

Following is a statement provided by OMB to more fully explain the President's proposal to fully fund federal employee pension and health retirement costs:

Reserve for Fully Accruing Federal Employees Retirement

The President's 2003 Budget corrects a long-standing understatement of the true cost of literally thousands of government programs. For some time, the accruing charge of the Federal Employee Retirement System (FERS) and military retirement system (MRS) costs and a portion of the old Civil Service Retirement System (CSRS) costs has been allocated to the affected salary and expense accounts, and the remainder (a portion of CSRS, other small retirement systems, and all civilian and military retiree health benefits) has been charged to central accounts. The full cost of accruing benefits should be allocated to the affected salary and expense accounts, so that budget choices for program managers and budget decision makers are not distorted by inaccurate cost information.

The Budget presents the amounts associated with shifting this cost from central accounts to affected program accounts, starting in 2003. The amounts associated with the proposal are shown on a comparable basis for program accounts in 2001 and 2002. Agencies will also, for the first time, be charged for the accruing cost of retiree health care benefits for all civilian employees. These are also shown on a comparable basis for 2001 and 2002. For military retirees health benefits, current law requires agencies to be charged for the accruing cost for over-age 64 military retirees, and the budget proposes to extend this to under-age 65 military retirees in 2004. These amounts are shown in the Budget, beginning in 2004.

The proposal does not increase or lower total budget outlays or alter the surplus/deficit since the higher payments will be offset by receipts in the pension and health funds. The shift will reduce reported costs from central mandatory accounts and increase reported costs in the affected discretionary accounts. Consequently, these costs will be properly reported in the budget for the first time and considered as an annual cost of managing these programs, as they should be.

The Administration will oppose any attempt to divert the additional funding from the intended purpose and instead use it to fund programmatic increases. Therefore, the Administration proposes that the additional funding be fenced or held in a reserve and only be made available to the committees of jurisdiction for the specific purpose of adjusting for the understatement of costs.

This change in treatment of costs is the first in a series of steps that will be taken to ensure that the full annual cost of resources used – including support services, capital assets and hazardous waste – is charged properly in the budget presentation.

The Federal Communications Commission's FY2003 Budget Request to Congress proposes to fund these increased costs from the following funding sources:

| | |
|-----------------------|--------------------|
| Appropriations: | |
| Direct: | \$1,084,000 |
| Regulatory Fees: | <u>\$8,681,000</u> |
| Total Appropriations: | \$9,765,000 |

| | |
|-----------------------------------|--------------------|
| Offsetting Collections: | |
| From the Public/Auction Receipts: | <u>\$1,524,000</u> |
| Total Requirements: | \$11,289,000 |

**Legislative Proposal for Full Funding
of Reduced Costs in FY 2003**

The Administration has proposed legislation to require agencies, beginning in FY 2003, to pay the full Government share of the accruing cost of retirement for current CSRS, CIA and Foreign Service employees, and the Coast Guard, Public Health Service and NOAA Commissioned Corps. The legislation also requires agencies to pay the full accruing cost of post-retirement health costs of all retirees (and their dependents/survivors) of the Uniformed Services (DoD, Coast Guard, Public Health Service and NOAA Commissioned Corps).

The following exhibit reflects the estimated funding increase required to support this initiative for the FCC.

NOTE: This more detailed exhibit illustrates the distribution of Budget Authority on which the President's Budget proposal for the FCC was based.

| Program and Financing | | | |
|---|--------------------------------------|--------------------------------------|-----------------------------------|
| (dollars in thousands) | | | |
| | 2001 comparative estimate | 2002 comparative estimate | 2003 estimated request |
| Obligations by program activity: | | | |
| 00.01 Direct Program Licensing | <u>1,185</u> | <u>975</u> | <u>1,084</u> |
| 01.00 Total Direct Program | 1,185 | 975 | 1,084 |
| 09.00 Reimbursable Program | | | |
| (Reg Fees) | 7,951 | 8,124 | 8,681 |
| (Auctions) | <u>1,258</u> | <u>1,618</u> | <u>1,524</u> |
| 10.00 Total New Obligations | 10,394 | 10,717 | 11,289 |
| Budgetary resources available for obligation: | | | |
| 22.00 New budget authority | 10,394 | 10,717 | 11,289 |
| 23.95 Total new obligations | -10,394 | -10,717 | -11,289 |
| New budget authority (gross), detail: | | | |
| 40.00 Discretionary Appropriation | 1,185 | 975 | 1,084 |
| Spending authority from offsetting collections: | | | |
| 68.00 Cost of conducting spectrum auctions | 1,258 | 1,618 | 1,524 |
| 68.00 Spending authority from offsetting collections (reg fees) | <u>7,951</u> | <u>8,124</u> | <u>8,681</u> |
| 68.90 Spending authority from offsetting collections (total discretion) | <u>9,209</u> | <u>9,742</u> | <u>10,205</u> |
| 70.00 Total new budget authority (gross) | 10,394 | 10,717 | 11,289 |
| Change in obligated balances: | | | |
| 73.10 Total new obligations | 10,394 | 10,717 | 11,289 |
| 73.20 Total outlays (gross) | -10,394 | -10,717 | -11,289 |
| Outlays (gross), detail: | | | |
| 86.90 Outlays from new discretionary authority | 10,394 | 10,717 | 11,289 |
| Offsets against gross budget authority and outlays: | | | |
| 88.40 Cost of conducting spectrum auctions | -1,258 | -1,618 | -1,524 |
| 8845 Regulatory Fees | <u>-7,951</u> | <u>-8,124</u> | <u>-8,681</u> |
| 88.90 Total, offsetting collections (cash) | <u>-9,209</u> | <u>-9,742</u> | <u>-10,205</u> |
| Net budget authority and outlays: | | | |
| 89.00 Budget authority | 1,185 | 975 | 1,084 |
| 90.00 Outlays | 1,185 | 975 | 1,084 |

**Legislative Proposal for Full Funding
of Reduced Costs in FY 2003**

| Program and Financing (continued) | | Object Classification (dollars in thousands) | | |
|--|---|---|--------------------------------------|-----------------------------------|
| | | 2001 comparative estimate | 2002 comparative estimate | 2003 estimated request |
| | Direct Obligations: | | | |
| 11.21 | Civilian personnel benefits | 1,185 | 975 | 1,084 |
| | Reimbursable Obligations: | | | |
| 21.21 | Civilian personnel benefits | 9,209 | 9,742 | 10,205 |
| 29.90 | Subtotal, obligations, Reimbursable obligations | 9,209 | 9,742 | 10,205 |
| 99.99 | Total new obligations | 10,394 | 10,717 | 11,289 |

This exhibit illustrates the distribution of budget authority to provide for the government-wide legislative proposal to fund the full cost of retirement benefits at the agency level as presented in the President's Budget.

Salaries and Expenses

Program and Financing (in millions of dollars)

| | 2001 Enacted | 2001 Legislative adjustment | 2001 President's Budget Total | 2002 Enacted | 2002 Legislative adjustment | 2002 President's Budget Total | 2003 Program Baseline | 2003 Legislative Request | 2003 President's Budget Total |
|--|-----------------|-----------------------------------|--|-----------------|-----------------------------------|--|-----------------------------|--------------------------------|--|
| Obligations by program activity: | | | | | | | | | |
| 00.01 Direct Program Licensing | 30 | 1 | 31 | 26 | 1 | 27 | 29 | 1 | 30 |
| 01.00 Total Direct Program | 30 | 1 | 31 | 26 | 1 | 27 | 29 | 1 | 30 |
| 09.00 Reimbursable Program (Reg Fees) | 275 | 9 | 284 | 291 | 10 | 301 | 298 | 10 | 308 |
| (Auctions) | | 8 | | | 8 | | | 9 | |
| | | 1 | | | 2 | | | 2 | |
| 10.00 Total New Obligations | 305 | 10 | 315 | 317 | 11 | 328 | 327 | 11 | 338 |
| Budgetary resources available for obligation: | | | | | | | | | |
| 21.40 Unobligated balance carried forward, start of year | 17 | 0 | 17 | 13 | 0 | 13 | 0 | 0 | 0 |
| 22.00 New budget authority | 305 | 10 | 315 | 304 | 11 | 315 | 328 | 11 | 339 |
| 22.21 Unobligated balance transferred to other accounts | -2 | 0 | -2 | 0 | 0 | 0 | 0 | 0 | 0 |
| 23.90 Total budgetary resources available for obligation | 320 | 10 | 330 | 317 | 11 | 328 | 328 | 11 | 339 |
| 23.95 Total new obligations | -305 | -10 | -315 | -317 | -11 | -328 | -327 | -11 | -338 |
| 24.40 Unobligated balance carried forward end of year | 13 | 0 | 13 | 0 | 0 | 0 | 0 | 0 | 0 |
| New budget authority (gross), detail: | | | | | | | | | |
| Discretionary: | | | | | | | | | |
| 40.00 Appropriation | 30 | 1 | 31 | 26 | 1 | 27 | 29 | 1 | 30 |
| Spending authority from offsetting collections | | | | | | | | | |
| Offsetting collections (cash): | | | | | | | | | |
| 68.00 Offsetting collections (reimbursable Federal) | 1 | 0 | 1 | 1 | 0 | 1 | 1 | 0 | 1 |
| 68.00 Cost of conducting spectrum auctions | 74 | 1 | 75 | 58 | 2 | 60 | 58 | 2 | 60 |
| 68.00 Spending authority from offsetting collections (regulatory fees) | 200 | 8 | 208 | 219 | 8 | 227 | 240 | 8 | 248 |
| 68.90 Spending authority from offsetting collections (total discretionary) | 275 | 9 | 284 | 278 | 10 | 288 | 299 | 10 | 309 |
| 70.00 Total new budget authority (gross) | 305 | 10 | 315 | 304 | 11 | 315 | 328 | 11 | 339 |
| Change in obligated balances: | | | | | | | | | |
| 72.40 Obligated balance, start of year | 43 | 0 | 43 | 61 | 0 | 61 | 63 | 0 | 63 |
| 73.10 New obligations | 305 | 10 | 315 | 317 | 11 | 328 | 327 | 11 | 338 |
| 73.20 Total outlays (gross) | -286 | -10 | -296 | -315 | -11 | -326 | -338 | -11 | -349 |
| 74.40 Obligated balance, end of year | 61 | 0 | 61 | 63 | 0 | 63 | 52 | 0 | 52 |

This exhibit illustrates the distribution of budget authority to provide for the government-wide legislative proposal to fund the full cost of retirement benefits at the agency level as presented in the President's Budget.

Salaries and Expenses

| Program and Financing (in millions of dollars)-continued | | | | | | | | | |
|---|---------|-------------|-------------|---------|-------------|-------------|----------|-------------|-------------|
| | 2001 | 2001 | 2001 | 2002 | 2002 | 2002 | 2003 | 2003 | 2003 |
| | Enacted | Legislative | President's | Enacted | Legislative | President's | Program | Legislative | President's |
| | | adjustment | Budget | | adjustment | Budget | Baseline | Request | Budget |
| | | | Total | | | Total | | | Total |
| Outlays (gross), detail: | | | | | | | | | |
| 86.90 | 278 | 10 | 288 | 300 | 11 | 311 | 324 | 11 | 335 |
| 86.93 | 8 | 0 | 8 | 13 | 0 | 13 | 14 | 0 | 14 |
| 87.00 | 286 | 10 | 296 | 315 | 11 | 326 | 338 | 11 | 349 |
| Offsets against gross budget authority and outlays: | | | | | | | | | |
| offsetting collections (cash) from: | | | | | | | | | |
| 88.00 | -1 | 0 | -1 | -1 | 0 | -1 | -1 | 0 | -1 |
| 88.40 | -74 | -1 | -75 | -58 | -2 | -60 | -58 | -2 | -60 |
| 8845 | -200 | -8 | -208 | -219 | -8 | -227 | -240 | -8 | -248 |
| 88.90 | -275 | -9 | -284 | -278 | -10 | -288 | -299 | -10 | -309 |
| Net budget authority and outlays: | | | | | | | | | |
| 89.00 | 30 | 1 | 31 | 26 | 1 | 27 | 29 | 1 | 30 |
| 90.00 | 11 | 1 | 12 | 37 | 1 | 38 | 39 | 1 | 40 |
| Budget Authority and Outlays | | | | | | | | | |
| Excluding Full Funding for Federal Retiree costs (in million of dollars) | | | | | | | | | |
| Net budget authority and outlays: | | | | | | | | | |
| 89.00 | 30 | 0 | 30 | 26 | 0 | 26 | 29 | 0 | 29 |
| 90.00 | 11 | 0 | 11 | 37 | 0 | 37 | 39 | 0 | 39 |
| Object Classification (in millions of dollars) | | | | | | | | | |
| Direct obligations | | | | | | | | | |
| Personnel compensation: | | | | | | | | | |
| 11.10 | 14 | 0 | 14 | 14 | 0 | 14 | 14 | 0 | 14 |
| 11.30 | 2 | 0 | 2 | 1 | 0 | 1 | 2 | 0 | 2 |
| 11.90 | 16 | 0 | 16 | 15 | 0 | 15 | 16 | 0 | 16 |
| 12.10 | 4 | 1 | 5 | 4 | 1 | 5 | 4 | 1 | 5 |
| 23.10 | 4 | 0 | 4 | 3 | 0 | 3 | 3 | 0 | 3 |
| 23.30 | 1 | 0 | 1 | 1 | 0 | 1 | 1 | 0 | 1 |
| 25.20 | 1 | 0 | 1 | 1 | 0 | 1 | 2 | 0 | 2 |
| 25.70 | 2 | 0 | 2 | 2 | 0 | 2 | 2 | 0 | 2 |
| 31.00 | 2 | 0 | 2 | 0 | 0 | 0 | 1 | 0 | 1 |
| 99.00 | 30 | 1 | 31 | 26 | 1 | 27 | 29 | 1 | 30 |
| 99.00 | 275 | 9 | 284 | 291 | 10 | 301 | 298 | 10 | 308 |
| 99.99 | 305 | 10 | 315 | 317 | 11 | 328 | 327 | 11 | 338 |

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.

| Unavailable Collections (in millions of dollars) | | | |
|--|-------------|-----------|-----------|
| | 2001 actual | 2002 est. | 2003 est. |
| 01.99 Balance, start of year | 0 | 0 | 0 |
| Receipts: | | | |
| 02.00 Universal service fund | 5,290 | 5,801 | 6,523 |
| Appropriations: | | | |
| 05.00 Universal service fund | -5,290 | -5,801 | -6,523 |
| 07.99 Balance, end of year | 0 | 0 | 0 |

| Program and Financing (in millions of dollars) | | | |
|--|-------------|-----------|-----------|
| | 2001 actual | 2002 est. | 2003 est. |
| Obligations by program activity: | | | |
| 10.00 Total new obligations (object class 41.0) | 5,235 | 5,801 | 6,523 |
| Budgetary resources available for obligation: | | | |
| 21.40 Unobligated balance carried forward, start of year | 181 | 237 | 237 |
| 22.00 New budget authority (gross) | 5,290 | 5,801 | 6,523 |
| 23.90 Total budgetary resources available for obligation | 5,471 | 6,038 | 6,760 |
| 23.95 Total new obligations | -5,235 | -5,801 | -6,523 |
| 24.40 Unobligated balance carried forward, end of year | 237 | 237 | 237 |
| New budget authority (gross), detail: | | | |
| Mandatory: | | | |
| 60.20 Appropriation (special fund) | 5,290 | 5,801 | 6,523 |

UNIVERSAL SERVICE FUND

| (Universal Service Fund Cont'd) | Program and Financing (in millions of dollars) | | |
|--|--|-----------|-----------|
| | 2001 actual | 2002 est. | 2003 est. |
| Change in obligated balances: | | | |
| Change in obligations balances, start of year: | | | |
| 72.40 Obligated balance, start of year | 1,771 | 2,059 | 2,369 |
| 73.10 Total new obligations | 5,235 | 5,801 | 6,523 |
| 73.20 Total outlays (gross) | -4,947 | -5,490 | -6,510 |
| 74.40 Obligated balance, end of year | 2,059 | 2,369 | 2,382 |
| Outlays (gross), detail: | | | |
| 86.97 Outlays from new mandatory authority | 2,995 | 3,194 | 3,904 |
| 86.98 Outlays from mandatory balances | 1,952 | 2,296 | 2,606 |
| 87.00 Total outlays (gross) | 4,947 | 5,490 | 6,510 |
| Net budget authority and outlays: | | | |
| 89.00 Budget authority | 5,290 | 5,801 | 6,523 |
| 90.00 Outlays | 4,947 | 5,490 | 6,510 |

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)

| | 2001 actual | 2002 est. | 2003 est. |
|--|---------------|-----------|-----------|
| Obligations by program activity: | | | |
| 00.05 Reestimates of direct loan subsidy | 8,821 | 94 | 0 |
| 00.06 Interest on reestimates of direct loan subsidy | 2,767 | 38 | 0 |
| 00.09 Administrative Expenses | <u>8</u> | <u>12</u> | <u>12</u> |
| 10.00 Total new obligations | 11,596 | 144 | 12 |
| Budgetary resources available for obligation: | | | |
| 21.40 Unobligated balance carried forward, start of year | 1,821 | 0 | 0 |
| 22.00 New budget authority (gross) | 11,577 | 144 | 12 |
| 22.40 Capital transfer to general fund | <u>-1,802</u> | <u>0</u> | <u>0</u> |
| 23.90 Total budgetary resources available for obligation | 11,596 | 144 | 12 |
| 23.95 Total new obligations | -11,596 | -144 | 0 |
| New budget authority (gross), detail: | | | |
| Mandatory: | | | |
| 60.00 Appropriation | 11,577 | 144 | 12 |
| 69.00 Offsetting collections (cash) | 12,429 | 3 | 0 |
| 69.27 Capital transfer to general fund | -12,429 | -3 | 0 |
| 69.90 Spending authority from offsetting collections (total mandatory) | <u>0</u> | <u>0</u> | <u>0</u> |
| 70.00 Total new budget authority (gross) | 11,577 | 144 | 12 |

SPECTRUM AUCTION PROGRAM ACCOUNT

Program and Financing (in millions of dollars) - continued

| | 2001 actual | 2002 est. | 2003 est. |
|---|----------------|-------------|------------|
| Change in obligated balances: | | | |
| 72.40 Obligated balance, start of year | 2 | 3 | 0 |
| 73.10 Total new obligations | 11,596 | 144 | 12 |
| 73.20 Total outlays (gross) | <u>-11,595</u> | <u>-147</u> | <u>-12</u> |
| 74.40 Obligated balance, end of year | 3 | 0 | 0 |
| Outlays (gross), detail: | | | |
| 86.97 Outlays from new mandatory authority | 11,576 | 144 | 12 |
| 86.98 Outlays from mandatory balances | <u>19</u> | <u>3</u> | <u>0</u> |
| 87.00 Total outlays (gross) | 11,595 | 147 | 12 |
| Offsets: | | | |
| Against budget authority and outlays: | | | |
| 88.00 Offsetting collections (cash) from: Federal sources | -12,429 | -3 | 0 |
| Net budget authority and outlays: | | | |
| 89.00 Budget authority | -852 | 141 | 12 |
| 90.00 Outlays | -834 | 144 | 12 |
| Summary of Loan levels, Subsidy Budget Authority and Outlays by Program (in millions of dollars) | | | |
| | 2001 actual | 2002 est. | 2003 est. |
| Direct loan levels supportable by subsidy budget authority: | | | |
| 1150 Spectrum auction | 0 | 0 | 0 |
| 1159 Total direct loan levels | 0 | 0 | 0 |
| Direct loans subsidy (in percent): | | | |
| 1320 Direct loan levels | 0 | 0 | 0 |
| 1329 Weighted average subsidy rate | 0 | 0 | 0 |

SPECTRUM AUCTION PROGRAM ACCOUNT

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

| | 2001 actual | 2002 est. | 2003 est. |
|---|-------------|-----------|-----------|
| Direct loan subsidy budget authority: | | | |
| 1330 Direct loan levels | 0 | 0 | 0 |
| 1339 Total subsidy budget authority | 0 | 0 | 0 |
| Direct loan subsidy outlays: | | | |
| 1340 Direct loan levels | 0 | 0 | 0 |
| 1349 Total subsidy outlays | 0 | 0 | 0 |
| Direct loan upward reestimate subsidy budget authority: | | | |
| 1350 Direct loan levels | 11,588 | 132 | 0 |
| 1359 Total upward reestimate budget authority | 11,588 | 132 | 0 |
| Direct loan upward reestimate subsidy outlays: | | | |
| 1360 Direct loan levels | 11,588 | 132 | 0 |
| 1369 Total upward reestimate subsidy outlays | 11,588 | 132 | 0 |
| Direct loan downward reestimate subsidy budget authority: | | | |
| 1370 Direct loan levels | -12,429 | -3 | 0 |
| 1379 Total downward reestimate budget authority | -12,429 | -3 | 0 |
| Direct loan downward reestimate subsidy outlays: | | | |
| 1380 Direct loan levels | -12,429 | -3 | 0 |
| 1389 Total downward reestimate subsidy outlays | -12,429 | -3 | 0 |
| Administrative expense data: | | | |
| 3510 Budget authority | 0 | 12 | 12 |
| 3580 Outlays from balances | 8 | 0 | 0 |
| 3590 Outlays from new authority | 0 | 12 | 12 |

SPECTRUM AUCTION PROGRAM ACCOUNT

| Object Classification (in millions of dollars) | | | |
|---|---------------|------------|-----------|
| | 2001 actual | 2002 est. | 2003 est. |
| 11.1 Personnel compensation: Full-time permanent | 1 | 1 | 1 |
| 25.2 Other services | 7 | 11 | 11 |
| 41.0 Grants, subsidies, and contributions | <u>11,588</u> | <u>132</u> | <u>0</u> |
| 99.9 Total new obligations | 11,596 | 144 | 12 |
| Personnel Summary | | | |
| 1001 Total compensable workyears: Full-time equivalent employment | 8 | 8 | 8 |

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) | | | |
|--|----------------|-------------|-------------|
| | 2001 actual | 2002 est. | 2003 est. |
| Obligations by program activity: | | | |
| Operating expenses: | | | |
| 00.02 Interest Paid to Treasury | 1,214 | 414 | 290 |
| 00.05 IVDS Restructuring | 2 | 6 | 0 |
| 00.91 Direct Program by Activities - Subtotal (1 level) | <u>1,216</u> | <u>420</u> | <u>290</u> |
| 08.02 Downward subsidy reestimate | 9,625 | 2 | 0 |
| 08.04 Interest on downward reestimate | 2,804 | 1 | 0 |
| 08.91 Direct Program by Activities - Subtotal (1 level) | <u>12,429</u> | <u>3</u> | <u>0</u> |
| 10.00 Total new obligations | <u>13,645</u> | <u>423</u> | <u>290</u> |
| Budgetary resources available for obligation: | | | |
| 21.40 Unobligated balance carried forward, start of year | 10 | 18 | 0 |
| 22.00 New financing authority (gross) | 13,663 | 417 | 290 |
| 22.60 Portion applied to repay debt | <u>-10</u> | <u>-12</u> | <u>0</u> |
| 23.90 Total budgetary resources available for obligation | <u>13,663</u> | <u>423</u> | <u>290</u> |
| 23.95 Total new obligations | <u>-13,645</u> | <u>-423</u> | <u>-290</u> |
| 23.40 Unobligated balance carried forward, end of year | 18 | 0 | 0 |
| New financing authority (gross), detail: | | | |
| Mandatory: | | | |
| 67.10 Authority to borrow: | 12,663 | 0 | 154 |
| Offsetting collections (cash) | | | |
| 69.00 Offsetting collections (Re-estimate) | 8,821 | 94 | 0 |
| 69.00 Offsetting collections (Int-reestimate) | 2,767 | 38 | 0 |

SPECTRUM AUCTION DIRECT LOAN FINANCING ACCOUNT

Program and Financing (in millions of dollars) - continued

| | 2001 actual | 2002 est. | 2003 est. |
|--|----------------|---------------|-------------|
| 69.00 Offsetting collections (Payment on loans) | 419 | 4,436 | 136 |
| 69.00 Other Treasury collections (Auction 35 receipts) | 0 | 997 | 0 |
| 69.00 Offsetting collections (Treasury Int) | 844 | 0 | 0 |
| 69.47 Portion applied to repay debt | -11,851 | -5,148 | 0 |
| 69.90 Spending authority from offsetting collections (total mandatory) | <u>1,000</u> | <u>417</u> | <u>136</u> |
| 70.00 Total new financing authority (gross) | <u>13,663</u> | <u>417</u> | <u>290</u> |
| Change in obligated balances: | | | |
| 73.10 Total new obligations | 13,645 | 423 | 290 |
| 73.20 Total financing disbursements (gross) | -13,645 | -423 | -290 |
| 87.00 Total financing disbursements (gross) | 13,645 | 423 | 290 |
| Offsets: | | | |
| Against gross financing authority and financing disbursements: | | | |
| Offsetting collections (cash) from: | | | |
| 88.00 Program account: total revised subsidy | -11,588 | -132 | 0 |
| 88.25 Interest on uninvested funds | -844 | 0 | 0 |
| Non-Federal sources: | | | |
| 88.40 Interest received on loans | -66 | -41 | -39 |
| 88.40 Principal received on loans | -353 | -4,395 | -97 |
| 88.40 Recoveries | <u>0</u> | <u>-997</u> | <u>0</u> |
| 88.90 Total offsetting collections (cash) | <u>-12,851</u> | <u>-5,565</u> | <u>-136</u> |
| Net financing authority and financing disbursements: | | | |
| 89.00 Financing authority | 812 | -5,148 | 154 |
| 90.00 Financing disbursements | 794 | -5,142 | 154 |

SPECTRUM AUCTION DIRECT LOAN FINANCING ACCOUNT

Status of Direct Loans (in millions of dollars)

| | 2001 actual | 2002 est. | 2003 est. |
|---|--------------|--------------|--------------|
| Position with respect to appropriations act limitation on obligations: | | | |
| 1111 Limitation on direct loans | 0 | 0 | 0 |
| 1131 Direct loan obligation exempt from limitation | 0 | 0 | 0 |
| 1150 Total direct loan obligations | <u>0</u> | <u>0</u> | <u>0</u> |
| Cumulative balance of direct loans outstanding: | | | |
| 1210 Outstanding, start of year | 8,177 | 5,593 | 1,198 |
| 1231 Disbursements: Direct loan disbursements | 0 | 0 | 0 |
| 1251 Repayments: Repayments and prepayments | -353 | -4,395 | -97 |
| 1263 Write-offs for default: Direct loans | -2,231 | 0 | 0 |
| 1290 Outstanding, end of year | <u>5,593</u> | <u>1,198</u> | <u>1,101</u> |

Balance Sheet (in millions of dollars)

| | 2000 actual | 2001 actual | 2002 est. | 2003 est. |
|--|--------------|--------------|------------|--------------|
| ASSETS: | | | | |
| 1101 Federal assets: Fund balance with Treasury | 0 | 18 | 0 | 0 |
| Net value of assets related to post-1991 direct loan receivable: | | | | |
| 1401 Direct loans receivable, gross | 8,177 | 5,593 | 1,198 | 1,101 |
| 1402 Interest receivable | 433 | 293 | 56 | 56 |
| 1405 Allowance for subsidy cost (-) | 982 | 216 | -292 | -41 |
| 1499 Net present value of assets related to direct loans | <u>9,592</u> | <u>6,102</u> | <u>962</u> | <u>1,116</u> |
| 1901 Other Federal assets: Other assets | 0 | 0 | 0 | 0 |
| 1999 Total assets | <u>9,592</u> | <u>6,120</u> | <u>962</u> | <u>1,116</u> |
| LIABILITIES: | | | | |
| Federal liabilities: | | | | |
| 2103 Resources payable to Treasury | 5,307 | 6,110 | 962 | 1,116 |
| 2105 Other Debt | 4,285 | 10 | 0 | 0 |
| 1999 Total liabilities | <u>9,592</u> | <u>6,120</u> | <u>962</u> | <u>1,116</u> |
| 4999 Total liabilities and net position | 9,592 | 6,120 | 962 | 1,116 |



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

August 7, 2001

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

Dear Mr. Chairman:

On May 7, 2001, the U.S. General Accounting Office ("GAO") submitted a report entitled *Telecommunications: Research and Regulatory Efforts on Mobile Phone Health Issues* (GAO-01-545) to you and Congressman Markey. The report made four recommendations to the Commission. In accordance with the requirement of 31 U.S.C. 720, this letter is to inform you of the actions the Commission has already taken and is planning to take based on the recommendations made by the GAO.

GAO recommends that I "[d]irect the Office of Engineering and Technology to issue revised guidance on SAR [specific absorption rate] testing procedures to reduce variations in test results caused by a lack of standardized procedures. This guidance should be kept current as industry standards evolve." At the end of June 2001, the Office of Engineering and Technology ("OET") issued a revised "Supplement C," which provides specific guidance for evaluating compliance of mobile phone handsets with the Commission's limits on radiofrequency ("RF") exposure. This publication includes guidance for SAR measurements on portable devices and updated guidance for other measurement-based and computational methods for evaluating RF exposure. These procedures are based on the ongoing work of the Institute of Electrical and Electronics Engineers ("IEEE"). A Public Notice of this publication was made on June 29, 2001, and this material was distributed to key industry personnel and is posted on the Commission's web site. The Commission will carefully monitor the utility of these guidelines, and will also continue to follow the development of industry standards, and reevaluate its procedures if and when the IEEE adopts new standards in this area.

GAO recommends that I "[d]irect the Office of Engineering and Technology to consult with FDA on the advisability of adopting FDA's method of incorporating measurement uncertainty in determining compliance with radiofrequency safety limits, and make the results of the communication publicly available." As stated in the Commission's April 12, 2001, comments on the GAO draft report and reiterated in my letter of June 19, 2001, to you and Congressman Markey, Commission and FDA staff met prior to publication of the GAO Report, and were able to determine that both agencies do, in fact, treat measurement uncertainty in the same manner when measuring devices for compliance with emissions limits. In response to the Report, the respective staffs have met again to ensure their common understanding and similar

treatment of measurement uncertainty in testing for compliance, and confirmed their earlier understanding. We have discovered that there are differences in how each agency advises manufacturers to incorporate measurement uncertainty in their manufacturing process and their internal quality/conformance testing. The two staffs have since met again to discuss the nature of and reasons for these differences. FDA staff has provided valuable information and ideas to the Commission staff on this matter. We are currently evaluating these ideas, and we will meet again with FDA to discuss possible modifications of our oversight of the manufacturing process, and to further discuss the propriety of any differences based on differences in the devices at issue. We are hopeful of concluding these considerations this year, and will advise manufacturers and the public of any changes we expect in the manufacturing process, and the bases for such requirements.

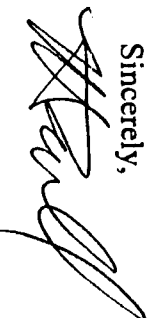
GAO recommends that I “[d]irect the Consumer Information Bureau and the Office of Engineering and Technology to work together to develop clear, consistent, and easily accessible consumer materials on mobile phone radiofrequency exposure issues. In particular, these offices should modify the product authorization database Web site so that it links consumers to clear, concise information on radiofrequency exposure issues and the meaning of SAR data.” As I said in my letter to you of June 19, 2001, the staff immediately made revisions to the RF fact sheet and developed a “Frequently Asked Questions” (FAQ) sheet for the Commission web site. Additionally, the Commission has for some time maintained a dedicated consumer hotline, which is publicized with all of our printed information. In addition, we have begun coordination with FDA on consolidating web site information of the two agencies into a single, simple, easy-to-navigate and easy-to-understand tool. The first meeting between staffs to discuss logistics of this effort has occurred and current web site information has been exchanged. We have scheduled the next meeting for later this month to review each other’s material and to initiate steps to build a coordinated set of sites, with a common home page.

GAO recommends that I “[d]irect the Office of Managing Director, as part of human capital planning, to develop a strategy for meeting the need for additional expertise in radiofrequency exposure and testing issues.” I am pleased to advise you that one new engineer was hired recently for the Commission laboratory, and is assigned to the RF exposure activity. In the next two months, we expect to fill additional new engineering positions at the Laboratory.

Finally, I can assure you that the Commission will promptly complete its initiatives with the FDA, and will continue to be alert to RF health and safety issues and public concerns. The

Commission appreciates its evolving role in public awareness of these matters. I will be happy to discuss these matters with you further, at your convenience.

Sincerely,

A handwritten signature in dark ink, appearing to read "MPowell", written in a cursive style.

Michael K. Powell
Chairman

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



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

August 7, 2001

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

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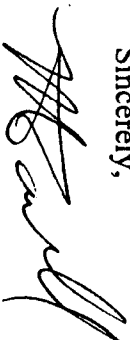
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Page 3—The Honorable Dan Burton—August 7, 2001

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Michael K. Powell
Chairman

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



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

January 11, 2002

The Honorable Joseph Lieberman
Chairman
Committee on Governmental Affairs
United States Senate
605 Hart Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

On October 16, 2001, the U.S. General Accounting Office submitted a report entitled Telecommunications: Characteristics and Competitiveness of the Internet Backbone Market (GAO-02-16) to Senators Kohl and DeWine. The Report made the following recommendation to the Commission:

FCC should develop a strategy for periodically evaluating whether existing informal and experimental methods of data collection are providing the information needed to monitor the essential characteristics and trends of the Internet backbone market and the potential effects of the convergence of communications services. If a more formal data collection program is deemed appropriate, FCC should exercise its authority to establish such a program. (p. 29).

The GAO is recommending that the FCC adopt a process for evaluating its data collection needs; it is not, however, recommending that the FCC at this time engage in new data gathering.

In addition to the recommendation, we note that the Report observes a need for data related to network reliability and local broadband deployment. We also note that, while the Report identifies a possible need for data, the Report did not identify a specific problem that requires regulatory action. The Report stated, "[n]o evidence came to light in the course of this study to suggest that the long-standing hands-off regulatory approach for the Internet has not worked or should be modified." (p. 29).

This letter is to inform you of the Commission's response to the GAO recommendation.

The Internet falls within a larger regulatory classification known as enhanced services or information services. These are different types of data processing or computer network services that are provided via the telecommunications network. The Commission has long been concerned with enhanced services, starting with its Computer Inquiries initiated in 1966. The conclusion in that proceeding was that enhanced services should be unregulated because the market was highly competitive, innovative, had low barriers to entry, and had a low risk of

monopolization. The Commission has regularly revisited these issues in Computer II, Computer III, and other related proceedings, affirming its original findings.

The Commission has directly addressed the Internet backbone market on multiple occasions including the first Section 706 Report to Congress, the MCI / WorldCom merger, the Bell Atlantic / GTE merger, and the MCI / Sprint merger. The FCC has considered the Internet backbone market in developing its ICAIS policy for international meetings ("International Charging Arrangements for Internet Services" involving pressure to impose telecommunications accounting schemes on Internet peering). The Network Reliability and Interoperability Council ("NRIC"), an FCC federal advisory committee, has also touched on the issue, recommending that backbones publish their peering policies, and developing a white paper on interconnection between Internet backbones. The FCC Office of Plans and Policy has released an OPP Working Paper on the subject entitled *The Digital Handshake: Connecting Internet Backbones* (September 2000). Finally, the FCC also has recently hired staff with expertise in this area.

Section 706 of the Telecommunications Act creates an ongoing obligation for the Commission to examine "the availability of advanced telecommunications capability to all Americans." The Commission is currently completing its third cycle of preparing a Report to Congress pursuant to Section 706. The Commission could evaluate, as a part of the Section 706 process, whether existing methods of data collection are providing the information needed to monitor the essential characteristics and trends of the Internet backbone market and the potential effects of the convergence of communications services. Consistent with the GAO recommendation, if the Commission deems that it is necessary, the Commission can propose appropriate action as a part of the Section 706 process.

The GAO Report also notes a need for additional information in the area of Internet network reliability. We, therefore, wish to share with you the latest developments with the NRIC. The NRIC was established in 1991 with the mission "to provide recommendations to the Commission that will help prevent network outages or limit their impact." Since that time, NRIC has assisted the Commission with the reliability of the public telephone network, an analysis of the Internet's impact on the telecommunications network, and preparing the telecommunications network for Y2K. As the GAO Report notes, NRIC V actively explored reporting of Internet backbone outages. NRIC VI, which will soon convene, will have increased emphasis on Internet reliability and Homeland Security. A recent press release concerning NRIC VI is enclosed.

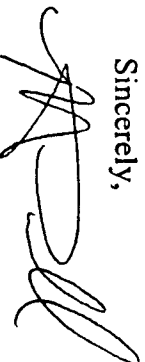
There are multiple government efforts addressing Internet reliability and security. We wish to ensure that the FCC's work complements the work of other agencies. Other federal work includes the Office of Homeland Security, the Critical Infrastructure Protection Board, The US National Infrastructure Protection Center, the CERT Coordination Center, The Critical Infrastructure Assurance Office, the National Coordination Center for Telecommunications, the National Communications System, the National Security Telecommunications Advisory Committee, and the Federal Computer Incident Response Center. At the state level there is the

National Association of State Chief Information Officers ("NASCIO"). There are also multiple private sector efforts that include the Forum of Incident Response and Security Teams, IT Information Sharing and Analysis Center ("ISAC"), the forming ISP ISAC, IOPS, and the North American Network Operators Group. Government work on network reliability should take advantage of and build upon the excellent work being achieved by the private sector.

The Report also mentions the need for data concerning local broadband deployment. Broadband deployment is, of course, the subject of the Commission's mandate under Section 706 of the Telecommunications Act. As previously noted, the Commission is currently concluding its third Section 706 proceeding and the report to Congress is imminent. As part of this process, the Commission has implemented a regular and ongoing data collection and releases data every six months.

If you have any questions, please do not hesitate to contact me.

Sincerely,



Michael K. Powell
Chairman

Enclosure

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



NEWS

Federal Communications Commission
445 12th Street, S.W.
Washington, D. C. 20554

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Fax-On-Demand 202 / 418-2630
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Internet: <http://www.fcc.gov>
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This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action. See MCI v. FCC, 515 F.2d 385 (D.C. Cir. 1974).

FOR IMMEDIATE RELEASE
January 4, 2002

Contact: Audrey Spiwaack
(202) 418-0512

QWEST COMMUNICATIONS CHAIRMAN AND CEO JOSEPH NACCIO ASSUMES CHAIR OF NETWORK RELIABILITY AND INTEROPERABILITY COUNCIL

Washington - FCC Chairman Michael K. Powell today announced that Joseph P. Nacchio, Chairman and Chief Executive Officer of Qwest Communications, will chair the next term of the Network Reliability and Interoperability Council (NRIC VI). Chairman Powell thanked Level 3 Communications President and Chief Executive Officer, James Q. Crowe, for leading the Council during its previous term (NRIC V).

The Council's members are senior representatives of providers and users of telecommunications services and products, including telecommunications carriers, the satellite, cable television, wireless and computer industries, trade associations, labor and consumer representatives, manufacturers, research organizations and government related organizations.

The role of the Council is to develop recommendations for the Commission and the telecommunications industry to assure optimal reliability, security, interoperability and interconnectivity of, and accessibility to, public telecommunications networks and the Internet. NRIC VI will work on traditional reliability issues with a strong emphasis on national security.

Mr. Nacchio is also Vice-Chairman of the National Security Telecommunications Advisory Committee, a Federal Advisory Committee Act body that advises President Bush on national security telecommunications matters.

Mr. Nacchio said: "I am honored that Chairman Powell has asked me to serve as the Chairman of the Network Reliability and Interoperability Council at this crucial time and I look forward to working with him and the members of the Council."

- FCC -



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

January 11, 2002

The Honorable Fred Thompson
Ranking Member
Committee on Governmental Affairs
United States Senate
340 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Thompson:

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Sincerely,



Michael K. Powell
Chairman

Enclosure

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



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FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

January 11, 2002

OFFICE OF
THE CHAIRMAN

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Chairman
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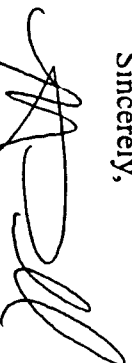
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FOR IMMEDIATE RELEASE
January 4, 2002

Contact: Audrey Spiwack
(202) 418-0512

QWEST COMMUNICATIONS CHAIRMAN AND CEO JOSEPH NACCCHIO ASSUMES CHAIR OF NETWORK RELIABILITY AND INTEROPERABILITY COUNCIL

Washington - FCC Chairman Michael K. Powell today announced that Joseph P. Nacchio, Chairman and Chief Executive Officer of Qwest Communications, will chair the next term of the Network Reliability and Interoperability Council (NRIC VI). Chairman Powell thanked Level 3 Communications President and Chief Executive Officer, James Q. Crowe, for leading the Council during its previous term (NRIC V).

The Council's members are senior representatives of providers and users of telecommunications services and products, including telecommunications carriers, the satellite, cable television, wireless and computer industries, trade associations, labor and consumer representatives, manufacturers, research organizations and government related organizations.

The role of the Council is to develop recommendations for the Commission and the telecommunications industry to assure optimal reliability, security, interoperability and interconnectivity of, and accessibility to, public telecommunications networks and the Internet. NRIC VI will work on traditional reliability issues with a strong emphasis on national security.

Mr. Nacchio is also Vice-Chairman of the National Security Telecommunications Advisory Committee, a Federal Advisory Committee Act body that advises President Bush on national security telecommunications matters.

Mr. Nacchio said: "I am honored that Chairman Powell has asked me to serve as the Chairman of the Network Reliability and Interoperability Council at this crucial time and I look forward to working with him and the members of the Council."

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FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

January 11, 2002

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

Dear Congressman Waxman:

On October 16, 2001, the U.S. General Accounting Office submitted a report entitled Telecommunications: Characteristics and Competitiveness of the Internet Backbone Market (GAO-02-16) to Senators Kohl and DeWine. The Report made the following recommendation to the Commission:

FCC should develop a strategy for periodically evaluating whether existing informal and experimental methods of data collection are providing the information needed to monitor the essential characteristics and trends of the Internet backbone market and the potential effects of the convergence of communications services. If a more formal data collection program is deemed appropriate, FCC should exercise its authority to establish such a program. (p. 29).

The GAO is recommending that the FCC adopt a process for evaluating its data collection needs; it is not, however, recommending that the FCC at this time engage in new data gathering.

In addition to the recommendation, we note that the Report observes a need for data related to network reliability and local broadband deployment. We also note that, while the Report identifies a possible need for data, the Report did not identify a specific problem that requires regulatory action. The Report stated, "[n]o evidence came to light in the course of this study to suggest that the long-standing hands-off regulatory approach for the Internet has not worked or should be modified." (p. 29).

This letter is to inform you of the Commission's response to the GAO recommendation.

The Internet falls within a larger regulatory classification known as enhanced services or information services. These are different types of data processing or computer network services that are provided via the telecommunications network. The Commission has long been concerned with enhanced services, starting with its Computer Inquiries initiated in 1966. The conclusion in that proceeding was that enhanced services should be unregulated because the market was highly competitive, innovative, had low barriers to entry, and had a low risk of

monopolization. The Commission has regularly revisited these issues in Computer II, Computer III, and other related proceedings, affirming its original findings.

The Commission has directly addressed the Internet backbone market on multiple occasions including the first Section 706 Report to Congress, the MCI / WorldCom merger, the Bell Atlantic / GTE merger, and the MCI / Sprint merger. The FCC has considered the Internet backbone market in developing its ICALS policy for international meetings (“International Charging Arrangements for Internet Services” involving pressure to impose telecommunications accounting schemes on Internet peering). The Network Reliability and Interoperability Council (“NRIIC”), an FCC federal advisory committee, has also touched on the issue, recommending that backbones publish their peering policies, and developing a white paper on interconnection between Internet backbones. The FCC Office of Plans and Policy has released an OPP Working Paper on the subject entitled *The Digital Handshake: Connecting Internet Backbones* (September 2000). Finally, the FCC also has recently hired staff with expertise in this area.

Section 706 of the Telecommunications Act creates an ongoing obligation for the Commission to examine “the availability of advanced telecommunications capability to all Americans.” The Commission is currently completing its third cycle of preparing a Report to Congress pursuant to Section 706. The Commission could evaluate, as a part of the Section 706 process, whether existing methods of data collection are providing the information needed to monitor the essential characteristics and trends of the Internet backbone market and the potential effects of the convergence of communications services. Consistent with the GAO recommendation, if the Commission deems that it is necessary, the Commission can propose appropriate action as a part of the Section 706 process.

The GAO Report also notes a need for additional information in the area of Internet network reliability. We, therefore, wish to share with you the latest developments with the NRIIC. The NRIIC was established in 1991 with the mission “to provide recommendations to the Commission that will help prevent network outages or limit their impact.” Since that time, NRIIC has assisted the Commission with the reliability of the public telephone network, an analysis of the Internet’s impact on the telecommunications network, and preparing the telecommunications network for Y2K. As the GAO Report notes, NRIIC V actively explored reporting of Internet backbone outages. NRIIC VI, which will soon convene, will have increased emphasis on Internet reliability and Homeland Security. A recent press release concerning NRIIC VI is enclosed.

There are multiple government efforts addressing Internet reliability and security. We wish to ensure that the FCC’s work complements the work of other agencies. Other federal work includes the Office of Homeland Security, the Critical Infrastructure Protection Board, The US National Infrastructure Protection Center, the CERT Coordination Center, The Critical Infrastructure Assurance Office, the National Coordination Center for Telecommunications, the National Communications System, the National Security Telecommunications Advisory Committee, and the Federal Computer Incident Response Center. At the state level there is the

National Association of State Chief Information Officers ("NASCIO"). There are also multiple private sector efforts that include the Forum of Incident Response and Security Teams, IT Information Sharing and Analysis Center ("ISAC"), the forming ISP ISAC, IOPS, and the North American Network Operators Group. Government work on network reliability should take advantage of and build upon the excellent work being achieved by the private sector.

The Report also mentions the need for data concerning local broadband deployment. Broadband deployment is, of course, the subject of the Commission's mandate under Section 706 of the Telecommunications Act. As previously noted, the Commission is currently concluding its third Section 706 proceeding and the report to Congress is imminent. As part of this process, the Commission has implemented a regular and ongoing data collection and releases data every six months.

If you have any questions, please do not hesitate to contact me.

Sincerely,



Michael K. Powell
Chairman

Enclosure

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



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Washington, D. C. 20554

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