provides a legal means for the telecommunications industry to provide preferential treatment to services enrolled in the program. By this being a new initiative, the Commission is focusing outreach efforts in the area of 911 centers because their TSP participation numbers are low and their communications-related activities are important.

Outcome Indicator 3:
Spectrum Available for Public Safety Communications

Source of Data: Office of Engineering Technology and Wireless Telecommunications Bureau

Spectrum Service/Device	Frequency	Detail
FCC affirmed rules to authorize the deployment of ultra-wideband technology in a Memorandum Opinion and Order on Reconsideration (MO&O).	960-3100 MHz	On February 13, 2003, the FCC adopted a MO&O that largely reaffirmed the procedures adopted in 2002 to authorize the unlicensed operations of ultra-wideband devices. Minor changes were implemented to further facilitate the operation of imaging devices (i.e., through-wall imaging systems by law enforcement, emergency rescue and firefighter personnel in emergency situations, etc.).
The 4.9. GHz Band Transferred from Federal Government Use in a Memorandum Opinion and Order on Reconsideration (MO&O) and 3 rd Report and Order (R&O).	4940-4990 MHz	On April 23, 2003, the FCC adopted a MO&O and 3 rd R&O that established licensing and service rules for the 4940-4990 MHz to promote effective public safety communications and innovation in wireless broadband services in support of public safety.
Multi-channel Video Distribution and Data Service (MVDDS) (12 GHz) in 3 rd R&O	12.2-12.7 GHz	On June 13, 2003, the FCC adopted an 3 rd R&O that revised the service area definition as well as the build out requirements for the Multi-channel Video Distribution and Data Service (MVDDS) in the 12.2-12.7 GHz band to facilitate delivery of Advanced Wireless services in the 12 GHz band and promote expeditious deployment of such services to wide range of populations, including unserved and underserved communities.
Licensing electromagnetic spectrum (27 MHz) in MO&O	216-220 MHz, 1390-1395 MHz, 1427-1432 MHz, 1670-1675 MHz, 2385-2390 MHz	On August 7, 2003, the FCC adopted a MO&O adopting service rules to govern the licensing of 27 MHz of electromagnetic spectrum in the 216-220 MHz, 1390-1395 MHz, 1427-1429 MHz, 1429-1432 MHz, 1670-1675 MHz, & 2385-2390 MHz bands, which were reallocated for non-Government use.

V-3b. Output Measures:

FY03 Output 1 – Complete the deliverables required by the Network Reliability and Interoperability Council (NRIC).

On March 14, 2003, NRIC met to consider best practices for network restoration and disaster recovery/business continuity; and received progress reports from various focus groups. NRIC VI completed Phase I and identified seven accomplishments.

FY03 Output 2 – Complete work of the National Coordination Committee (NCC), a federal advisory committee established to facilitate implementation of wireless public safety interoperability.

The NCC issued its final recommendations to the Commission concerning 700 MHz interoperability equipment standards and concluded its federal advisory committee activities.

FY03 Output 3 – Issue regulations facilitating the implementation of wireless public safety interoperability.

In FY 2003, the FCC adopted six rulemaking proceedings addressing spectrum issues to improve wireless public safety interoperability.

FY03 Output 4 – Increase coordination with the National Communications System (NCS) on implementation of the Wireless Priority Access System (WPAS).

On January 21, 2003, the NCS announced implementation of the Wireless Priority Access System (WPAS) to areas of the Eastern United States. As of April 2003, 33 cities nationwide have access to WPAS.

FY03 Output 5 – Facilitate deployment of enhanced 911 services through new regulations, clarification of existing regulations, enforcement proceedings, and data tracking.

During 2003, the FCC continued its strategic plan to achieve rapid E911 deployment, including rulings to clarify and expand implementation responsibilities, investigation of technical and operational challenges, and outreach and coordination. The FCC brought together representatives from the Federal government, public safety community, wireless carriers, local exchange carriers (LECs), and other interested stakeholders to address ongoing implementation

issues such as Public Safety Answering Point (PSAP) funding, wireless carrier implementation and prioritization, issues related to LECs, and the challenges faced by rural carriers.

FY04 Output 1 – Identify and engage domestic and international counterparts on homeland security issues.

FY04 Output 2 – Develop regulations to ensure the security and survivability of the satellite communications infrastructure, including treatment of orbital debris.

FY04 Output 3 – Ensure public safety has adequate means of meeting communications needs through spectrum and technology.

FY04 Output 4 – Increase the deployment of Telecommunications Service Priority participation.

FY04 Output 5 – Enhance consumer awareness of communications security and reliability issues in emergency situations.

FY04 Output 6 – Enforce technical regulations and investigate harmful interference complaints affecting public safety communications systems and infrastructure.

FY04 Output 7 - Enhance public safety communications.

FY04 Output 8 – Enhance telecommunications and media network reliability.

FY04 Output 9 – Complete rulemakings/issue regulations that further the accessibility of the telecommunications network to people with disabilities (e.g., Telecom Relay Services (TRS) including annual review of TRS issues, and Section 255 accessibility to equipment and services).

FY04 Output 10 – Facilitate deployment of enhanced 911 services through new regulations, clarification of existing regulations, enforcement proceedings, and data tracking.

FY04 Output 11 – Coordinate Section 214 market access and Section 310 foreign ownership reviews with the Executive Branch.

FY04 Output 12 – Complete the deliverables required by the Network Reliability and Interoperability Council (NRIC) and Media Security and Reliability Council (MSRC) charters.

FY04 Output 13 – Enhance the Emergency Alert System through consistent, strong enforcement of EAS equipment and testing requirements.

V-4. Future Output Measures Related To This Goal:

FY05 Output 1 – Identify and engage domestic and international counterparts on homeland security issues.

FY05 Output 2 – Develop regulations to ensure the security and survivability of the satellite communications infrastructure.

FY05 Output 3 – Ensure public safety has adequate means of meeting communications needs through spectrum and technology.

FY05 Output 4 – Increase the deployment of Telecommunications Service Priority participation.

FY05 Output 5 – Enhance the delivery of alert and public warning messages.

FY05 Output 6 – Enforce technical regulations and investigate harmful interference complaints affecting public safety communications systems and infrastructure.

FY05 Output 7 – Enhance public safety communications.

FY05 Output 8 – Enhance telecommunications and media network reliability.

FY05 Output 9 – Complete rulemakings/issue regulations that further the accessibility of the telecommunications network to people with disabilities (e.g., Telecom Relay Services (TRS) including annual review of TRS issues, and Section 255 accessibility to equipment and services).

FY05 Output 10 – Facilitate deployment of enhanced 911 services through new regulations, clarification of existing regulations, enforcement proceedings, and data tracking.

FY05 Output 11 – Enhance consumer awareness of communications security and reliability issues in emergency situations.

FY05 Output 12 – Coordinate Section 214 market access and Section 310 foreign ownership reviews with the Executive Branch.

V-4a. Planned Program Evaluations:⁶

FY 2005 – Universal Service Fund

FY 2006 – Spectrum Auction Program Account

FY 2007 – Spectrum Auction Direct Loan Financing Account

FY 2008 – FCC (General Salaries and Expenses)

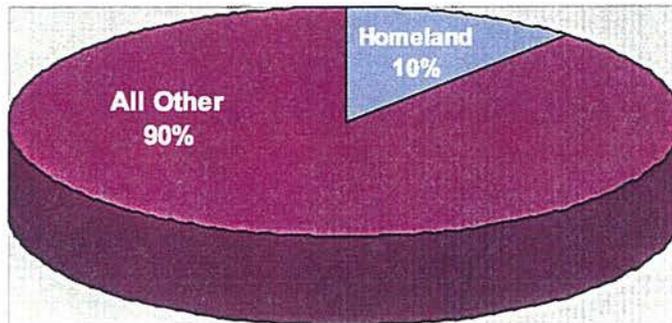
⁶ Program evaluations, using the Program Assessment Rating Tool (PART) methodology and format, will be conducted by staff or contractors of the FCC's Office of Managing Director in the fiscal years indicated. Program evaluations are one of several methods the FCC uses to validate measured values. The other validation techniques are certifications of reliability from data sources; the FCC's ongoing vulnerability assessment program; and audits, reports, and reviews performed by groups such as the Inspector General (IG) and U. S. General Accounting Office (GAO). Specific detail on data sources, baseline data, use of agency systems, and reliance on external data sources are part of the methodology section associated with each of these validation techniques.

V-5. Resources Needed To Achieve Output Measures:

Processes	Skills	Technology
<ul style="list-style-type: none"> ▪ Rulemaking ▪ Data collection and analysis ▪ Intergovernmental and international discussions ▪ Public safety licensing ▪ Communications and Crisis Management Center ▪ Public Safety National Coordination Committee (NCC) ▪ National Communications System (NCS) ▪ Government Emergency Telecommunications Service (GETS) ▪ Telecommunications Service Priority System (TSP) ▪ Continuity of Operations Plan (COOP) ▪ Network Reliability and Interoperability Council (NRIC) ▪ Media Security and Reliability Council (MSRC) ▪ Notice of Apparent Liability/Forfeitures ▪ Adjudicatory proceedings ▪ E-911 planning and coordination 	<ul style="list-style-type: none"> ▪ Knowledge of federal and state public safety and emergency procedures. ▪ Understanding of national defense operations. ▪ Understanding technologies, evaluating their vulnerabilities, assessing the needs and evaluating technical solutions. ▪ Facilitation and communication skills to promote awareness and coordination among numerous emergency services and plans. ▪ Risk assessment. ▪ Investigating and enforcing. ▪ Training ▪ Drills/planning 	<ul style="list-style-type: none"> ▪ E-911/Wireless E-911 ▪ Emergency Alert System (EAS) ▪ Wireless Priority Access System (WPAS) ▪ International Bureau Filing System (IBFS)

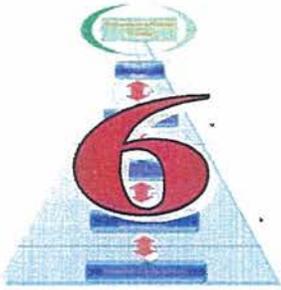
Funds and Staff					
FY 2003		FY 2004		FY 2005	
\$28,452,331	212 FTE's	\$28,217,674	208 FTE's	\$30,440,405	208 FTE's

V-5a. Homeland Security As A Percentage Of Total FY05 Financial Requests:



V-5b. Sources Of Increased Request When Compared To FY04:

FY04 Goal Request	Goal's Distributed Fixed Increases	Goal's Programmatic Increases	FY05 Goal Request
\$28,217,674	\$606,979	\$1,615,750	\$30,440,403



VI-1. Strategic Goal: Modernize the FCC

Emphasize performance and results through excellent management. Develop and retain independent mission-critical expertise and align the FCC with the dynamic communications markets.

VI-2. Performance Goal:

Become a more responsive, efficient, and effective agency.

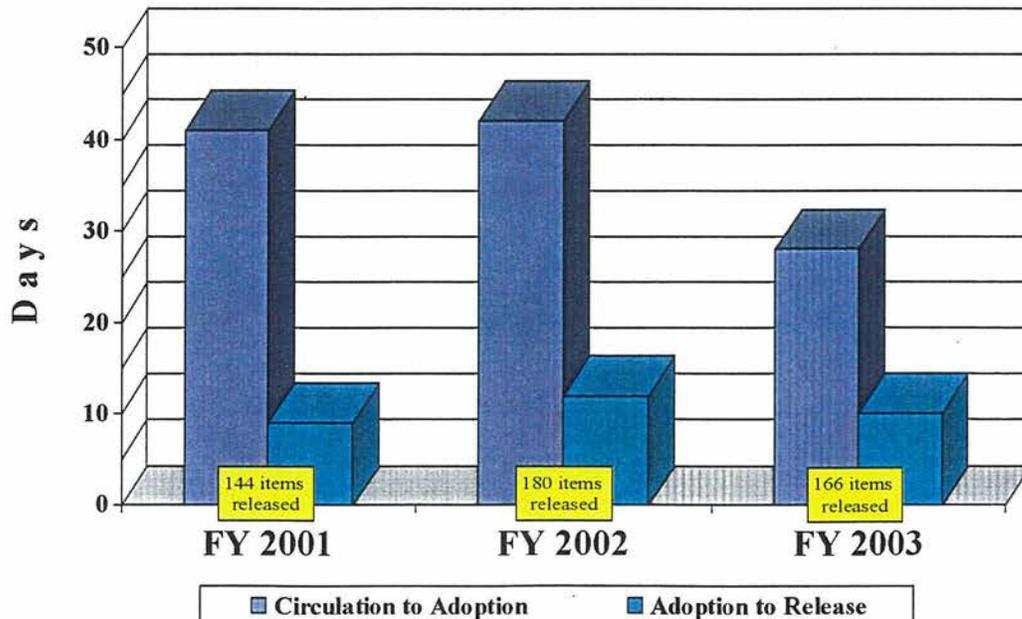
VI-3. Past Activities Related To This Goal:

VI-3a. Outcome Indicators:

1. Reducing the average time required to complete rulemakings (improve workflow, document and knowledge management).
2. Increasing efficiency in the processing of workload (measured by and reported in the Quarterly Performance and Results Review (QPRR)).
3. Employing appropriate number of attorneys, engineers and economists [measurement under development].
4. All FCC employees participating in appropriate career development activities [data will be available for FY 2004].
5. Increasing rate of agency achievement of strategic objectives [measurement under development].

Outcome Indicator 1:

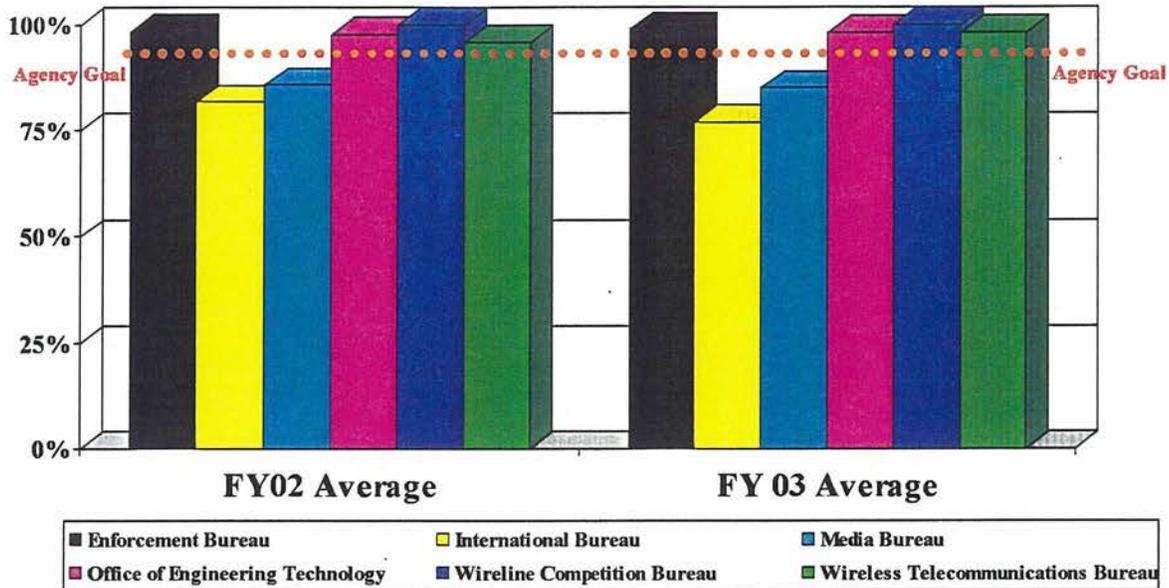
Average Time Required to Complete Rulemaking



Outcome Indicator 2: Percentage Of Actions Disposed Of Within Speed Of Disposal Goals

FY03 Goal: 95%

Source of Data: Speed of Disposal Reports from Bureaus/Offices

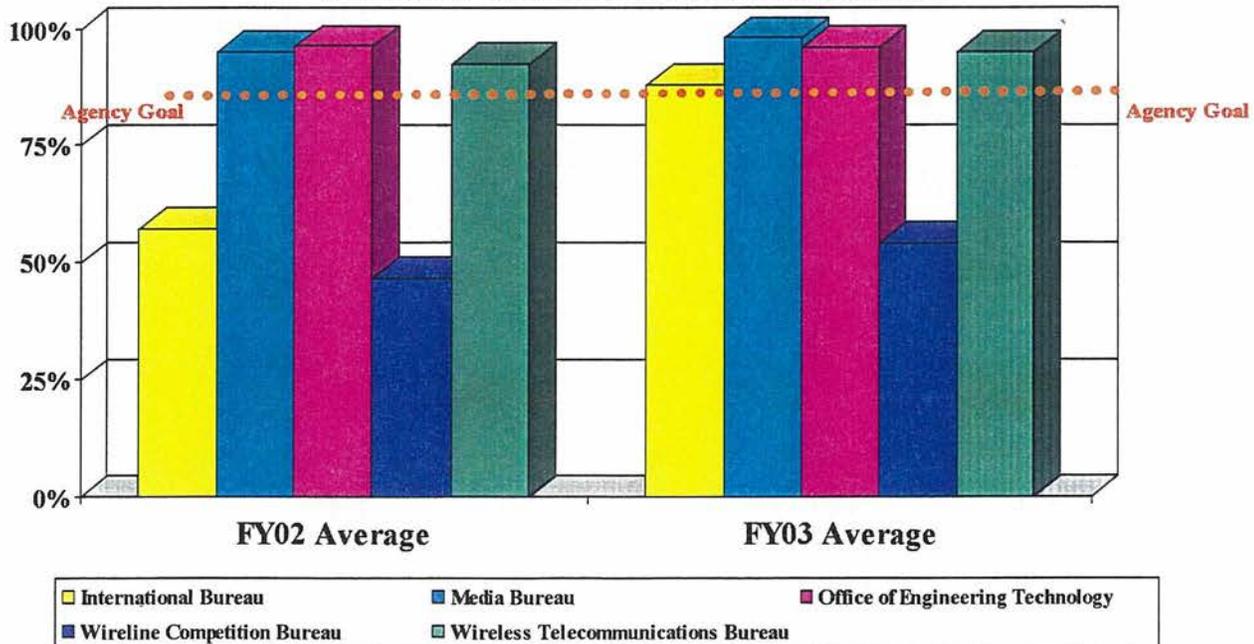


This chart reflects Customer Service Goals.

Outcome Indicator 2: Percentage Of Actions Filed Electronically

FY03 Goal: 85%

Source of Data: Speed of Disposal Reports from Bureaus/Offices



VI-3b. Output Measures:

FY03 Output 1 – Initiate analysis and design of an integrated licensing interface portal and Help Desk.

The FCC took the first steps leading to the modernization of outdated web based application systems. Using external customer feedback, FCC created a new Support Center Website that is more customer focused and provides toll-free telephone assistance. This effort involved the integration of separate processes, as well as the introduction of new technologies and web based self-help tools including online submission of password reset requests and technical support requests.

FY03 Output 2 – Initiate policy and rulemaking system (document/knowledge management and workflow) pilot for selected auctions proceedings.

In FY 2003, the FCC initiated a pilot project to improve productivity, decision-making, and collaboration in the policy and rulemaking process. This project, Improving the Management of Policy Activities through Collaborative Technologies (IMPACT) will implement document management, workflow, knowledge management and collaboration tools, and new document editing capabilities to increase the timeliness of policy and rulemaking activities.

FY03 Output 3 – Report on Bureau and Office efficiency initiatives identified in the FCC's Quarterly Performance and Results Review (QPRR) Report.

The FCC identified 28 outcome (performance) indicators to be tracked and monitored in the QPRR categorized under the six agency-wide goals – Broadband, Competition, Spectrum, Media, Homeland Security, and Modernize the FCC.

FY03 Output 4 – Develop plan to ensure agency has appropriate engineering, legal, and economic expertise.

During FY 2003, the FCC initiated a workforce analysis to determine the appropriate mix of engineers, attorneys, and economists.

FY03 Output 5 – Formalize Engineer-in-Training (EIT) Program and establish a mentoring program.

The FCC hired 7 engineers through the Engineer-in-Training program and visited 15 universities to conduct on-campus recruitment.

FY03 Output 6 – Expand competency-based career development program for key groups.

During FY 2003, the FCC established a performance baseline through an agency-wide survey and implemented Individual Development Plan (IDP) program for all employees.

FY03 Output 7 – Senior Executive Service (SES) performance plans and awards are linked to the FCC's Strategic Plan goals and measures.

As of March 2003, the FCC linked all SES performance plans and awards to the FCC Strategic Plan.

FY03 Output 8 – Develop plan for implementation of performance-based budgeting.

The FCC established a performance-based budgeting system through the integration of budget, performance goals, and resources.

FY04 Output 1 – Assess and report on the initial results of the IMPACT pilot.

FY04 Output 2 – Bureau/Office efficiency initiatives reported in Quarterly Performance and Review Report.

FY04 Output 3 – Ensure appropriate number of engineers, economists, and attorneys.

FY04 Output 4 – All agency staff participates in appropriate career development discussions with their supervisor.

FY04 Output 5 – Supervisory and managerial performance plans and awards are linked to the FCC's Strategic Plan goals and measures.

FY04 Output 6 – Implement performance-based budgeting based on OMB guidelines.

FY04 Output 7 – To improve FCC operations, conduct audits, assessments and evaluations and make recommendations (e.g., Fiscal Year Financial Statements, Federal Information Security Management Act (FISMA) Evaluations, and Continuity of Operations Plan (COOP)).

VI-4. Future Output Measures Related To This Goal:

FY05 Output 1 – Bureau/Office efficiency initiatives reported in the Quarterly Performance and Review Report.

FY05 Output 2 – Expand the Improving Management of Policy Activities through Collaborative Technologies (IMPACT) project.

FY05 Output 3 – Continue to review and adjust staff composition to ensure a high-performing, diverse workforce.

FY05 Output 4 – Implement a learning management system.

FY05 Output 5 – Employee performance plans and awards are linked to the FCC’s Strategic Plan’s goals and measures.

FY05 Output 6 – Continue implementation of performance-based budgeting based on OMB guidelines.

FY05 Output 7 – To improve FCC operations, conduct audits, assessments and evaluations and make recommendations (e.g., Fiscal Year Financial Statements, and Federal Information Security Management Act (FISMA) Evaluations).

VI-4a. Planned Program Evaluations:⁷

FY 2005 – Universal Service Fund

FY 2006 – Spectrum Auction Program Account

FY 2007 – Spectrum Auction Direct Loan Financing Account

FY 2008 – FCC (General Salaries and Expenses)

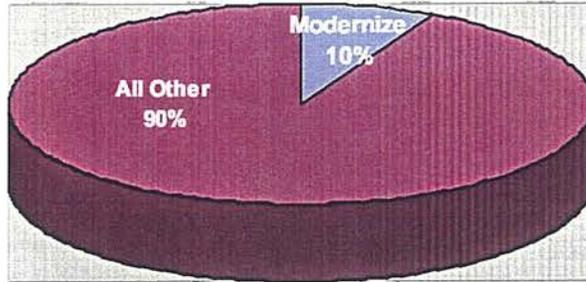
VI-5. Resources Needed To Achieve Output Measures:

Processes	Skills	Technology
<ul style="list-style-type: none"> ▪ Management and document tracking and change control ▪ Workforce analysis ▪ Capital asset planning and deployment ▪ Strategic and performance planning ▪ Information technology planning and deployment ▪ Performance budgeting 	<ul style="list-style-type: none"> ▪ Planning, scheduling, and budgeting. ▪ Change management. ▪ Productivity and efficiency improvement. ▪ Training and workforce development. ▪ Workforce analysis. 	<ul style="list-style-type: none"> ▪ Commission Registration System (CORES) ▪ Budget Execution and Management System (BEAMS) ▪ Fee Filer ▪ Document Management for IMPACT Project ▪ Refreshed Design and Updated Platforms for Licensing Systems ▪ Electronic Management Tracking System (EMTS) ▪ Commission Lifecycle Agenda Tracking System (CLASPlus)

⁷ Program evaluations, using the Program Assessment Rating Tool (PART) methodology and format, will be conducted by staff or contractors of the FCC’s Office of Managing Director in the fiscal years indicated. Program evaluations are one of several methods the FCC uses to validate measured values. The other validation techniques are certifications of reliability from data sources; the FCC’s ongoing vulnerability assessment program; and audits, reports, and reviews performed by groups such as the Inspector General (IG) and U. S. General Accounting Office (GAO). Specific detail on data sources, baseline data, use of agency systems, and reliance on external data sources are part of the methodology section associated with each of these validation techniques.

Funds and Staff					
FY 2003		FY 2004		FY 2005	
\$23,845,763	176 FTE's	\$22,464,556	164 FTE's	\$28,046,282	164 FTE's

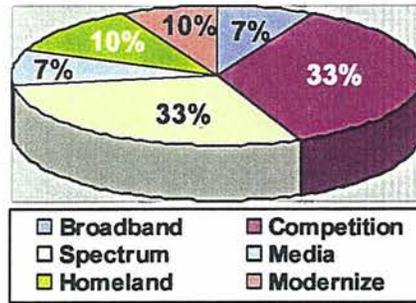
VI-5a. Modernizing The FCC As A Percentage Of Total FY05 Financial Requests:



VI-5b. Sources Of Increased Request When Compared To FY04:

FY04 Goal Request	Goal's Distributed Fixed Increases	Goal's Programmatic Increases	FY05 Goal Request
\$22,464,556	\$483,226	\$5,098,500	\$28,046,282

Distribution of Total FY 2005 Budget Request by Strategic Goal



Total Sources of Increased FY 2005 Request Compared to FY 2004

FY04 Total Request	Total Distributed Fixed Increases	Total Programmatic Increases	FY05 Total Request
\$273,958,000	\$5,893,000	\$13,107,000	\$292,958,000



FEE COLLECTIONS AND AUCTIONS

Regulatory Fees

P.L. 103-66, "The Omnibus Budget Reconciliation Act of 1993," requires that the FCC annually collect fees and retain them for FCC use in order to offset certain costs incurred by the Commission.

The fees collected are intended to recover the costs attributable to the Commission's Competition, Enforcement, Consumer Information, and Spectrum Management activities.

The fees, often referred to as Section (9) fees, apply to the current holder of the license as of a specific date and to other entities (e.g., cable television systems) which benefit from Commission regulatory activities not directly associated with its licensing or applications processing functions.

The regulatory fees do not apply to governmental entities, amateur radio operator licensees, nonprofit entities holding tax exempt status under section 501(c) of the Internal Revenue code, 26 U.S.C. 501, and certain other non-commercial entities.

The legislation gives the Commission authority to review the regulatory fees and to adjust the fees to reflect changes in its appropriation from year to year. It may also add, delete or reclassify services under certain circumstances. Additionally, the legislation requires the Commission to charge a 25% late payment penalty and to dismiss applications or revoke licenses for non-payment of the fees, although it may waive, reduce or defer payment of a fee for good cause.

The Commission implemented the Regulatory Fee collection program by rulemaking on July 18, 1994. The most recent fee schedule became effective on September 9, 2003, pursuant to an order adopted by the Commission on July 21, 2003, released July 25, 2003, and published in the Federal Register August 13, 2003 (68FR 46297).

Authorization to Retain Fees

Regulatory fee collections in excess of levels specified in the appropriation language are available for obligation by the Commission and remain available until expended. These excess collections become available for obligation on October 1, following the year in which they are collected. These funds are not limited to the one-year spending rule established for our salaries and expenses appropriation and are carried forward as no-year funds indefinitely. The combined total of all prior year-carryover regulatory fees from FY 1997 – FY 2002 was \$18.9 million. A total of \$11.2 million in carryover funds were approved for use and obligated as of FY 2001. The remaining \$6.6 million in regulatory fees, from the FY 2001 appropriation became available for obligation in FY 2002. In FY 2002 Congress authorized the Commission's use of \$2.0 million of the \$6.6 million in excess funds to meet critical physical security needs following the events of September 11th. A total of \$5.7 million in carryover funds remained at

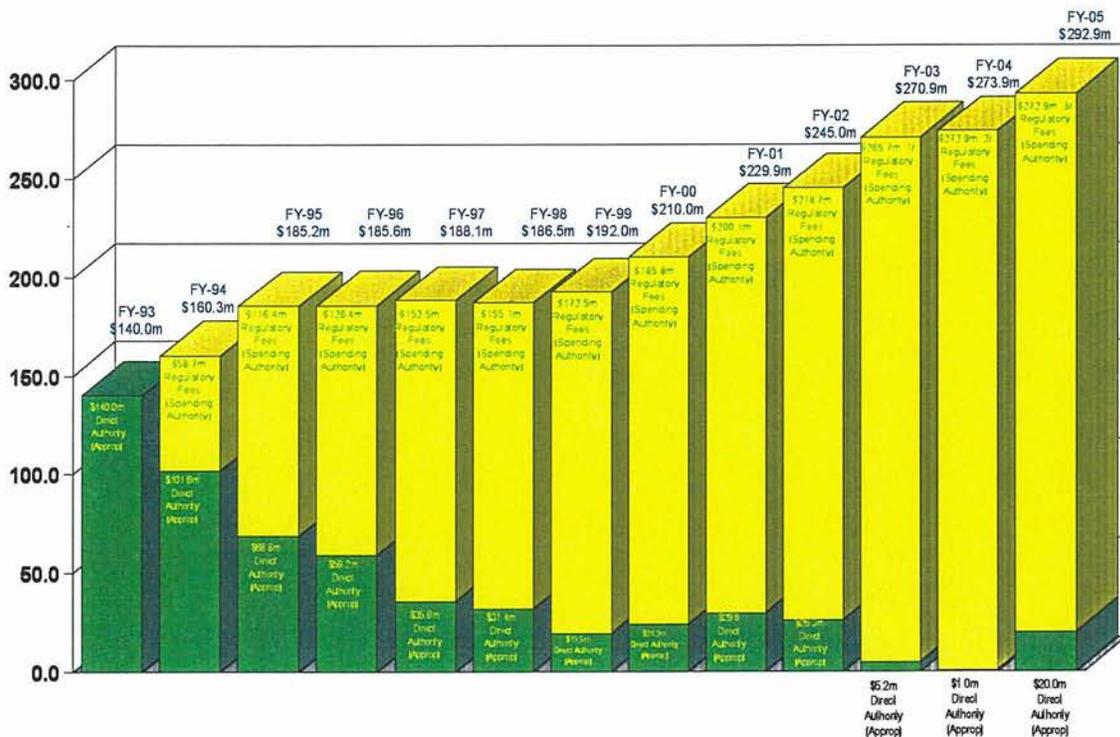


the beginning of FY 2003, \$4.6 million in carryover funds from prior years plus \$1.1 million in regulatory fees collected in excess of the FY 2002 Appropriation required levels. In FY 2003 pursuant to P.L. 108-7, the \$5.7 million in carryover funds was rescinded.

FY 2005 Regulatory Fee Assumptions

The FY 2004 Budget provides \$272.9 million in the collection of regulatory fees. The President's FY 2005 request for the FCC assumes no increase for regulatory fees above the FY 2004 Omnibus level of \$272.9 million. These funds will support Commission-wide goals which will allow the FCC to serve the American public in an efficient, effective and responsive manner. The distribution of Budget Authority between direct and offsetting collections from Regulatory Fees is illustrated in the following graph.

FY 1993 – 2005 RESOURCE COMPARISON
Budget Authority



1/ Reflects actual Regulatory Fees collected in FY 2003.

2/ Reflects Regulatory Fees for FY 2004 as enacted in the FY2004 Appropriation and reflected in the President's Budget for FY 2005

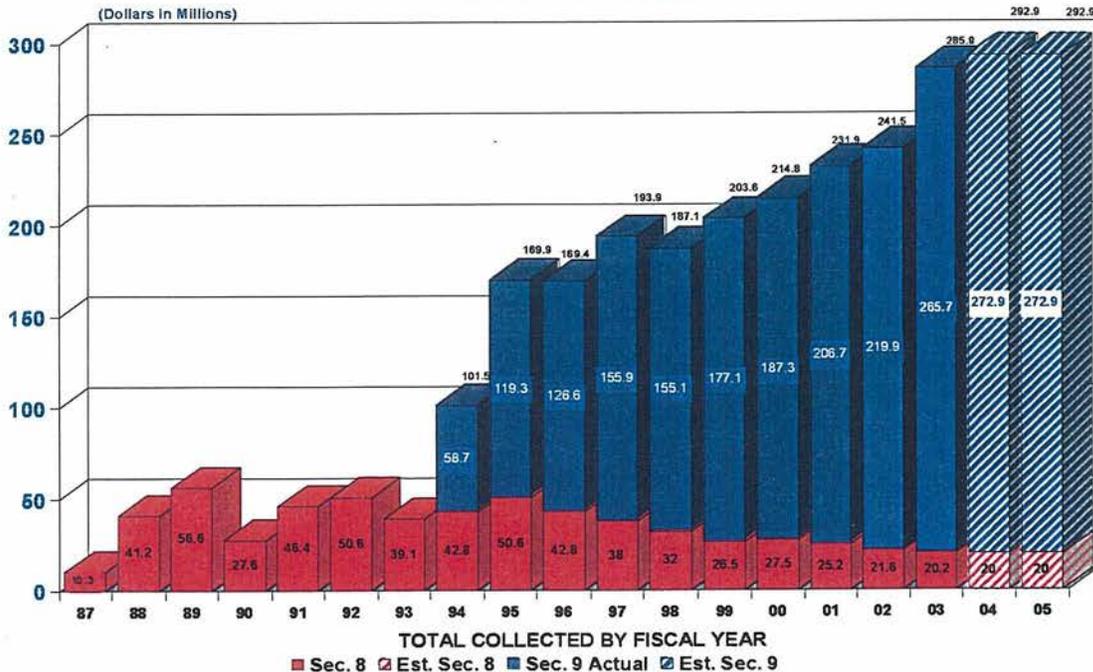
3/ Reflects the Regulatory Fee Schedule proposed for FY 2005.



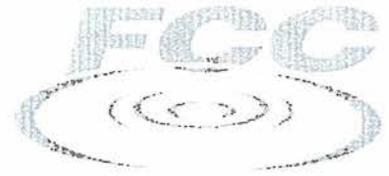
Application Processing Fees

Since FY 1987 the Federal Communications Commission (FCC) has collected and deposited into the General Fund of the U.S. Treasury application processing fees, often referred to as Section (8) fees. The fees are designed to recover a substantial portion of the costs of the Commission's applications processing functions. The program encompasses over 300 different fees with the vast majority collected at the time an original license application, renewal or request for modification is filed with the Commission. Most fees are assessed as a one-time charge on a per-application basis, although there are certain exceptions. Government, nonprofit, non-commercial broadcast and amateur license applicants are exempt from the fees. A lockbox bank is utilized to collect the fees, with all fees deposited into the General Fund of the U.S. Treasury. Once deposited, these fees are generally not refundable regardless of the outcome of the application process. The Commission must review and revise the fees every two years based upon changes to the Consumer Price Index (CPI). On July 1, 2002, an order was adopted which increased application fees to reflect these CPI changes; this change became effective on December 5, 2002. Application Processing Fee Collections (Section 8) and Regulatory Fee collections are summarized in the following graph.

FEE COLLECTIONS* FY 1987 – FY 2005



*In addition to Sec. 8 processing fees which go to the General Fund of Treasury, totals for FY 1994-2005 include Sec. 9 regulatory fees. Sec. 9 actual reflects fees collected thru 9/30. Sec. 9 Est. reflects fees established in appropriations language.



Spectrum Auctions

In addition to regulatory fees, the Omnibus Budget Reconciliation Act of 1993 required the FCC to auction portions of the spectrum for certain services, replacing the former lottery process. The Commission is required to ensure that small businesses, women, minorities, and rural telephone companies have an opportunity to participate in the competitive bidding process. The original Spectrum Auction authority was scheduled to expire in FY 1998; however, it was extended through FY 2007 in the Balanced Budget Act of 1997. The Commission initiated regulations implementing the legislation and conducted its first round of auctions in July 1994. By the end of the first quarter of FY 2004, the Commission had completed 48 auctions. Between July 1994 and December 2003, total receipts from this program deposited in the General Fund of the U.S. Treasury have exceeded \$14 billion. The Commission is involved in an ongoing dialogue with Congress and other Government agencies in an attempt to identify additional spectrum to be made available for public use through the auction process to address the needs of evolving technologies. In addition, the Commission and Congress are reviewing the possibility of applying the auctions concept to other services licensed by the Commission to expedite response to customer needs and encourage economic growth.

The Commission is authorized to retain from auction revenues those funds necessary to develop, implement and maintain the auction program. These funds cover the personnel and administrative costs required to plan and execute spectrum auctions; operational costs to manage installment payments and collections activities; development, implementation, and maintenance of all information technology systems necessary for Auctions operations including development of a combinatorial bidding system. This budget submission assumes the auctions program will continue to recover the costs of conducting all auctions activities from spectrum license receipts as the FCC continues to use auctions as a licensing mechanism for communications services spectrum.

The Balanced Budget Act of 1997, P.L. 105-33, required that the Commission provide to authorizing committees a detailed report of all obligations in support of the auctions program for each fiscal year of operation, as a prerequisite to the continued use of auctions receipts for the costs of all auctions activities. The Commission is no longer required to submit an FCC Annual Report; however, the FY 2002 Auctions Report was provided to the appropriate oversight committees on September 10, 2003.

FY 2005 PROPOSED APPROPRIATION LANGUAGE

**FEDERAL COMMUNICATIONS COMMISSION
SALARIES AND EXPENSES**

For necessary expenses of the Federal Communications Commission, as authorized by law, including uniforms and allowances therefore, as authorized by 5 U.S.C. 5901-5902; not to exceed \$4,000 for official reception and representation expenses; purchase and hire of motor vehicles; special counsel fees; and services as authorized by 5 U.S.C. 3109, **\$292,958,000**: Provided, That, **\$272,958,000 of offsetting collections shall be assessed and collected** pursuant to section 9 of title I of the Communications Act of 1934, and shall be retained and used for necessary expenses in this appropriation, and shall remain available until expended: Provided further, That the sum herein appropriated shall be reduced as such offsetting collections are received during fiscal year 2005 **so as to result in a final fiscal year 2005 appropriation estimated at \$20,000,000**: **Provided further, That any offsetting collections received in excess of \$272,958,000 in fiscal year 2005 shall remain available until expended, but shall not be available for obligation until October 1, 2005.**

FY 2005 Budget Estimates to Congress

Legislative Proposals to be transmitted separately by the Office of Management and Budget, explanations of proposed legislation follow:

Analog Spectrum Lease Fee (Legislative proposal, subject to PAYGO):

Explanation of proposed legislation:

To facilitate clearing of the analog television broadcast spectrum and provide taxpayers some compensation for use of this scarce resource, the Administration will propose legislation authorizing the Federal Communications Commission (FCC) to establish an annual \$500 million lease fee on the use of analog spectrum by commercial broadcasters as of 2007. The FCC will promulgate a rulemaking to apportion the aggregate fee amount among commercial broadcasters. Upon return of its analog spectrum license to the FCC, an individual broadcaster will be exempt from the fee.

Spectrum Auction Authority (legislative proposal subject to PAYGO):

Explanation of proposed legislation:

The Administration will propose legislation to extend indefinitely the FCC's auction authority, which expires in 2007 under current law.

Spectrum License User Fee (Legislative proposal, subject to PAYGO):

Explanation of proposed legislation:

To continue to promote efficient spectrum use, the Administration will propose legislation providing the FCC with new authority to use other economic mechanisms, such as fees, as a spectrum management tool. The FCC would be authorized to set user fees on unauctioned spectrum licenses based on public-interest and spectrum-management principles. Fees would be phased in over time as part of an ongoing rulemaking process to determine the appropriate application of and level for fees. Fee collections are estimated to begin in 2005.

FCC Authority to Sell Property and Retain Proceeds as Offsetting Collections:

Explanation of proposed legislation:

Sec. 622. Notwithstanding 40 U.S.C. 524, 571, and 572, the Federal Communications Commission may sell the monitoring facilities in Honolulu, Hawaii, and Livermore, California, including all real property, and credit the proceeds of such sales as offsetting collections to its Salaries and Expenses account. Such funds shall be available until September 30, 2007, to be used to replace these facilities and to improve other FCC owned facilities.

**FY 2005 Budget Estimates to Congress
ANALYSIS OF CHANGE
Summary of Adjustments
(Dollars in Thousands)**

	<u>FTEs(Est.) 1/</u>	<u>\$ AMOUNT</u>
<u>Summary of adjustments to base and built-in changes:</u>		
o FY 2005 Base Funding Level Assumes the following as the starting point for development:		
FY 2004 Appropriation for the FCC:		\$ 273,958
Projected FTEs to be worked in FY2004:	2,015	
<hr/>		
o <u>Adds Uncontrollable and Inflationary Increases to base (required to maintain support of agency initiatives at FY 2004 levels):</u>		
1. <u>Compensation and Benefits</u>		
a. FY 2004 Annualized Pay Raise/Locality Pay Adjustment @ 4.1%.		\$ 2,036
b. FY 2005 Pay Raise and Locality Pay Adjustment (1.5%) for 75% of Fiscal Year.		\$ 2,763
2. <u>Non-Salary</u>		
a. FY 2005 amount required for inflationary increases to cover space rentals (GSA and non-GSA)/Mail/ADP production support and maintenance/misc.		\$ <u>1,094</u>
Subtotal Uncontrollable and Inflationary Increases:		\$ 5,893

1/ Reflects projected FTEs to be funded from all sources of appropriated funds and offsetting collections.

**FY 2005 Budget Estimates to Congress
ANALYSIS OF CHANGE
Summary of Adjustments
(Dollars in Thousands)**

	<u>FTEs(Est.)</u>	<u>\$ AMOUNT</u>
o <u>Adds Programmatic Increases to the Base to Provide For:</u>		
1. Commission-wide Skills Based Training		\$ 750
2. Information Technology enhancements that improve response to consumer inquiries, accelerate licensing of satellite services, and provide responsive helpdesk support to all internal and external users of licensing , fee payment, and website services.		\$ 6,295
3. Information Technology equipment to support a multiyear life-cycle management program for the replacement of end user and infrastructure components.		\$ 2,460
4. Enforcement technical monitoring equipment, vehicles, and associated technical supplies to accelerate the life cycle management program for regional offices in order to better respond to communications interference problems .		\$ 2,602
5. Technical test equipment upgrades for Laurel laboratory to provide staff with necessary tools to ensure compliance with commission rules by industry for state of the art equipment deployed for a myriad of evolving technologies.		\$ <u>1,000</u>
Subtotal Programmatic Increases:		\$ 13,107
<hr/>		
Total Requested Funding Increase to Base:		\$ 19,000
<hr/>		
<hr/>		
Total FY 2005 Commission Budget Request to Congress:	2,015 2/	\$ 292,958

2/ Reflects projected FTEs to be funded from all sources of appropriated funds and offsetting collections.

FY 2005 Budget Estimates to Congress
ANALYSIS OF CHANGE
Summary of Proposed Budget Authority
[Dollars in Thousands]

	FY 2004		FY 2005		Requested Changes	
	FTE	\$ B/A	FTE	\$ B/A	FTE	\$ B/A
Direct Funding		1,000		20,000		
Total Direct Appropriation		1,000		20,000		\$19,000
Budget Authority to use						
Offsetting Collections:		272,958		272,958		
1) Total Regulatory Fees		272,958		272,958		\$0
Subtotal Appropriated B/A	2,015	\$273,958	2,015	\$292,958	- -	\$19,000
Authority to spend						
Other Offsetting Collections:						
2) Reg. Fees (Sec. 9) Carryover		190 1/		- -		
3) Auctions Carryover		206 1/				
4) Economy Act/Misc. Other Reimbursables		1,400		1,400		
5) Auction Cost Recovery Reimbursements		85,000 2/		91,318 3/		
Total Gross Budget Authority		\$360,754		\$385,676		

1/ Fund balances carried forward in no year treasury accounts consisting primarily of recoveries of multiple prior year obligations. Use of these funds requires prior notification of Congress.

2/ FY 2004 appropriation language limits auctions program obligations to \$85M for FY 2004.

3/ This level reflects original FY 2004 auctions operating funds apportioned by OMB (\$90M) plus payraise and inflationary increases for FY 2005 (\$1.3M).

**FY 2005 Budget Estimates to Congress
Full-Time Equivalent (FTE) Detail by Organization**

The distribution of Full Time Equivalent (FTEs) listed below by fiscal year reflects the planned allocation of Commission resources. These levels are based on a combination of assumptions regarding estimated workload and anticipated funding levels as presented throughout this document.

	<u>Actual FY2003 FTE</u>	<u>Estimate FY2004 FTE</u>	<u>Estimate FY2005 FTE</u>	<u>Diff +/-</u>
Office of the Commissioners	36	42	42	0
Consumer & Governmental Affairs Bureau	226	226	226	0
Enforcement Bureau	320	320	320	0
International Bureau	151	151	151	0
Media Bureau	263	258	258	0
Wireline Competition Bureau	206	201	201	0
Wireless Telecommunications Bureau	321	319	319	0
Office of Administrative Law Judges	5	5	5	0
Office of Commun. Business Opportunities	8	8	8	0
Office of Engineering & Technology.....	113	120	120	0
Office of the General Counsel	77	77	77	0
Office of Inspector General	12	12	12	0
Office of Legislative Affairs	13	12	12	0
Office of the Managing Director	222	220	220	0
Office of Media Relations	15	15	15	0
Office of Strategic Planning & Policy Analysis....	22	23	23	0
Office of Workplace Diversity	5	6	6	0
Commission FTE Totals	2,015	2,015	2,015	0

FY 2005 Budget Estimates to Congress

GOAL DEFINITIONS

- **Broadband:** This goal includes efforts to establish regulatory policies that promote competition, innovation, and investment in broadband services and facilities while monitoring progress toward the deployment of broadband services in the United States and abroad. It also includes policy direction, program development, legal services, and executive direction, as well as support services associated with broadband goals.
- **Competition:** This goal includes efforts to support the Nation's economy by ensuring that there is a comprehensive and sound competitive framework for communications networks, services and devices. Such a framework should foster innovation and offer businesses and consumers meaningful choice in services and devices. Such a pro-competitive framework should be promoted domestically and overseas. It also includes policy direction, program development, legal services, and executive direction, as well as support services associated with competition goals.
- **Spectrum:** This goal includes efforts to facilitate the highest and best use of spectrum domestically and internationally in order to promote the growth and rapid deployment of innovative and efficient communications technologies and services. It also includes policy direction, program development, legal services, and executive direction, as well as support services associated with spectrum goals.
- **Media:** This goal includes efforts to revise media regulations so that media ownership rules promote competition and diversity in a comprehensive, legally sustainable manner, facilitate the mandated migration to digital modes of delivery, and clarify and ensure compliance with general media obligations. It also includes policy direction, program development, legal services, and executive direction, as well as support services associated with media goals.
- **Homeland Security:** This goal includes efforts to provide leadership in evaluating and strengthening the Nation's communications infrastructure, in ensuring rapid restoration of that infrastructure in the event of disruption, and in ensuring that essential public health and safety personnel have effective communications services available to them in emergency situations. It also includes policy direction, program development, legal services, and executive direction, as well as support services associated with homeland security goals.
- **Modernize the FCC:** This goal includes efforts to emphasize performance and results through excellent management. Develop and retain independent mission-critical expertise and align the FCC with the dynamic communications markets. It also includes policy direction, program development, legal services, and executive direction, as well as support services associated with modernization goals.

FY 2005 Budget Estimates to Congress

Full-Time Equivalent (FTE) Detail Distribution by Goal

BROADBAND				
This goal includes efforts to establish regulatory policies that promote competition, innovation, and investments in broadband services and facilities while monitoring progress toward the deployment of broadband services in the United States and abroad. It also includes policy direction, program development, legal services, and executive direction, as well as support services associated with broadband goals.				
	Estimate FY 2003 FTE	Estimate FY 2004 FTE	Estimate FY 2005 FTE	Net Activity (+/-)
Consumer & Governmental Affairs Bureau	17	17	17	0
Enforcement Bureau	12	11	11	0
International Bureau	22	24	24	0
Media Bureau	5	5	5	0
Office of Engineering & Technology	14	14	14	0
Wireline Competition Bureau	15	15	15	0
Wireless Telecommunications Bureau	66	51	56	5
Total FTEs – Broadband	151	137	142	5

Note: The projected distribution of FTEs is based on information reported through various internal personnel and financial systems, and represents estimated FTEs for each goal as of the time this document was prepared. The FCC has implemented a new cost accounting system which will capture FTE data by goal beginning in FY 2004.

FY 2005 Budget Estimates to Congress

Full-Time Equivalent (FTE) Detail Distribution by Goal

COMPETITION				
This goal includes efforts to support the Nation's economy by ensuring that there is a comprehensive and sound competitive framework for communications networks, services and devices. Such a framework should foster innovation and offer businesses and consumers meaningful choice in services and devices. Such a pro-competitive framework should be promoted domestically and overseas. It also includes policy direction, program development, legal services, and executive direction, as well as support services associated with competition goals.				
	Estimate FY 2003 FTE	Estimate FY 2004 FTE	Estimate FY 2005 FTE	Net Activity (+/-)
Consumer & Governmental Affairs Bureau	196	197	197	0
Enforcement Bureau	113	112	112	0
International Bureau	58	58	58	0
Media Bureau	60	60	60	0
Office of Engineering & Technology	9	9	9	0
Wireline Competition Bureau	208	204	204	0
Wireless Telecommunications Bureau	70	50	50	0
Total FTEs – Competition	714	690	690	0

Note: The projected distribution of FTEs is based on information reported through various internal personnel and financial systems, and represents estimated FTEs for each goal as of the time this document was prepared. The FCC has implemented a new cost accounting system which will capture FTE data by goal beginning in FY 2004.

FY 2005 Budget Estimates to Congress

Full-Time Equivalent (FTE) Detail Distribution by Goal

SPECTRUM				
This goal includes efforts to facilitate the highest and best use of spectrum domestically and internationally in order to promote the growth and rapid deployment of innovative and efficient communications technologies and services. It also includes policy direction, program development, legal services, and executive direction, as well as support services associated with spectrum goals.				
	Estimate FY 2003 FTE	Estimate FY 2004 FTE	Estimate FY 2005 FTE	Net Activity (+/-)
Consumer & Governmental Affairs Bureau	6	6	6	0
Enforcement Bureau	113	113	113	0
International Bureau	61	61	61	0
Media Bureau	161	157	157	0
Office of Engineering & Technology	87	97	97	0
Wireline Competition Bureau	0	0	0	0
Wireless Telecommunications Bureau	172	224	219	-5
Total FTEs – Spectrum	600	658	653	-5

Note: The projected distribution of FTEs is based on information reported through various internal personnel and financial systems, and represents estimated FTEs for each goal as of the time this document was prepared. The FCC has implemented a new cost accounting system which will capture FTE data by goal beginning in FY 2004.

FY 2005 Budget Estimates to Congress

Full-Time Equivalent (FTE) Detail Distribution by Goal

MEDIA				
This goal includes efforts to revise media regulations so that media ownership rules promote competition and diversity in a comprehensive, legally sustainable manner, facilitate the mandated migration to digital modes of delivery, and clarify and ensure compliance with general media obligations. It also includes policy direction, program development, legal services, and executive direction, as well as support services associated with media goals.				
	Estimate FY 2003 FTE	Estimate FY 2004 FTE	Estimate FY 2005 FTE	Net Activity (+/-)
Consumer & Governmental Affairs Bureau	37	38	38	0
Enforcement Bureau	25	25	25	0
International Bureau	1	1	1	0
Media Bureau	84	83	83	0
Office of Engineering & Technology	10	10	10	0
Wireline Competition Bureau	0	0	0	0
Wireless Telecommunications Bureau	5	1	1	0
Total FTEs – Media	162	158	158	0

Note: The projected distribution of FTEs is based on information reported through various internal personnel and financial systems, and represents estimated FTEs for each goal as of the time this document was prepared. The FCC has implemented a new cost accounting system which will capture FTE data by goal beginning in FY 2004.

FY 2005 Budget Estimates to Congress

Full-Time Equivalent (FTE) Detail Distribution by Goal

HOMELAND SECURITY				
This goal includes efforts to provide leadership in evaluating and strengthening the Nation's communications infrastructure, in ensuring rapid restoration of that infrastructure in the event of disruption, and in ensuring that essential public health and safety personnel have effective communications services available to them in emergency situations. It also includes policy direction, program development, legal services, and executive direction, as well as support services associated with homeland security goals.				
	Estimate FY 2003 FTE	Estimate FY 2004 FTE	Estimate FY 2005 FTE	Net Activity (+/-)
Consumer & Governmental Affairs Bureau	12	12	12	0
Enforcement Bureau	135	137	137	0
International Bureau	4	4	4	0
Media Bureau	7	7	7	0
Office of Engineering & Technology	12	11	11	0
Wireline Competition Bureau	12	12	12	0
Wireless Telecommunications Bureau	30	25	25	0
Total FTEs – Homeland Security	212	208	208	0

Note: The projected distribution of FTEs is based on information reported through various internal personnel and financial systems, and represents estimated FTEs for each goal as of the time this document was prepared. The FCC has implemented a new cost accounting system which will capture FTE data by goal beginning in FY 2004.

FY 2005 Budget Estimates To Congress

Full-Time Equivalent (FTE) Detail Distribution by Goal

MODERNIZE				
This goal includes efforts to emphasize performance and results through excellent management. Develop and retain independent mission-critical expertise, and align the FCC with dynamic communications markets. It also includes policy direction, program development, legal services, and executive direction, as well as support services associated with modernization goals.				
	Estimate FY 2003 FTE	Estimate FY 2004 FTE	Estimate FY 2005 FTE	Net Activity (+/-)
Consumer & Governmental Affairs Bureau	12	14	14	0
Enforcement Bureau	1	1	1	0
International Bureau	47	47	47	0
Media Bureau	11	11	11	0
Office of Engineering & Technology	10	10	10	0
Wireline Competition Bureau	25	24	24	0
Wireless Telecommunications Bureau	70	57	57	0
Total FTEs-Modernize	176	164	164	0

Note: The projected distribution of FTEs is based on information reported through various internal personnel and financial systems, and represents estimated FTEs for each goal as of the time this document was prepared. The FCC has implemented a new cost accounting system which will capture FTE data by goal beginning in FY 2004.

FY 2005 Budget Estimates to Congress

Full-Time Equivalent (FTE) Detail Distribution by Goal

The following table summarizes by organization the total number of FTEs available to conduct the six goals. These totals include both direct organizational FTEs, as well as FTE workyear effort provided by staff offices to support policy direction, program support, legal services, and executive direction, as well as support services for all six goals.

	Estimate FY 2003 FTE	Estimate FY 2004 FTE	Estimate FY 2005 FTE	Net Activity (+/-)
Consumer & Governmental Affairs Bureau	280	284	284	0
Enforcement Bureau	399	399	399	0
International Bureau	193	195	195	0
Media Bureau	328	323	323	0
Office of Engineering & Technology	142	151	151	0
Wireline Competition Bureau	260	255	255	0
Wireless Telecommunications Bureau	413	408	408	0
Commission FTE Totals	2,015	2,015	2,015	0

Note: The projected distribution of FTEs is based on information reported through various internal personnel and financial systems, and represents estimated FTEs for each goal as of the time this document was prepared. The FCC has implemented a new cost accounting system which will capture FTE data by goal beginning in FY 2004.

FY 2005 Budget Estimates to Congress
Summary of Requested Resources
[Dollars in Thousands]

The Federal Communications Commission's budget estimates for Fiscal Year 2005 are summarized below:

DISTRIBUTION OF BUDGET AUTHORITY:	FY 2003	FY 2004	FY 2005	Appropriated
	<u>Actual BA</u>	<u>Actual BA</u>	<u>Request BA</u>	<u>Budget Authority</u>
<u>Direct Appropriation:</u>				
Prior: (P.L. 108-7)	\$5,254	\$1,000	\$20,000	\$19,000
<u>Authority to Spend Offsetting Collections:</u>				
Regulatory Fees	265,746	272,958	272,958	0
Appropriation Total:	\$271,000	\$273,958	\$292,958	\$19,000
Rescission: (P.L. 108-7)	(\$13)	--	--	--
Lapsed Year End	(\$12)			
Authority to spend				
<u>Other Offsetting Collections:</u>				
1) Reg Fees (Sec 9) Carryover (Prior year)	\$5,805	\$190 3/	--	--
Rescission: (P.L. 108-7)	(\$5,700)			
Balance Remaining (SOY)	\$105			
2) Auctions Carryover (SOY)	\$125	\$206 3/		
3) Economy Act Reimbursables	1,379	1,400	1,400	--
4) Auctions Cost Reimburs. (P.L. 104-104)	96,806	\$85,000 4/	91,318 5/	--
Subtotal Other Offsetting Collections:	\$98,415	\$86,796	\$92,718	--
Lapsed Year End:				
1) Economy Act Reimbursables	(\$9)			
2) Auctions Cost Recovery	(\$1)			
Unobligated Offsetting Collections/Recoveries (EOY)				
Available to be carried forward:		TBD	TBD	--
1) RegFees (Sec 9) Carryover	(\$190)	--	--	--
2) Auctions Carryover	(\$206)	--	--	--
Total Budget Authority -				
Available to incur obligations:	\$369,415	\$360,754	\$385,676	--

1/ Carryover regulatory fees in the amount of \$5,700,000 were rescinded per P.L. 108-7; balance is result of prior year recoveries, available in no year treasury treasury accounts at the beginning of FY2003. Use of these funds require prior notification of Congress. No new obligations were incurred from these funds in FY 2003 .

2/ Fund balances carried forward in no year treasury accounts consisting primarily of recoveries of multiple prior year obligations.

3/ Increase to available no year balances resulting from recoveries of prior year obligations. No new obligations derived from these funds.

4/ FY 2004 appropriation language limits auctions program obligations to \$85M for FY 2004.

5/ This level reflects original FY 2004 auctions operating funds apportioned by OMB (\$90M) plus payraise and inflationary increases for FY 2005.

FY 2005 Budget Estimates to Congress

Summary of Requested Resources

[Dollars in Thousands]

DISTRIBUTION OF OBLIGATIONS:

Note: The distribution of obligations between Direct B/A and Regulatory Fees(Offsetting Collections) is based on a percentage ratio of direct and regulatory fee authority to the total Appropriations B/A for each fiscal year.

	<u>FY 2003</u> <u>Actual</u>	<u>FY 2004</u> <u>Actual BA</u>	<u>FY 2005</u> <u>Estimate</u>	<u>Change to</u> <u>Appropriated</u> <u>Obligations</u>
<u>Direct Appropriation:</u>				
Personnel Compensation	\$2,938	\$1,000	\$4,830	\$3,830
Personnel Benefits	653	0	969	969
Benefits to Former Employees	1	0	0	0
Other Obligations	<u>1,637</u>	<u>0</u>	<u>14,201</u>	<u>14,201</u>
Sum - Direct Obligations	5,229	1,000	20,000	19,000
<u>Offsetting Collections - Obligations:</u>				
Regulatory Fees	265,746	272,958	272,958	0
Subtotal - Obligations from Appropriated Funds:				
(Less Rescission/Lapsed):	\$270,975 4/	\$273,958	\$292,958	\$19,000
<u>Obligations - Other Offsetting Collections</u>				
1) Reg Fees (Sec 9) Carryover (Prior year)	0 5/	--	--	--
2) Auctions Carryover (Prior year)	0 5/	--	--	--
3) Economy Act/Misc.Other	1,370	1,400	1,400	--
4) Auctions Cost Recovery				
Reimbursements (P.L. 104-104)	96,805	85,000	91,318	--
Subtotal - Obligations				
from Other Offsetting Collections	\$98,175	\$86,400	\$92,718	--
<hr/>				
TOTAL OBLIGATIONS	\$369,150	\$360,358	\$385,676	
TOTAL OUTLAYS	\$351,340	\$361,000	\$381,000	
(Includes Direct & All Offsetting Collections)				--

4/ In FY 2003 \$13,000 was rescinded per P.L. 108-7, approximately \$12,000 lapsed in unobligated funds.

5/ See footnotes 1,2 and 3 on prior page.

FY 2005 Budget Estimates to Congress
Summary of Requested Resources
[Dollars in Thousands]

	<u>FY 2003 Actual</u>	<u>FY 2004 Estimate</u>	<u>FY 2005 Request</u>
Total Projected Compensable Workyears:			
Full-Time Equivalent employment [FTEs]	2,015	2,015	2,015
Estimated Distribution of FTEs by funding source: 1/			
Direct	34	9	50
Offsetting Collections	1,973	1,998	1,957
Auctions Credit Program Account	8	8	8

1/ The distribution of FTEs between Direct and Reimbursable is estimated based on the prorata distribution of compensation funds available from Direct Appropriation and Offsetting Collections. Offsetting Collections include Regulatory Fees, Auction Receipts for Direct Auctions Program operating costs, and certain Economy Act Reimbursables. Administrative costs of the Credit Program are funded from Permanent Indefinite Authority , including the salary costs for FTEs providing support to the program.

FY 2005 Budget Estimates to Congress
SUMMARY TABLES
DISTRIBUTION OF RESOURCES
(Dollars in Thousands)

SUMMARY

	<u>FY 2003</u> <u>Actual (Enacted)</u>	<u>FY 2004</u> <u>Estimate (Enacted)</u>	<u>FY 2005</u> <u>Estimate</u>	<u>Chg. to Requested</u> <u>Budget Authority</u>
Gross Direct Appropriations including Regulatory Fee Authority:	\$271,000	\$273,958	\$292,958	\$19,000
Rescission (P.L. 108-7)	(13)	--	--	--
Lapsed Year-End	(12)	--	--	--
Subtotal -- Gross Direct Appropriations as adjusted	<u>\$270,975</u>	<u>\$273,958</u>	<u>\$292,958</u>	<u>\$19,000</u>
No Year Carryover Authority:				
-- Regulatory Fees (Sec. 9) 1/	\$105	\$190 3/	\$--	\$--
-- Auctions Carryover 2/	125	206 3/	--	--
Subtotal -- No Year Carryover Authority	<u>\$230</u>	<u>\$396</u>	<u>\$--</u>	<u>\$--</u>
Other Authority:				
-- Auctions Costs Recovery Reimbursable Authority	\$96,805	\$85,000 4/	\$91,318 5/	\$--
-- Government/Other Reimbursable Authority	1,370	1,400	1,400	--
Subtotal -- Other Authority	<u>\$98,175</u>	<u>\$86,400</u>	<u>\$92,718</u>	<u>\$--</u>
TOTAL GROSS BUDGET AUTHORITY (Net):	\$369,380	\$360,754	\$385,676	\$19,000

1/ Carryover regulatory fees in the amount of \$5,700,000 were rescinded per P.L. 108-7; balance is result of prior year recoveries, available in no year treasury accounts at the beginning of FY 2003. Use of these funds require prior notification to Congress.

2/ Fund balances carried forward in no year treasury accounts consisting primarily of recoveries of multiple prior year obligations.

3/ Increase to available no year balances resulting from recoveries of prior year obligations. No new obligations derived from these funds.

4/ FY 2004 Appropriation language limits auctions program obligations to \$85M for FY 2004.

5/ This level reflects original FY 2004 auctions operating funds apportioned by OMB (\$90M), plus pay raise and inflationary increases for FY 2005 (\$1.3M).

FY 2005 Budget Estimates to Congress
SUMMARY TABLES
DISTRIBUTION OF RESOURCES
(Dollars in Thousands)

-- The following tables depict the prorata distribution of personnel compensation and benefits and other estimated obligations for Fiscal Years 2003-2005 based on a percentage ratio of direct and offsetting collections budget authority to the total Budget Authority for each fiscal year.

DIRECT AUTHORITY - CURRENT:	FY 2003	FY 2004	FY 2005	Increase to
	<u>Actual (Enacted)</u>	<u>Estimate (Enacted)</u>	<u>Request</u>	<u>Direct B.A.</u>
11 Personnel Compensation	\$2,938	\$1,000	\$4,830	3,830
12 Personnel Benefits	653	--	969	969
13 Benefits for Former Personnel	1	--	--	--
Other Obligations by Object Class				
21 Travel & Transportation of Persons	27	--	21	21
22 Transportation of Things	2	--	2	2
23.1 GSA Rents	554	--	519	519
23.3 Other Rents, Communications, Utilities	125	--	96	96
24 Printing	28	--	15	15
25.2 Other Services	242	--	906	906
25.3 Federal Purchases, Goods, & Services	67	--	40	40
25.7 Operation/Maint. of Equip./Software/Information	366	--	6,519	6,519
26 Supplies & Materials	38	--	391	391
31 Equipment/Software	167	--	5,692	5,692
32 Land, Buildings, Structures	19	--	--	--
42 Insurance Claims & Indemnities	2	--	--	--
Subtotal Direct Authority Obligations	\$5,229	\$1,000	\$20,000	\$19,000

FY 2005 Budget Estimates to Congress
SUMMARY TABLES
DISTRIBUTION OF RESOURCES
(Dollars in Thousands)

-- The following tables depict the prorata distribution of personnel compensation and benefits and other estimated obligations for Fiscal Years 2003-2005 based on a percentage ratio of direct and offsetting collections budget authority to the total Budget Authority for each fiscal year.

AUTHORITY TO USE OFFSETTING COLLECTIONS:	FY 2003	FY 2004	FY 2005	Increase to
	<u>Actual (Enacted)</u>	<u>Estimate (Enacted)</u>	<u>Estimate</u>	<u>Offset. Collect.</u>
REGULATORY FEES - CURRENT:				
11 Personnel Compensation	\$149,177	\$159,960	\$159,960	\$--
12 Personnel Benefits	33,199	36,744	36,744	--
13 Benefits for Former Personnel	57	59	59	--
Other Obligations by Object Class				
21 Travel & Transportation of Persons	1,386	1,734	1,734	--
22 Transportation of Things	115	122	122	--
23.1 GSA Rents	28,176	31,773	31,773	--
23.3 Other Rents, Communications, Utilities	6,372	6,747	6,747	--
24 Printing	1,443	1,368	1,368	--
25.2 Other Services	12,322	12,822	12,822	--
25.3 Federal Purchases, Goods, & Services	3,424	2,641	2,641	--
25.7 Operation/Maint. of Equip./Software/Information	18,623	14,883	14,883	--
26 Supplies & Materials	1,920	1,650	1,650	--
31 Equipment/Software	8,498	2,095	2,095	--
32 Land, Buildings, Structures	955	285	285	--
42 Insurance Claims & Indemnities	79	75	75	--
Total Obligations from Regulatory Fees	\$265,746	\$272,958	\$272,958	\$--
Total Obligations from Direct Appropriations	\$270,975	\$273,958	\$292,958	\$19,000

**FY 2005 Budget Estimates to Congress
SUMMARY TABLES**

**OTHER BUDGET AUTHORITY
DISTRIBUTION OF RESOURCES**

(Dollars in Thousands)

AUCTIONS COST RECOVERY REIMBURSABLE AUTHORITY:

-- The following table depicts the distribution of estimated FY 2003, FY 2004 and FY 2005 obligations utilizing auctions costs recovery reimbursable authority (P.L. 104-104).

	FY 2003	FY 2004	FY 2005	
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	6/
11 Personnel Compensation	\$22,430	\$23,273	\$23,669	
12 Personnel Benefits	4,222	5,295	5,385	
13 Benefits for Former Personnel	9	8	8	
Other Obligations by Object Class				
21 Travel & Transportation of Persons	210	460	466	
22 Transportation of Things	--	44	45	
23.1 GSA Rents	6,570	5,548	5,626	
23.3 Other Rents, Communications, Utilities	2,395	2,966	3,008	
24 Printing	109	211	214	
25.2 Other Services	31,468	33,872	34,773	
25.3 Federal Purchases, Goods, & Services	1,598	2,009	2,037	
25.7 Operation/Maint. of Equip./Software/Information	14,196	7,317	8,991	
26 Supplies & Materials	459	400	407	
31 Equipment/Software	13,139	3,597	6,689	
32 Land, Buildings, Structures	--	--	--	
42 Insurance Claims & Indemnities	--	--	--	
	<hr/>	<hr/>	<hr/>	
Total Auctions Costs Recovery				
Reimbursable Authority 7/	\$96,805	\$85,000 8/	\$91,318 9/	

6/ FY 2005 estimates include adjustments for uncontrolled cost increases to address pay raise and inflation at the same level as recommended in OMB's FY 2004 midsession review guidance.

7/ Does not include administrative costs of the Credit Program.

8/ FY 2004 Appropriation language limits auctions program to \$85M.

9/ This level reflects original FY 2004 auctions operating funds apportioned by OMB (\$90M), plus pay raise and inflationary increases for FY 2005 (1.3M).

**FY 2005 Budget Estimates to Congress
SUMMARY TABLES**

**OTHER BUDGET AUTHORITY
DISTRIBUTION OF RESOURCES
(Dollars in Thousands)**

GOVERNMENT/OTHER REIMBURSABLE AUTHORITY:

-- The following table depicts the Economy Act/Other Reimbursable estimated FY 2003, FY 2004 and FY 2005 obligations.

	FY 2003	FY 2004	FY 2005
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
11 Personnel Compensation	\$127	\$130	\$135
12 Personnel Benefits	30	30	31
13 Benefits for Former Personnel	--	--	--
Other Obligations by Object Class			
21 Travel & Transportation of Persons	86	120	120
22 Transportation of Things	25	25	25
23.1 GSA Rents	3	--	--
23.3 Other Rents, Communications, Utilities	--	--	--
24 Printing	--	--	--
25.2 Other Services	407	400	400
25.3 Federal Purchases, Goods, & Services	25	25	25
25.7 Operation/Maint. of Equip./Software/Information	9	10	10
26 Supplies & Materials	158	160	160
31 Equipment/Software	500	500	494
32 Land, Buildings, Structures	--	--	--
42 Insurance Claims & Indemnities	--	--	--
	<hr/>	<hr/>	<hr/>
Total Govt./Other Reimbursable Authority	\$1,370	\$1,400	\$1,400

**FY 2005 Budget Estimates to Congress
SUMMARY TABLES**

**OTHER BUDGET AUTHORITY
DISTRIBUTION OF RESOURCES
(Dollars in Thousands)**

CREDIT PROGRAM ACCOUNT:

-- The following table depicts the estimated distribution of obligations from the Credit Program account for FY 2003, FY 2004 and FY 2005. These obligations are presented in separate schedules apart from the Salaries & Expenses account and funded from Permanent Indefinite Authority.

	FY 2003	FY 2004	FY 2005
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
11 Personnel Compensation	\$840	\$925	\$947
12 Personnel Benefits	220	258	264
13 Benefits for Former Personnel	--	--	--
Other Obligations by Object Class			
21 Travel & Transportation of Persons	9	11	11
22 Transportation of Things	--	--	--
23 Misc. Rents/Commun./Utilities	--	--	--
24 Printing	--	--	--
25 Other Services	22,995	7,423	7,527
26 Supplies & Materials	2	7	7
31 Equipment/Software	1	--	--
32 Land, Buildings, Structures	--	--	--
42 Insurance Claims & Indemnities	--	--	--
	<hr/>	<hr/>	<hr/>
Total Credit Program 10/	\$24,067	\$8,624	\$8,756

10/ FY 2005 estimates include adjustments for uncontrolled cost increases to address pay raise and inflation at the same level as recommended in OMB's FY 2004 midsession review guidance.

FY 2005 Budget Estimates to Congress
Distribution of Resources by Goal

Goals:	Broadband	Competition	Spectrum	Media	Homeland	Modernize	Resource Request
Estimated FY 2004 Resources by Goal: 1/	\$18,629,144	\$93,693,636	\$89,584,266	\$21,368,724	\$28,217,674	\$22,464,556	\$273,958,000
Incremental Distribution:							
Fixed Cost Increases 2/	400,724	2,015,406	1,927,011	459,654	606,979	483,226	5,893,000
Programmatic Increases: 3/							
- Training						750,000	750,000
- Funds for Critical IT Projects	629,500	629,500	2,203,250	629,500	314,750	1,888,500	6,295,000
- IT Lifecycle Equipment						2,460,000	2,460,000
- OET Lifecycle Equipment			1,000,000				1,000,000
- EB Tech Supplies			185,000		185,000		370,000
- EB Lifecycle Equipment			900,000		900,000		1,800,000
- EB Lifecycle Vehicles			216,000		216,000		432,000
Total 2005 Request by Goal: 4/	\$19,659,368	\$96,338,542	\$96,015,527	\$22,457,878	\$30,440,403	\$28,046,282	\$292,958,000

1/ The estimated distribution of FY 2004 resources by goal are based on the distributed cost to support total FTEs estimated for FY 2004.

2/ Uncontrollable pay and inflationary increases requested have been prorated across all goals based primarily on FTE distributions.

3/ Programmatic increases requested have been identified and distributed to the goal and/or goals for which the resources will provide enhanced capabilities in FY 2005.

4/ Uncontrollable and programmatic increases have been added to the FY 2004 baseline distribution to total estimated FY 2005 resources by goal.

The FCC is implementing a cost accounting system in FY 2004 which will capture cost data by goal and provide additional detail to support current estimated resources.

FY 2005 Budget Estimates to Congress
FY 2005 SUMMARY OF INCREASES
BY BUDGET OBJECT CLASS CODE
(Dollars in thousands)

The following table reflects uncontrollable pay and inflationary cost increases estimated for FY 2005 as well as programmatic increases by budget object class code (BOCC) description.

BOCC Description	Pay and Locality Proposed Increases 1/	CPIU Inflationary Increases @ 1.4% 1/	Programmatic Increases
11.00 Compensation			
-- FY 2005 Pay Raise @1.5% for 75% of FY 2005	\$2,171		
-- FY 2004 Pay Raise @4.1% annualized for 25% of FY 2005	1,659		
12.00 Benefits			
-- Benefits associated with FY 2005 Pay Raise (1.5%)	484		
-- Benefits associated with FY 2004 Pay Raise (4.1%)	377		
-- Health Benefits above FY 2004 levels	108		
13.00 Benefits for Former Personnel			
	--		
21.00 Travel and Transportation of Persons			
-- Domestic/International/Joint Board Travel		20	
-- Leased, Passenger Vehicles		1	
22.00 Transportation of Things			
-- Parcel Post		1	
-- Rent, Non-Passenger GSA and Commercial Vehicles		1	
23.1 GSA Rent			
-- GSA Rent and Fees Increase: Headquarters Portals II, Portals I, field office space, and warehouse		519	
23.3 Other Rents, Communications, Utilities			
-- Non-GSA Space Rent		14	
-- GSA and Non-GSA Telephones		42	
-- Mail Service--Postage		9	
-- GSA, Electric, Other Utilities		8	
-- Telecommunications Service-Non-GSA/Messenger Service		4	
-- Other Equipment Rental/Copier Rental		19	
24.00 Printing and Reproduction			
-- Printing/Reproduction/Binding		15	

FY 2005 Budget Estimates to Congress
FY 2005 SUMMARY OF INCREASES
BY BUDGET OBJECT CLASS CODE
(Dollars in thousands)

BOCC Description	Pay and Locality Proposed Increases 1/	CPIU Inflationary Increases @ 1.4% 1/	Programmatic Increases
25.2 Other Services			
-- Contract Services - Non-Federal		137	
-- ADP Data Retrieval Services		9	
-- Training/Tuition/Fees		10	750
25.3 Federal Purchases, Goods & Services			
-- Contract Purchases - Federal		4	
-- Interagency Contracts		36	
25.7 Operation/Maint. of Equip./Software/Information			
-- Space Repair, External/Internal		6	
-- Health Services		1	
-- Repair/Maintenance of Vehicles		1	
-- ADP Software/Equipment Maintenance		13	
-- Repair Office Equipment and Furnishings		3	
-- ADP Service Contracts		200	6,295
26.00 Supplies and Materials			
-- Commercial Subscriptions/Periodicals		6	
-- General Supplies/Materials		15	
-- Technical Supplies			370
31.00 Equipment/Software			
-- Lifecycle Equipment			2,800
-- IT Lifecycle Equipment			2,460
-- Lifecycle Vehicles			432
32.00 Lands and Structures			
		--	
42.00 Insurance Claims and Indemnities			
		--	
TOTAL	\$4,799	\$1,094	\$13,107
FY 2005 Total Funding Requested by BOCC 1/			
	\$19,000		

1/ These calculations are based on economic assumptions contained in the President's FY 2005 Budget to Congress.

FY 2005 Budget Estimates to Congress
ALLOCATION OF OBLIGATIONS BY OBJECT CLASS CODE
(Dollars in thousands)

<u>OBJECT CLASS CODE</u>	<u>Actual FY 2003</u>	<u>Estimate FY 2004</u>	<u>Adjustments To Establish FY 2005 Base</u>	<u>FY 2005 Base</u>	<u>Programmatic Changes (+/-)</u>	<u>FY 2005 Total Request</u>
11 Personnel Compensation	\$152,115	\$160,960	\$3,830	\$164,790	\$0	\$164,790
12 Personnel Benefits	33,852	36,744	969	37,713	0	37,713
13 Benefits for Former Personnel	58	59	0	59	0	59
21 Travel & Trans. of Persons	1,413	1,734	21	1,755	0	1,755
22 Transportation of Things	117	122	2	124	0	124
23.1 GSA Rent	28,730	31,773	519	32,292	0	32,292
23.3 Other Rents, Communications, Utilities	6,497	6,747	96	6,843	0	6,843
24 Printing	1,471	1,368	15	1,383	0	1,383
25.2 Other Services	12,564	12,822	156	12,978	750	13,728
25.3 Fed. Purchase, Goods & Services	3,491	2,641	40	2,681	0	2,681
25.7 Op/Maint. of Equip./Software/ Info Sys	18,989	14,883	224	15,107	6,295	21,402
26 Supplies & Materials	1,958	1,650	21	1,671	370	2,041
31 Equipment/Software	8,665	2,095	0	2,095	5,692	7,787
32 Land, Buildings, Structures	974	285	0	285	0	285
42 Insur. Claims & Indemnities	81	75	0	75	0	75
SUB TOTAL APPROPRIATION AUTHORITY	\$270,975 1/	\$273,958	\$5,893	\$279,851	\$13,107	\$292,958
(Direct and Offsetting Collections)						
Reg. Fees (Sec. 9) Carryover	0 2/	0 3/		0		0
Auction Reimb. Carryover	0 3/	0 3/		0		0
Reimbursables - Gov't/Other	1,370	1,400		1,400		1,400
Auctions Cost Recovery-Reimbursement	96,805	85,000 4/		91,318 5/		91,318
TOTAL REQUEST	\$369,150	\$360,358	\$5,893	\$372,569	\$13,107	\$385,676

1/ Reflects rescission of \$13,000; P.L. 108-7, and lapse of approx. \$12,000 in unobligated funds.

2/ Carryover regulatory fees in the amount of \$5,700,000 were rescinded in P.L.108-7 leaving balances resulting from prior year recoveries. No obligations were incurred from these balances in FY 2003.

3/ Fund balances carried forward in no year treasury accounts consist primarily of recoveries of multiple year obligations. No new obligations derived from these funds.

4/ FY 2004 appropriation language limits auctions program obligations to \$85M for FY 2004.

5/ This level reflects original FY 2004 auctions operating funds apportioned by OMB (\$90M) plus payraise and inflationary increases for FY 2005 (\$1.3M).

FY 2005 Budget Estimates to Congress
PRORATA ALLOCATION OF OBLIGATIONS BY OBJECT CLASS CODE
(Dollars in thousands)

OBJECT CLASS CODE	FY 2004 Funding Source			FY 2005 Funding Source		
	Direct Authority	+ Offsetting Collections	= Total OC Allocation	Direct Authority	+ Offsetting Collections	= Total OC Allocation
11 Personnel Compensation	\$1,000	\$159,960	\$160,960	\$4,830	\$159,960	\$164,790
12 Personnel Benefits	0	36,744	36,744	969	36,744	37,713
13 Benefits for Former Personnel	0	59	59	0	59	59
21 Travel & Trans. of Persons	0	1,734	1,734	21	1,734	1,755
22 Transportation of Things	0	122	122	2	122	124
23.1 GSA Rent	0	31,773	31,773	519	31,773	32,292
23.3 Other Rents, Communications, Utilities	0	6,747	6,747	96	6,747	6,843
24 Printing	0	1,368	1,368	15	1,368	1,383
25.2 Other Services	0	12,822	12,822	906	12,822	13,728
25.3 Fed. Purchases, Goods & Services	0	2,641	2,641	40	2,641	2,681
25.7 Op/Maint. of Equip./Software/Info Sys	0	14,883	14,883	6,519	14,883	21,402
26 Supplies & Materials	0	1,650	1,650	391	1,650	2,041
31 Equipment/Software	0	2,095	2,095	5,692	2,095	7,787
32 Land, Buildings, Structures	0	285	285	0	285	285
42 Insur. Claims & Indemnities	0	75	75	0	75	75
Appropriation-Direct B/A	\$1,000		\$1,000	\$20,000		\$20,000
Appropriation-Offsetting Collections Reg. Fees B/A:		272,958	272,958		272,958	272,958
Subtotal-B/A in Language	\$1,000	\$272,958	\$273,958	\$20,000	\$272,958	\$292,958
Reg. Fees (Sec. 9) Carryover		0 6/	0		0	0
Auction Reimb. Carryover		0 6/	0		0	0
Reimbursable Program - Gov't/Other (Est.)		1,400	1,400		1,400	1,400
Auctions Cost Recovery-Reimbursement		85,000	85,000		91,318	91,318
Total Obligations			\$360,358			\$385,676

6/ See footnotes 2 and 3 on prior page.

UNIVERSAL SERVICE FUND

The Telecommunications Act of 1996 provides for a major restructuring of the Nation's communications laws, promotes universal service and open access to information networks, and provides for flexible government regulations. Under the Act, telecommunications carriers that provide interstate telecommunications services are required to contribute funds for the preservation and advancement of universal service. The contributions are used to provide services eligible for universal service support as prescribed by the FCC. Telecommunications carriers receive a credit towards their contribution by providing discount service to schools, libraries, and health care providers. Support will also be provided to carriers offering services in high cost areas of the United States and to carriers offering services to low income consumers. Interest income on these funds is utilized to benefit program recipients. Administrative costs of the program are provided from carrier contributions.

Unavailable Collections (in millions of dollars)

	2003 Actual	2004 Est.	2005 Est.
Receipts:			
02.00 Universal service fund	5,713	6,554	6,453
02.20 Universal service fund (interest)	30	28	38
02.99 Total receipts and collections	5,743	6,582	6,491
04.00 Total: Balances and collections	5,743	6,582	6,491
Appropriations:			
05.00 Universal service fund	-5,743	-6,554	-6,453
05.01 Universal service fund	0	-28	-38
05.99 Total appropriations	-5,743	-6,582	-6,491
07.99 Balance, end of year	0	0	0

Program and Financing (in millions of dollars)

	2003 Actual	2004 Est.	2005 Est.
Obligations by program activity:			
00.01 Direct program activity	5,945	6,613	6,629
00.02 Program support	59	69	71
10.00 Total new obligations (object class 41.0)	6,004	6,682	6,700

UNIVERSAL SERVICE FUND

(Universal Service Fund Cont'd)	Program and Financing (in millions of dollars)		
	2003 Actual	2004 Est.	2005 Est.
Budgetary resources available for obligation:			
21.40 Unobligated balance carried forward, start of year	2,263	2,002	1,902
22.00 New budget authority (gross)	5,743	6,582	6,491
23.90 Total budgetary resources available for obligation	8,006	8,584	8,393
23.95 Total new obligations	-6,004	-6,682	-6,700
24.40 Unobligated balance carried forward, end of year	2,002	1,902	1,693
New budget authority (gross), detail:			
Mandatory:			
60.20 Appropriation (special fund)	5,743	6,554	6,453
60.20 Appropriation (special fund)	0	28	38
62.50 Appropriation (total mandatory)	5,743	6,582	6,491
Change in obligated balances:			
72.40 Obligated balance, start of year	397	397	493
73.10 Total new obligations	6,004	6,682	6,700
73.20 Total outlays (gross)	-6,005	-6,587	-6,925
74.40 Obligated balance, end of year	397	493	268
Outlays (gross), detail:			
86.97 Outlays from new mandatory authority	3,345	4,187	4,531
86.98 Outlays from mandatory balances	2,660	2,400	2,394
87.00 Total outlays (gross)	6,005	6,587	6,925
Net budget authority and outlays:			
89.00 Budget authority	5,743	6,582	6,491
90.00 Outlays	6,005	6,587	6,925

SPECTRUM AUCTION PROGRAM ACCOUNT

This program provides for direct loans for the purpose of purchasing spectrum licenses at the Federal Communications Commission's auctions. The licenses are being purchased on an installment basis, which constitutes an extension of credit. The first year of activity for this program was 1996.

As required by the Federal Credit Reform Act of 1990, this account records, for this program, the subsidy costs associated with the direct loans obligated in 1992 and beyond (including modifications of direct loans and loan guarantees that resulted from obligations or commitments in any year), as well as administrative expenses of this program. The subsidy amounts are estimated on a present value basis and administrative expenses are estimated on a cash basis.

Program and Financing (in millions of dollars)

	2003 actual	2004 est.	2005 est.
Obligations by program activity:			
00.05 Reestimates of direct loan subsidy	362	382	0
00.06 Interest on reestimates of direct loan subsidy	169	218	0
00.09 Administrative Expenses	24	9	9
10.00 Total new obligations	555	609	9
Budgetary resources available for obligation:			
21.40 Unobligated balance carried forward, start of year	3	4	0
22.00 New budget authority (gross)	556	605	9
23.90 Total budgetary resources available for obligation	559	609	0
23.95 Total new obligations	-555	-609	-9
24.40 Unobligated balance carried forward, end of year	4	0	0
New budget authority (gross), detail:			
Mandatory:			
60.00 Appropriation	531	605	9
69.00 Offsetting collections (cash)	25	3	0
69.27 Capital transfer to general fund	0	-3	0
69.90 Spending authority from offsetting collections (total mandatory)	25	0	0
70.00 Total new budget authority (gross)	556	605	9

Program and Financing (in millions of dollars)

	2003 actual	2004 est.	2005 est.
Change in obligated balances:			
72.40 Obligated balance, start of year	3	18	0
73.10 Total new obligations	555	609	9
73.20 Total outlays (gross)	<u>-540</u>	<u>-627</u>	<u>-9</u>
74.40 Obligated balance, end of year	18	0	0
Outlays (gross), detail:			
86.97 Outlays from new mandatory authority	534	605	9
86.98 Outlays from mandatory balances	<u>6</u>	<u>22</u>	<u>0</u>
87.00 Total outlays (gross)	540	627	9
Offsets:			
Against budget authority and outlays:			
88.00 Offsetting collections (cash) from: Federal sources	25	3	0
Net budget authority and outlays:			
89.00 Budget authority	531	602	9
90.00 Outlays	515	624	9

Summary of Loan levels, Subsidy Budget Authority and Outlays by Program (in millions of dollars)

	2003 actual	2004 est.	2005 est.
Direct loan upward reestimate subsidy budget authority			
1350 Spectrum auction	531	600	0
1359 Total upward reestimate budget authority	531	600	0
Direct loan downward reestimate subsidy budget authority			
1370 Spectrum auction	-25	-3	0
1379 Total downward reestimate budget authority	-25	-3	0

Administrative expense data:

3510 Budget authority	24	9	9
3580 Outlays from balances	0	0	0
3590 Outlays from new authority	24	9	9

Object Classification (in millions of dollars)

	2003 actual	2004 est	2005 est
11.11 Personnel compensation: Full-time permanent	1	1	1
25.20 Other services	23	8	8
41.10 Grants, subsidies, and contributions	531	600	0
99.99 Total new obligations	<u>555</u>	<u>609</u>	<u>9</u>

Personnel Summary

1001 Total compensable workyears: Full-time equivalent employment	8	8	8
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SPECTRUM AUCTION DIRECT LOAN FINANCING ACCOUNT

As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from direct loans obligated in 1992 and beyond (including modifications of direct loans that resulted from obligations in any year). The amounts in this account are a means of financing and are not included in the budget totals.

Program and Financing (in millions of dollars)

	2003 actual	2004 est.	2005 est.
Operating Expenses:			
00.01 Direct Loans	0	0	0
00.02 Interest Paid to Treasury	393	343	313
00.91 Direct Program by Activities - Subtotal (1 level)	393	343	313
08.02 Downward subsidy reestimate	16	2	0
08.04 Interest on downward reestimate	9	1	0
08.91 Direct Program by Activities - Subtotal (1 level)	25	3	0
10.00 Total new obligations	418	346	313
Budgetary resources available for obligation:			
21.40 Unobligated balance carried forward, start of year	22	46	0
22.00 New financing authority (gross)	442	300	313
23.90 Total budgetary resources available for obligation	464	346	313
23.95 Total new obligations	-418	-346	-313
24.40 Unobligated balance carried forward, end of year	46	0	0
New budget authority (gross), detail:			
Mandatory:			
67.10 Authority to borrow:	25	3	0
Offsetting collections			
69.00 Offsetting collections (Re-estimate)	1,147	706	0
69.00 Offsetting collections (Int-reestimate)	0	0	0

Program and Financing (in millions of dollars)

	2003 actual	2004 est.	2005 est.
69.47 Portion applied to repay debt	-730	-409	-4,373
69.90 Spending authority from offsetting collections (total mandatory)	417	297	313
70.00 Total new financing authority (gross)	442	300	313
Change in obligated balances:			
73.10 Total new obligations	418	346	313
73.20 Total financing disbursements (gross)	-418	-346	-313
Outlays (gross), detail:			
87.00 Total financing disbursements (gross)	418	346	313
Offsets:			
Against gross budget authority and outlays:			
Offsetting collections (cash) from:			
88.00 Program account: total revised subsidy	531	600	0
88.25 Interest on uninvested funds	40	0	0
Non-Federal sources:			
88.40 Interest received on loans	23	16	11
88.40 Principal received on loans	86	89	72
88.40 Recoveries	467	1	159
88.40 Non-Federal sources	0	0	4,444
88.90 Total offsetting collections (cash)	1,147	706	4,686
Net budget authority and outlays:			
89.00 Financing authority	-705	-406	-4,373
90.00 Financing disbursements	-730	-360	-4,373

Status of Direct Loans (in millions of dollars)

	2003 actual	2004 est.	2005 est.
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year	5,293	5,112	5,023
1231 Disbursements: Direct loan disbursements	0	0	0
1251 Repayments: Repayments and prepayments	-86	-89	-72
1263 Write-offs for default: Direct loans	-95	0	0
1290 Outstanding, end of year	<u>5,112</u>	<u>5,023</u>	<u>4,951</u>

Balance Sheet (in millions of dollars)

	2002 actual	2003 actual	2004 est.	2005 est.
ASSETS:				
1101 Federal assets: Fund balance with Treasury	21	46	0	0
Net value of assets related to post-1991 direct loan receivable:				
1401 Direct loans receivable, gross	5,293	5,112	0	0
1402 Interest receivable	295	285	0	0
1405 Allowance for subsidy cost (-)	-328	-968	0	0
1499 Net present value of assets related to direct loans	<u>5,260</u>	<u>4,429</u>	<u>0</u>	<u>0</u>
1901 Other Federal assets: Other assets	525	599	0	0
1999 Total assets	<u>5,806</u>	<u>5,074</u>	<u>0</u>	<u>0</u>
LIABILITIES:				
Federal liabilities				
2103 Resources payable to Treasury	5,771	5,065	0	0
2105 Other (liability to prog. acct.)	25	2	0	0
2105 Other Debt	10	7	0	0
2999 Total liabilities	<u>5,806</u>	<u>5,074</u>	<u>0</u>	<u>0</u>
4999 Total liabilities and net position	<u>5,806</u>	<u>5,074</u>	<u>0</u>	<u>0</u>



CHAIRMAN

Federal Communications Commission

Washington, D.C.

March 31, 2003

The Honorable Susan M. Collins
Chairwoman
Committee on Governmental Affairs
United States Senate
340 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairwoman Collins:

On January 31 2003, the U.S. General Accounting Office submitted a report entitled "Telecommunications: Comprehensive Review of U.S. Spectrum Management with Broad Stakeholder Involvement Is Needed" (GAO-03-277) to Senators Burns, Hollings, Inouye, and Kerry. This letter is to inform you of the actions that the Federal Communications Commission has taken on the recommendation made in the GAO Report, as well as the actions we continue to pursue on spectrum management overall.

The GAO Report notes several concerns regarding spectrum policy in relation to advancing technology, and proposes the creation of an independent study commission to review spectrum management in the United States. Specifically, the GAO Report recommends that "the Chairman of FCC and the Assistant Secretary of Commerce for Communications and Information, in consultation with officials from the Department of State, Office of Management and Budget, Office of Science and Technology Policy, and pertinent congressional committees, work together to develop and implement a plan for the establishment of a commission that would conduct a comprehensive examination of current U.S. spectrum management."

The underlying spectrum policy issues that the GAO Report addresses are vitally important to the U.S., and I am committed to spectrum policy reform. Indeed, spectrum policy speaks to many of the core Commission initiatives, including the digital migration, broadband and competition policy, media regulation, and homeland security. Consequently, the Commission has been moving aggressively and effectively to address spectrum management issues. As the GAO observes in its report, the increasing demand for access to spectrum and continuing advances in wireless technology and applications pose significant challenges for policymakers involved in spectrum management issues. Recognizing the need for a fundamental re-evaluation of spectrum policy in response to these developments and the fast-moving pace of change, I established a Spectrum Policy Task Force ("SPTF") staffed by senior agency personnel to identify outmoded procedures and policies, and evaluate changes in spectrum policy that could

increase the public benefits derived from the use of the radio spectrum. The SPTF's work resulted in an important report published in November 2002 that presents many significant and innovative new recommendations for spectrum policy reform.

We have received public comment on the SPTF Report's recommendations, and in an effort to begin implementing some of the ideas in the SPTF Report, the Commission recently released Notices of Inquiry on the subjects of allocating additional unlicensed spectrum and receiver performance specifications. We have also initiated consultations with other countries regarding proposals presented in SPTF Report, including countries that often look to the U.S. as a leader in spectrum policy. I look forward to building much further on the work of the SPTF in the coming months.

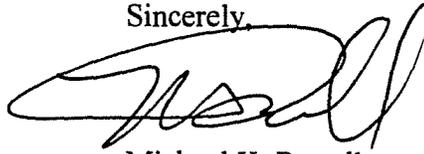
Additionally, the Commission and the National Telecommunications and Information Administration ("NTIA") have taken concrete steps to improve our communication and coordination. Assistant Secretary Nancy J. Victory, Director of NTIA, and I share a belief in the importance of effective coordination between our two agencies to ensure a common focus in our governmental efforts to manage a critical national asset, our radio spectrum. Toward this end, we met on December 10, 2002, along with senior spectrum policy teams from both organizations, to institutionalize and elevate the coordination between the two agencies beyond historical levels. The next formal spectrum leadership meeting will occur in the early summer of 2003, and coordination at the staff level of our agencies occurs regularly. For example, the Commission routinely coordinates its policy decisions with other governmental agencies that have a stake in spectrum management through NTIA's Interdepartment Radio Advisory Committee. And importantly, the Commission and NTIA have institutionalized the new, more robust regime of regular consultation and coordination by signing a new Memorandum of Understanding on spectrum coordination in January 2003, replacing one dating to 1940. The MOU builds on the inter-agency coordination requirement of the NTIA Act¹ and ensures that our heightened level of cooperation will continue for years to come.

These developments at the Commission and NTIA had been occurring concurrently with preparation of the GAO Report, and the SPTF Report shared many of the observations and conclusions expressed in the GAO Report. For instance, both the GAO Report and the SPTF Report emphasize the necessity of close coordination between the Commission and NTIA. Both emphasize the importance of dealing effectively with the increasing complexity of spectrum management. And the views expressed in the GAO Report are consistent with our conviction that the U.S. must move away from a command-and-control approach to spectrum management, in its stead moving to increased reliance on market-based mechanisms, while carefully recognizing and addressing the limitations of such mechanisms, and incorporating the flexibility to adjust for diverse spectrum environments and innovative technologies.

¹ See 47 U.S.C. § 922.

The dialog begun in these two reports will continue as we work with the NTIA and stakeholders in the private sector to reform spectrum policy to reflect twenty-first century conditions. We will consider the GAO proposal carefully and discuss it at our next spectrum leadership meeting.

Sincerely,

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Michael K. Powell

cc: Director, Physical Infrastructure Issues, U.S. General Accounting Office
Office of Management and Budget
The Honorable Conrad Burns
The Honorable Ernest F. Hollings
The Honorable Daniel K. Inouye
The Honorable John F. Kerry



CHAIRMAN

Federal Communications Commission

Washington, D.C.

March 31, 2003

The Honorable Joseph Lieberman
Ranking Member
Committee on Governmental Affairs
United States Senate
326 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Lieberman:

On January 31 2003, the U.S. General Accounting Office submitted a report entitled "Telecommunications: Comprehensive Review of U.S. Spectrum Management with Broad Stakeholder Involvement Is Needed" (GAO-03-277) to Senators Burns, Hollings, Inouye, and Kerry. This letter is to inform you of the actions that the Federal Communications Commission has taken on the recommendation made in the GAO Report, as well as the actions we continue to pursue on spectrum management overall.

The GAO Report notes several concerns regarding spectrum policy in relation to advancing technology, and proposes the creation of an independent study commission to review spectrum management in the United States. Specifically, the GAO Report recommends that "the Chairman of FCC and the Assistant Secretary of Commerce for Communications and Information, in consultation with officials from the Department of State, Office of Management and Budget, Office of Science and Technology Policy, and pertinent congressional committees, work together to develop and implement a plan for the establishment of a commission that would conduct a comprehensive examination of current U.S. spectrum management."

The underlying spectrum policy issues that the GAO Report addresses are vitally important to the U.S., and I am committed to spectrum policy reform. Indeed, spectrum policy speaks to many of the core Commission initiatives, including the digital migration, broadband and competition policy, media regulation, and homeland security. Consequently, the Commission has been moving aggressively and effectively to address spectrum management issues. As the GAO observes in its report, the increasing demand for access to spectrum and continuing advances in wireless technology and applications pose significant challenges for policymakers involved in spectrum management issues. Recognizing the need for a fundamental re-evaluation of spectrum policy in response to these developments and the fast-moving pace of change, I established a Spectrum Policy Task Force ("SPTF") staffed by senior agency personnel

to identify outmoded procedures and policies, and evaluate changes in spectrum policy that could increase the public benefits derived from the use of the radio spectrum. The SPTF's work resulted in an important report published in November 2002 that presents many significant and innovative new recommendations for spectrum policy reform.

We have received public comment on the SPTF Report's recommendations, and in an effort to begin implementing some of the ideas in the SPTF Report, the Commission recently released Notices of Inquiry on the subjects of allocating additional unlicensed spectrum and receiver performance specifications. We have also initiated consultations with other countries regarding proposals presented in SPTF Report, including countries that often look to the U.S. as a leader in spectrum policy. I look forward to building much further on the work of the SPTF in the coming months.

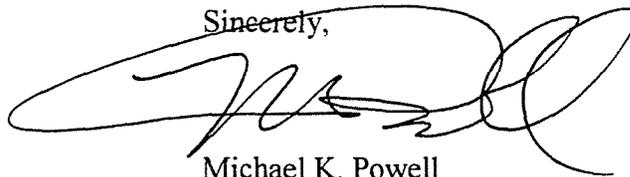
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CHAIRMAN

Federal Communications Commission

Washington, D.C.

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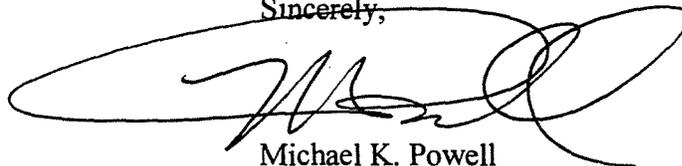
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CHAIRMAN

Federal Communications Commission

Washington, D.C.

March 31, 2003

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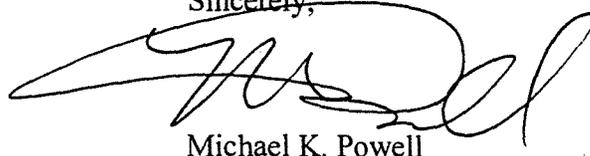
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CHAIRMAN

Federal Communications Commission

Washington, D.C.

June 30, 2003

The Honorable Susan M. Collins
Chairwoman
Committee on Governmental Affairs
United States Senate
340 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairwoman Collins:

On April 28, 2003, the U.S. General Accounting Office ("GAO") submitted a report to Congressman Anthony Weiner entitled Telecommunications: FCC Should Include Call Quality in Its Annual Report on Competition in Mobile Phone Services (GAO-03-501). GAO's report recommends that the Federal Communications Commission include call quality in its mandated annual report analyzing whether there is effective competition in the market for mobile phone services ("*Competition Report*"). This letter is to inform you that the Commission has implemented the recommendation made by the GAO.

In the *Competition Report* adopted on June 26, 2003, the Commission included a section setting forth information indicating that mobile phone service providers are competing on the basis of call quality.¹ In particular, the *Competition Report* notes evidence that (1) carriers are upgrading their networks to permit more subscribers to initiate and maintain access to the network; (2) carriers are advertising this improved call quality in order to differentiate their service from others in the market; and (3) consumers appear to be responding by subscribing to carriers that provide better call quality. In addition, the *Competition Report* notes that numerous third parties offer information to consumers about the call quality of individual carriers' services. I will forward a copy of the *Competition Report* to you when it is released.

The Commission values GAO's analysis of the call quality issue and shares the belief that the ability of consumers to make informed choices in the marketplace is critical to the growth of mobile phone services. I look forward to working with you to develop policies to improve consumer's mobile phone service experience.

Sincerely,

Michael K. Powell

cc: Director, Physical Infrastructure Issues, U.S. General Accounting Office
Office of Management and Budget

¹ See Eighth Annual Competition Report, FCC 03-150, at Section II.C.1.b.x., adopted June 26, 2003.



Federal Communications Commission

Washington, D.C.

June 30, 2003

CHAIRMAN

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CHAIRMAN

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Federal Communications Commission

Washington, D.C.

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Federal Communications Commission
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July 23, 2003

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Chairwoman
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United States Senate
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Washington, D.C. 20510

Dear Chairwoman Collins:

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Sincerely,

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Jerry Cowden
Program Analyst

Enclosures:

1. June 30 letter from Chairman to Chairwoman Collins
2. Competition Report ("Eighth Report")



Federal Communications Commission
Washington, D.C. 20554

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CHAIRMAN

Federal Communications Commission

Washington, D.C.

December 19, 2003

The Honorable Susan M. Collins
Chairwoman
Committee on Governmental Affairs
United States Senate
340 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairwoman Collins:

On October 24, 2003, the U.S. General Accounting Office ("GAO") submitted a report entitled Telecommunications: Issues Related to Competition and Subscriber Rates in the Cable Television Industry (GAO-04-8) to Senator McCain, Chairman of the Committee on Commerce, Science, and Transportation. The Report contains two recommendations to improve the quality and usefulness of data that the Commission collects on cable television rates and competition in the multichannel video programming industry. Here I report on the actions the Commission has taken or intends to take to address the GAO recommendations.

First, the GAO recommends that the Commission "take immediate steps to improve the cable rates survey by (1) including more detailed, standardized instructions and examples for how to calculate the cost changes that the cable operators experienced in the previous year and (2) eliminating the requirement for the cost increases to sum to the change in rates."

Based on this recommendation as well as several discussions with GAO staff, the Commission's Media Bureau intends to modify the 2003 price survey questionnaire by eliminating questions that call for estimates of various categories of costs and substituting questions that can provide more accurate information regarding cable operators' costs. The revised questionnaire also will provide more specific instructions for the cost-related questions. Finally, the 2003 questionnaire will not require the information requested on cost increases to equal the change in rates.

Second, the GAO recommends that the Commission "review [its] process for maintaining the status of effective competition among franchises in order to keep these designations more up to date."

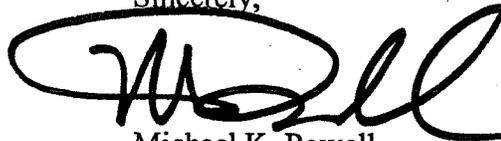
In response to this recommendation, the Media Bureau initiated a comprehensive review of our procedures for maintaining the list of effective competition franchises used in our cable rate survey. The Bureau reviewed each franchise on the list to determine that a corresponding Order is present in which a finding of effective competition was made, and corrected the list as

appropriate. Bureau staff also reviewed the notebooks provided by GAO that contain the staff's appraisal of current competitive conditions in a number of cable communities.

GAO also recommends that the designations of effective competition used in our annual cable industry price survey be updated on a regular basis. The Commission's rules currently do not provide a mechanism to update all effective competition determinations on a regular basis. Moreover, as the Media Bureau explained in its response reprinted in the final GAO report, this task would be very difficult to accomplish with current staffing levels and, in any case, might not produce the more accurate information anticipated by the GAO. Notwithstanding the reservations about this aspect of the recommendation, the Media Bureau will continue to consider cost-effective ways to update effective competition determinations and to improve the reliability and accuracy of the data collected in the cable price survey.

I appreciate the opportunity to report on the Commission's measures to implement the GAO's recommendations in this important area. If I can provide additional information concerning this or any other matter, please do not hesitate to contact me.

Sincerely,

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Based on this recommendation as well as several discussions with GAO staff, the Commission's Media Bureau intends to modify the 2003 price survey questionnaire by eliminating questions that call for estimates of various categories of costs and substituting questions that can provide more accurate information regarding cable operators' costs. The revised questionnaire also will provide more specific instructions for the cost-related questions. Finally, the 2003 questionnaire will not require the information requested on cost increases to equal the change in rates.

Second, the GAO recommends that the Commission "review [its] process for maintaining the status of effective competition among franchises in order to keep these designations more up to date."

In response to this recommendation, the Media Bureau initiated a comprehensive review of our procedures for maintaining the list of effective competition franchises used in our cable rate survey. The Bureau reviewed each franchise on the list to determine that a corresponding Order is present in which a finding of effective competition was made, and corrected the list as

appropriate. Bureau staff also reviewed the notebooks provided by GAO that contain the staff's appraisal of current competitive conditions in a number of cable communities.

GAO also recommends that the designations of effective competition used in our annual cable industry price survey be updated on a regular basis. The Commission's rules currently do not provide a mechanism to update all effective competition determinations on a regular basis. Moreover, as the Media Bureau explained in its response reprinted in the final GAO report, this task would be very difficult to accomplish with current staffing levels and, in any case, might not produce the more accurate information anticipated by the GAO. Notwithstanding the reservations about this aspect of the recommendation, the Media Bureau will continue to consider cost-effective ways to update effective competition determinations and to improve the reliability and accuracy of the data collected in the cable price survey.

I appreciate the opportunity to report on the Commission's measures to implement the GAO's recommendations in this important area. If I can provide additional information concerning this or any other matter, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Powell', with a large, stylized flourish extending to the right.

Michael K. Powell

cc: The Honorable John McCain
Director, Physical Infrastructure Issues, U.S. General Accounting Office;
Office of Management and Budget



CHAIRMAN

Federal Communications Commission

Washington, D.C.

December 19, 2003

The Honorable Tom Davis
Chairman
Committee on Government Reform
2157 Rayburn House Office Building
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Davis:

On October 24, 2003, the U.S. General Accounting Office ("GAO") submitted a report entitled Telecommunications: Issues Related to Competition and Subscriber Rates in the Cable Television Industry (GAO-04-8) to Senator McCain, Chairman of the Committee on Commerce, Science, and Transportation. The Report contains two recommendations to improve the quality and usefulness of data that the Commission collects on cable television rates and competition in the multichannel video programming industry. Here I report on the actions the Commission has taken or intends to take to address the GAO recommendations.

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Michael K. Powell

cc: The Honorable John McCain
Director, Physical Infrastructure Issues, U.S. General Accounting Office;
Office of Management and Budget



Federal Communications Commission

Washington, D.C.

December 19, 2003

CHAIRMAN

The Honorable Henry A. Waxman
Ranking Member
Committee on Government Reform
B-350A Rayburn House Office Building
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Waxman:

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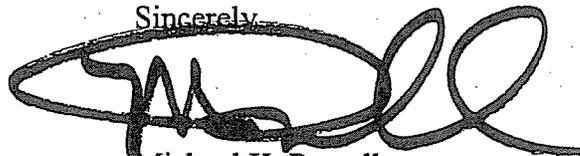
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Michael K. Powell

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Director, Physical Infrastructure Issues, U.S. General Accounting Office;
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