

# **FEDERAL COMMUNICATIONS COMMISSION**

***FY 2003 Budget Estimates to Congress***

---

## **INTRODUCTION**

**The Federal Communications Commission ("FCC" or "Commission"), an independent United States government agency, was established by the Communications Act of 1934 and is charged with regulating interstate and international communications by radio, television, wireline, wireless, satellite and cable. The Commission's direct jurisdiction covers the 50 states, the District of Columbia and the U.S. territories. With the passage of the Telecommunications Act of 1996, nearly six years ago, the Commission's pre-eminent mission is to promote competition, innovation, deregulation, and the public interest in the various market segments of the communications industry, and to promote the availability of high-quality communications services to all Americans.**

The 1996 Act is bold in its aspiration and its concrete objectives. Over the past six years, the Commission has facilitated dramatic progress in domestic communications markets specifically and international markets more generally which has produced marked successes for consumers in the form of innovative breakthroughs, new choices and new services.

In order to continue to serve the American public, the Commission, as an institution, must be efficient, effective, and responsive. The challenges of reaching these goals at the Commission are complicated by the never-ending, fast-paced changes that characterize the industries that the Agency regulates. Indeed, the Commission is experiencing a challenge it has never faced—each industry segment in its portfolio is in the midst of a digital revolution and migration and it is attempting to adapt to fundamental economic and technological changes.

During Fiscal Year 2001, in his appearance before House and Senate Appropriations subcommittees, FCC Chairman Michael K. Powell noted the "new beginnings for an old Commission" and the "investment in the future" to be made with the Commission's FY 2002 Budget Request. The unwritten history will undoubtedly reveal more of the same: there will be new markets, new competitors, and new regulatory and management opportunities and challenges.

In assessing our patient and deliberate progress in implementing the goals of the 1996 Act, the Commission must focus on what is working and what is not. In that regard, the Commission will be continuing its firm commitment to implement and execute a "new business plan" to serve the American public and the regulated entities that come before it, as well as to reform the Agency. Reform includes improving management and leadership performance, driving operational improvements, enhancing independent technical engineering and economic expertise, and restructuring the institution to be more aligned with the realities of a dynamic and converging marketplace. The Commission is pleased to report that it is meeting these commitments and, in so doing, has achieved significantly higher levels of customer benefit and policy and management performance.

Looking forward, it is axiomatic that there will be policy and management opportunities, as well as hurdles and challenges. The Commission has enumerated a set of policy and management imperatives that will extend its mission, evolve its operational strategy, and drive further a new-found culture of efficient, effective, and responsive performance. It is critical that

# FEDERAL COMMUNICATIONS COMMISSION

## FY 2003 Budget Estimates to Congress

---

the Commission continue to move steadfastly through the transition directed in Fiscal Years 2000-2002, in order to move one more step in the Agency's effort to bring consumer welfare and value to all Americans.

### FCC Goals and Objectives

The Commission, under the leadership of Chairman Michael K. Powell, has articulated a comprehensive business plan to orient it as it moves forward with its statutory obligations. As an institution, the Commission is defining an altered identity that, simply put, is new. The key to the Agency's progress is encapsulated in its new business philosophy: (1) a clear substantive policy vision, consistent with the various communications statutes and rules, that guides our deliberations; (2) a pointed emphasis on management that builds a strong team, produces a cohesive and efficient operation, and leads to clear and timely decisions; (3) an extensive training and development program to ensure that we possess independent technical and economic expertise; and (4) organizational restructuring to align our institution with the realities of a dynamic and converging marketplace.

The Commission's new business philosophy will allow the Agency to assist the American public and industry stakeholders in the transition to robust and competitive communications markets:

*Our Priorities*--The Commission intends to move purposefully to create a more efficient, effective and responsive Agency; to carry out the Congress' intent as expressed in the Telecommunications Act of 1996 and all other current and future statutes; to promote competition in all communications markets to maximize consumer, listener, and viewer choice and preference; to promote opportunities

for all Americans to benefit from the deployment of advanced telecommunications technology and services; and, to promote efficient spectrum management so that this important and precious resource is used wisely and for the broadest public benefit and to meet urgent public needs.

*Clear Policy Vision*--The Commission intends to move forward in six key policy areas. Those areas are: competition, broadband, digital television, broadcast ownership fundamentals, spectrum management and homeland security. These six areas create the pillars of the FCC's regulatory policy for the coming year.

*Leading From Our Strengths*--The Commission will continue to capitalize on its well-established core competencies, borne from the past five years, to eliminate barriers to entry in domestic communications markets; to deregulate where appropriate to promote competition; to vigorously enforce Commission rules so that corporate entities compete fairly; and, to promote competition in international communications markets.

*Leveraging Our Strengths*--The Commission intends to continue to build upon the cornerstone principles of the public interest and general consumer welfare to promote access for all Americans to communications service; and, to promote heightened consumer education and information.

*Investing In Our Expertise*--The Commission will continue to promote the preservation of its existing wealth of FCC staff knowledge and technical expertise and to enhance and extend that

# FEDERAL COMMUNICATIONS COMMISSION

## FY 2003 Budget Estimates to Congress

---

collective knowledge with the "FCC University," "Excellence in Engineering" and "Excellence in Economic Analysis" initiatives.

*Accelerating Our Productivity*--The Commission will continue to move forward to streamline agency processes and procedures; to automate agency processes; to provide improved access to agency information; and, to modernize its information technology infrastructure.

*Managing Complexity*--The Commission will be steadfast in its restructuring commitments so as to create an agency infrastructure conducive to the dynamic and converging marketplace. The Commission has formally proposed to restructure its Bureaus to achieve better efficiency, effectiveness, and overall responsiveness for the benefit of the American public.

The new business plan and philosophy will guide the Commission's activities and deliberations, today and beyond.

In order to continue to move forward with its transition, we estimate that the Commission will require a **Fiscal Year 2003 budget of \$278,092,000** and 1,975 full-time equivalents ("FTEs"). This request includes **\$9,765,000 to fund the President's government-wide legislative proposals** to fully fund all retirement costs at the agency level and **\$268,327,000 for Commission operational requirements** to maintain existing programs. An explanation of the assumptions and rationale for this level of requested resources is presented in the narrative sections, tables, Annual Performance Plan, and appendices included in this document.

### OVERVIEW OF REQUEST

The Federal Communications Commission ("FCC") **proposes a FY 2003 appropriation of \$278,092,000 and 1,975 full-time equivalents (FTEs)**. This request includes \$268,327,000 in funding for program requirements to support on-going Commission activities as well as \$9,765,000 in funding to support the President's proposed legislative changes to the methodology for funding retirement costs beginning in FY 2003.

The Commission will use the FY 2003 funds to carry out its fundamental mission to implement the Communications Act of 1934, as amended, in a manner that promotes competition, innovation, and deregulation in the communications industry and the availability of high quality communications services for all Americans.

In order to achieve those 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. The Commission is requesting **\$15,066,000 for 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. An additional **\$8,190,000 is for uncontrollable cost increases** for salaries and benefits, and inflationary cost increases for office space rental, supplies, printing, postage, and other contract services. Also, **\$9,765,000 is for increased costs for retirement benefits** included in the President's Government-wide legislative proposal.

**Of the \$15,066,000 for critical programmatic initiatives: \$4,986,000 will improve program performance, including:**

- A comprehensive Commission-wide effort to train our employees so they will be better able to respond to technological advances in communications and the associated issues that evolve;

- Further educating consumers on telecommunications safety and economic issues;
- Ensuring that we promote competition through the enforcement of Commission rules; and
- Making better management decisions regarding the allocation of spectrum to the ultimate benefit of the public.

**\$9,080,000 will provide information technology that supports our program performance initiatives** by improving existing systems to ensure compliance with Government-wide standards pertaining to system security, accessibility, and financial management.

***\$1,000,000 will improve security within the FCC and better support national security interests.***

***The requested resources will be utilized for FCC reform through a comprehensive retooling and redirection of the FCC's entire mission.***

These funds will allow the Commission to continue to execute its business plan built along four dimensions with (1) a clear policy vision consistent with various communications statutes and rules that guide deliberations; (2) a pointed emphasis on management that builds a strong team producing a cohesive and efficient operation that leads to clear and timely decisions; (3) an extensive training and development program to ensure that the FCC possesses independent technical and economic expertise; and (4) an organizational structure to align the agency with the realities of a dynamic and converging marketplace. In FY 2003, we will be able to move forward with our efforts to accomplish these fundamental and critical functions if this funding request is approved.

# FEDERAL COMMUNICATIONS COMMISSION

## FY 2003 Budget Estimates to Congress

*Reform efforts continue to be limited by the available discretionary funding in FY 2002.* Currently 69% of the FY 2002 appropriation is earmarked to pay the salaries and benefits of our employees. Additionally, 29% will be spent for totally non-discretionary expenses such as space rental, telephones, mail, utilities, etc. The remaining funds (2%) will enable the Agency to meet only minimum requirements needed to continue efforts to streamline Commission operations, enhance technical and economic expertise and provide funds for resolution of ongoing issues such as enforcement of cramming/slamming, universal service, spectrum management, etc.

*FCC's success for ensuring that 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 2003, we began with a base funding level or Budget Authority of \$245,071,000 which is the amount appropriated for FY 2002. This amount represents \$26,314,000 in net direct budget authority assuming we collect \$218,757,000 in offsetting collections from regulatory fees.

In FY 2003 it is anticipated that FCC's uncontrollable cost increases will total \$17,955,000. These uncontrollable costs include 25% of the FY 2002 pay raise (4.8%) which must be annualized in FY 2003, as well as a projected FY 2003 locality and pay raise totaling 2.6%. **Funds for the President's proposed changes in agency retirement contributions are also required (\$9,765,000).** In addition funds are included for inflationary costs for various non-compensation accounts including miscellaneous rents, mail, service contracts, etc. These uncontrollable increases when added to the base total a "current services" level of **\$263,026,000** for FY 2003. Funding at this level is mandatory if we are to respond to the universe of communications issues that the FCC must address as we continue the transition from an industry regulator to a market facilitator.

In addition to funds required to maintain this current services level, we have requested **\$15,066,000 for critical programmatic initiatives.** This modest **6.1% increase for essential Commission activities** will allow the FCC to:

- Continue expanding electronic filing and other initiatives to enhance public access and expedite Commission decision making;
- Improve the technical and economic expertise of staff;
- Address life-cycle replacement of technical monitoring and testing equipment;
- Provide infrastructure improvements to our laboratory facility;
- Respond to public requests for assistance and information; and
- Provide an information technology infrastructure responsive to changes in the industry;
- Enable the FCC to improve its homeland security posture.

These funds 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.

Since Fiscal Year 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. That program was designed to recover a substantial portion of the costs of the Commission application processing functions, which account for the majority of the Licensing activities costs. The funds received under this program are deposited directly into the General Fund of Treasury and are not available for use by the Agency.

The second cost recovery program is the Regulatory Fee program. Implemented in Fiscal Year 1994, this program collects fees to recover the costs attributable to the Commission's competition, enforcement, consumer information services and spectrum management activities. These fees apply to most current licensees and to other entities (e.g., cable television systems)

# **FEDERAL COMMUNICATIONS COMMISSION**

## ***FY 2003 Budget Estimates to Congress***

---

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 Agency's appropriation has increased from 37 percent in the initial year of implementation to approximately 89 percent of the Agency's FY 2002 appropriation. The FY 2003 regulatory fee offset would remain at 89 percent of the proposed FY 2003 budget. Our FY 2003 budget request is summarized in Table 1. Details of this request and a justification for specific increases follow.

# FEDERAL COMMUNICATIONS COMMISSION

## FY 2003 Budget Estimates to Congress

Table 1: Summary of FY 2003 Budget Request

	(\$ in 000)	FTEs
<b>FY 2002 Appropriation <sup>1/</sup></b>		<b>1,975</b>
• Direct \$26,314	\$245,071	
• Regulatory Fees \$218,757		
<b>FY 2003 Uncontrollable Cost Increases:</b>		
• Compensation/Benefits Cost Increases	\$ 6,335	
• Uncontrollable Inflationary Cost Increases	\$1,855	
<b>FY 2003 Legislative Proposal to Provide Full Funding for Federal Retiree Costs <sup>1/</sup></b>	\$9,765	
<b>FY 2003 Programmatic Increases To Support Strategic Goals:</b>		
• <b>Create a More Efficient, Effective and Responsive Agency</b>		
- Streamline Agency's Processes and Procedures	\$ 5,400	
- Automate Agency Processes	\$ 430	
- Provide Improved Access to All Agency Information	\$ 4,250	
- Preserve and Increase The Wealth of Knowledge/Expertise of FCC Staff	\$ 2,165	
• <b>Promote Competition in All Communications Markets</b>		
- Enforce the Rules so that Businesses Compete Fairly	\$1,871	
• <b>Manage the Electromagnetic Spectrum in the Public Interest</b>		
- Promote More Efficient use of Spectrum	\$ 950	
<b>FY 2003 Total Request <sup>2/</sup></b>	<b>\$278,092</b>	<b>1,975</b>
• Direct \$29,898		
• Regulatory Fees \$248,194		

1/ The total cost of the President's legislative proposal for the FCC includes \$9,765,000 from Appropriated funds and \$1,524,000 from non appropriated offsetting collections for a total of \$11,289,000.

2/ Does not include any reimbursable costs to be collected from auctions or \$1,100,000 anticipated from interagency and/or other authorized reimbursable resources.

### FY 2003 UNCONTROLLABLE COST INCREASES

The Commission is requesting \$17,955,000 in funding increases to provide for inflationary and uncontrollable costs in FY 2003 to maintain current programs (\$8,190,000) and to provide full funding for Federal employee retirement costs associated with the legislative proposal contained in the Budget (\$9,765,000). These pay and inflationary cost increases have been based on the economic assumptions included in the President's FY 2003 Budget Request. The costs have been identified as follows:

- **Personnel Compensation and Benefits (Current Services \$6,335,000):**  
Provides funds to cover the cost of the FY 2003 payraise and locality pay (2.6%) for 75% of the fiscal year, and funds to annualize 25% of the FY 2002 payraise and locality pay increases (4.8%). Current services benefits payments to OPM are also included, and increases to Department of Labor charges.
- **Commission retirement annuitant and health benefits increases** to provide funds for the Presidents' proposed government-wide changes (\$9,765,000)<sup>1</sup>
- **Travel and Transportation of Persons and Things (\$32,000):**  
Provides funds to cover inflationary increases (2.5%) to domestic and international travel and transportation costs.

- **GSA Rent (\$792,000):**  
Provides funds to cover the increase in rental costs and operating fees to GSA for office space in FY 2003 at the Portals Complex as well as increased cost of field office space.
- **Other Rent, Communications and Utilities (\$172,000):**  
Provides funds for inflationary increases (2.5%) to non-GSA space rental, utilities and cleaning services, departmental and FTS telephone services, postage fees, and miscellaneous equipment rentals.
- **Other Contractual Services (\$774,000):**  
Provides funds for inflationary increases (2.5%) to Federal and non-Federal contract services, security, training, health services, maintenance of vehicles, repair of ADP and office equipment, repair of interior space, maintenance of software, and ADP data acquisitions.
- **Printing and Reproduction/Supplies and Materials (\$85,000):**  
Provides 2.5% inflationary cost increases for printing, binding, photocomposition services, energy-related supplies, departmental, technical and ADP supplies, and subscriptions.

---

<sup>1</sup> This amount does not include funds associated with compensation and benefits paid from auctions receipts. There is an additional \$1,524,000 in increased funding required to provide for this proposal assuming current levels of auctions FTE effort continues into FY 2003.



### PROGRAM REQUIREMENTS

**Program Performance Initiatives (\$15,066,000)**. In order to serve the American public, the Federal Communications Commission as an institution must be efficient, effective, and responsive. The challenges of reaching these goals at the Commission are complicated by the sweeping, fast-paced changes that characterize the industries that are regulated. The Commission is experiencing a challenge it has never faced as each industry segment is in the midst of revolution, and is attempting to adapt to fundamental economic and technological changes. There are new markets, new competitors, and new regulatory challenges.

Our Fiscal Year 2003 request reflects resources necessary for the Commission to keep abreast of industry changes and set rational productivity and regulatory goals. The Commission is requesting funds to ensure that the FCC has the tools to facilitate its reform efforts, upgrade its technological capabilities and further enhance its workforce. The Commission can do this by purchasing and maintaining state of the art technological equipment to ensure better service to the public as well as a productive workplace; providing extensive skills-based training to all FCC employees, and providing outreach efforts to improve consumer awareness of telecommunication issues and choices including efforts to ensure emergency response and public safety communications needs are met.

#### *Create a More Efficient, Effective, and Responsive Agency*

The FCC regulates a bigger telecommunications economy every year. Our high-growth areas include cellular phones, the circuits that carry Internet traffic, high definition digital television, local broadband services such as DSL and competitive cable service, and new wireless devices such as "Blackberries" and wireless Palm Pilots. And we continue to regulate radio and television broadcasting, telephones, cable TV, and two-way radios in

everything from police cars to airliners. As we regulate less by command and control, and more by creating competition, our workload includes enforcing all competitors' access to bottleneck facilities, and ruling on mergers and acquisitions. Because of the growing complexity of the communications market, we deal with an increasing number of complaints and information requests, amounting to more than 900,000 consumer inquiries and complaints in FY 2001. Every year we auction licenses for new uses of the radio spectrum, bringing new wireless services to the public and collecting billions of dollars for the U.S. Treasury.

Despite our growing workload, we have had no growth in FTE employment since FY 2000, and we propose none for FY 2003. But we cannot meet growing demands with the same staffing unless we maintain and improve our technology infrastructure.

**Technology to Improve Agency Performance (\$9,080,000)**: We will use information technology to make FCC staff more productive and improve agency operations by increasing staff effectiveness. We have already begun this initiative with a review of FCC's office automation tools, key work processes, and internal administrative systems, to determine how best to use existing assets and what additional capabilities are required to expedite the work of the agency. In the remainder of FY 2002, we will create measurements, assess our work processes, and identify technological improvements that will improve FCC's performance. We are requesting FY 2003 funding for hardware, software and contractor services to implement the improvements that support the strongest business cases.

We also plan to upgrade our Consumer Information Management System, to improve the productivity and effectiveness of our staff who handle inquiries and complaints from the public. The public contacts us about our own

# FEDERAL COMMUNICATIONS COMMISSION

## FY 2003 Budget Estimates to Congress

regulatory activities, and about problems with companies in the industries we regulate (broadcasting, telephone, cable TV, etc.).

FCC is already providing extensive E-Government services, with more than 407 million "hits" to our Internet web site in FY 2001 and the number growing each year. These funds will allow us to provide the public improved access to even more FCC services and information through improved systems including:

- Consolidation of portions of what are now separate systems that issue various types of licenses so that we can give the public easier access to submit applications, check on their status, and retrieve information through a unified user interface. During FY 2002, we are building a model that defines our current environment, analyzing the potential approaches to consolidation, and producing a business case and technical report recommending the specific steps to implement. The funds we are requesting for FY 2003 will allow us to begin implementing the steps prescribed by this business case.
- Improvements to our Internet web site, through which the public gets direct access to FCC information and services. We will continue to make this web site easier to use, add accessibility features for people with disabilities, make more services available through the web site, and accommodate the growth in its use by the public.
- E-Government enhancements and life cycle replacements for other existing systems, including enhancements to implement the Government Paperwork Elimination Act (GPEA).

### **Support Telecommunications Entities in Times of Crisis (\$1,000,000):**

We are requesting funding to improve the effectiveness of the Commission's emergency response capability.

- \$770,000 will provide improvements to current primary and alternate emergency management centers, such as redundant telecommunications circuits, back-up electric power, encrypted data and voice

systems for classified inter-agency communications, and much needed IT improvements and data redundancy.

- \$230,000 will provide enhancements to the infrastructure including upgrades for equipment, furnishings, and communications for the agency's secure operations at both a primary and an alternate site. We believe that investment in the primary and alternate Emergency Response and Command Centers will ensure the ability of the Commission to continue direct support for commercial Communications entities and government organizations thus assuring that adequate communications resources are available to the public in times of crisis.

### **Preserve and Increase the Wealth of Knowledge and Expertise of FCC Staff (\$2,165,000).**

We are requesting funding to support a Commission-wide training program that will provide extensive skills-based training to critical FCC program areas, including the Excellence in Engineering and Excellence in Economic Analysis programs. This will ensure that the Commission has cutting edge technical and economic expertise, and the other skills needed to improve overall productivity. The expanded training initiative, which began in FY 2001, is designed to meet the career development needs of major occupational groups at the Agency. Under the new program, employees will participate in regular ongoing training so that they are continuously updating their skills, and remaining current on key developments in their occupational areas and in the field of telecommunications generally. We believe that this approach to employee training will support the overall reform efforts underway at the Commission and serve as a recruiting and retention tool to enable FCC employees to better serve the public.

# FEDERAL COMMUNICATIONS COMMISSION

## FY 2003 Budget Estimates to Congress

### *Promote Competition in all Communications Markets*

**Enforce the Rules so that Businesses Compete Fairly (\$1,871,000).** The Commission is requesting funding to strengthen the effectiveness of the Commission's field enforcement activities. A total of \$1,421,000 will provide for the first increment of a proposed ten-year lifecycle replacement program to address the technical equipment and vehicles needed to provide adequate mobility and support of investigations and enforcement activities including public safety; unlicensed or unauthorized radio operations or equipment; interference violations; resolution of border interference with Mexico and Canada; consumer and non-technical issues; field support for cable, engineering, and application audits; and support for Federal law enforcement agencies. A total \$450,000 in travel funds will allow the Commission to provide response to approximately 35% of the population that are currently beyond the same-day access to enforcement personnel and equipment. These additional funds will allow field enforcement agents to increase response to complaints and non-emergency requests including those involving overnight travel. This funding level would increase the number of days currently funded from 5 per agent per fiscal year to approximately 40 days per agent. We believe that this investment in field mobility and technical equipment and vehicles will ensure that the Commission is capable of enforcing the Commission's rules and regulation throughout the Nation and thereby promote the benefits of competition to the American people.

### *Manage the Electromagnetic Spectrum (the Nations Airwaves) in the Public Interest*

**Promote More Efficient Use of Spectrum (\$950,000).** We are requesting funding to support spectrum management activities which will allow the Commission to enhance our capability to measure radio frequency equipment

to minimize interference and improve consumer safety. An estimated \$200,000 is requested to provide for the design of an enclosed testing facility to measure radio frequency emissions from radio transmitters year-round under all weather conditions. The facility will consist of a 3-meter and 10 meter open-area test site enclosed by a climate-controlled, non-reflective fiberglass building. With the proliferation of new technologies increasing the number of new devices which must be tested for compliance by the FCC laboratory, along with extremely short product life cycles for high-technology devices, product approval turn-around time has become increasingly critical to maintaining industry momentum. The enclosed test facility will allow compliance testing of devices of any type under any weather conditions, unlike the current open site which can be used only in limited weather conditions. This year-round capability will also allow rapid and efficient evaluation of the interference potential and performance of emerging technologies to speed the development of technical standards and resolution of spectrum allocation issues.

The additional \$750,000 requested will continue efforts to provide for sustained lifecycle replacement of all technical test equipment at the laboratory. This equipment is needed to ensure that communications and electronic equipment complies with the technical requirements of the Agency's rules. The requested funds will allow the FCC to purchase a gigahertz transverse electromagnetic cell (GTEM). Our laboratory has one GTEM on loan from private industry. Having our own GTEM will allow us to test and compare data consistent with industry standards. Also, we are requesting funds to purchase testing equipment to support all measurement functions at the laboratory, including radio frequency exposure measurements, measurements of millimeter wave technologies, and to perform research on emerging technologies that propose new uses of the spectrum.

**Table 2: Program Performance Initiatives**

<b>PROGRAM PERFORMANCE INITIATIVES SUMMARY</b>	
<b>Technology to Improve Agency Performance</b>	<b>\$9,080</b>
<b>Support Telecommunications Entities in Times of Crisis</b>	<b>\$1,000</b>
<b>Preserve and Increase Wealth of Knowledge and Expertise of FCC Staff</b>	<b>\$2,165</b>
<b>Enforce the Rules so that Businesses Compete Fairly</b>	<b>\$1,871</b>
<b>Manage the Electromagnetic Spectrum in the Public Interest</b>	<b>\$ 950</b>
<b>Total Request for Program Performance Initiatives:</b>	<b>\$15,066</b>

### 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 and nonprofit entities holding tax exempt status under section 501(c) of the Internal Revenue code, 26 U.S.C. 501.

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, 2001, pursuant to an order adopted by the Commission on

June 28, 2001, released July 2, 2001, and published in the Federal Register July 11, 2001 (FR 36177).

#### 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 2001 was \$17.8 million. In FY 1998, the Commission utilized \$3.9 million of these funds to begin critical Y2K transition projects after receiving authorization from the House and Senate Appropriations Committees. The remaining excess funds, totaling \$7.3 million at the end of FY 2000, were carried into FY 2001 and became available for obligation on October 1, 2000. These carryover funds were approved for use in FY 2001 by the Appropriations Committees and obligated prior to September 30, 2001. In September FY 2001 the Commission collected \$6.6 million in regulatory fees above the levels established in the Appropriation. These funds will be available for obligation in FY 2002 with approval from Congress.

#### FY 2003 Regulatory Fee Assumptions

The FY 2002 appropriation language, as approved by both the House and Senate Appropriations Committees, authorizes the Commission to increase the fee schedule for regulatory fees so as to collect \$218.8 million in offsetting collections to be credited to the FCC appropriation in FY 2002. The FY 2003 request assumes an additional increase for regulatory fees to a level of \$248.2

million. The increase in regulatory fees will fund all program performance initiatives including critical information technology initiatives; Commission-wide training to enhance employee skills, including the engineer training program; lifecycle replacement of technical monitoring and test equipment; initiate infrastructure upgrades for the laboratory test facility; and provide \$8.7 in funding to support changes in the retirement costs of Commission employees as proposed by the President. These initiatives will provide better services and response to the industries we regulate, and therefore the increase in regulatory fees is an appropriate adjustment for the benefits to be derived from these initiatives. Regulatory Fee Collections are summarized by fiscal year in Table 3.

### **Application Processing Fees**

Since FY 1987 the Federal Communications Commission (FCC) has collected and deposited into the general fund of the 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. The Commission must review and revise the fees every two years based upon changes to the Consumer Price Index (CPI). On August 2, 2000, a report and order was adopted which increased the processing fees to reflect these CPI changes. This was the first increase since May 18, 1998. The schedule will be adjusted for CPI changes again in FY 2002. Application Processing Fee Collections are summarized by fiscal year in Table 4.

# FEDERAL COMMUNICATIONS COMMISSION

## FY 2003 Budget Estimates to Congress

Table 3: Regulatory Fee Collections

Fiscal Year	Appropriation Offset	Actual Collections	Difference
1994 (Actual)	\$63.0	\$ 58.7	\$ -1.7
1995 (Actual)	\$116.4	\$119.3	\$+2.9
1996 (Actual)	\$126.4	\$126.5	\$+ .1
1997 (Actual)	\$152.5	\$155.9	\$+3.4
1998 (Actual)	\$162.5	\$155.1	\$ -7.4
1999 (Actual)	\$172.5	\$177.1	\$+4.6
2000 (Actual)	\$185.8	\$187.3	\$+1.5
2001 (Actual)	\$200.1	\$206.7	\$+6.6 <sup>1</sup>
2002 (Estimate) <sup>2</sup>	\$218.8		
2003 (Estimate) <sup>3</sup>	\$248.2		

1/ This total includes \$1.6 million subject to refund dependent on a court decision expected in June 2002. Use of FY 2001 carryover Regulatory Fees in FY 2002 is subject to approval by the Appropriation Committees prior to obligation of funds.

2/ Reflects the Regulatory Fee Schedule for FY 2002 contained in the Appropriations Language as enacted.

3/ Reflects the Regulatory Fee Schedule proposed for FY 2003; includes \$8.7 million to fund the President's government-wide legislative proposal to provide full funding for federal retiree costs.

# FEDERAL COMMUNICATIONS COMMISSION

## FY 2003 Budget Estimates to Congress

**Table 4: Application Processing Fee Collections – Funds are deposited into the “General Fund” of Treasury and do not offset any Commission costs.**

<b>Section (8) Fees - Dollars in Millions</b>	
<b>1987 (Actual)</b>	<b>\$10.3</b>
<b>1988 (Actual)</b>	<b>\$41.2</b>
<b>1989 (Actual)</b>	<b>\$56.9</b>
<b>1990 (Actual)</b>	<b>\$27.6</b>
<b>1991 (Actual)</b>	<b>\$46.3</b>
<b>1992 (Actual)</b>	<b>\$50.6</b>
<b>1993 (Actual)</b>	<b>\$39.1</b>
<b>1994 (Actual)</b>	<b>\$42.8</b>
<b>1995 (Actual)</b>	<b>\$50.6</b>
<b>1996 (Actual)</b>	<b>\$42.8</b>
<b>1997 (Actual)</b>	<b>\$38.0</b>
<b>1998 (Actual)</b>	<b>\$32.0</b>
<b>1999 (Actual)</b>	<b>\$26.5</b>
<b>2000 (Actual)</b>	<b>\$27.5</b>
<b>2001 (Actual)</b>	<b>\$25.0</b>
<b>2002 (Estimate)</b>	<b>\$25.0</b>
<b>2003 (Estimate)</b>	<b>\$25.0</b>



### 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 2002, the Commission had completed 38 auctions. Between July 1994 and January 2002, total receipts from this program deposited in the General Fund of Treasury exceeded \$14 billion. The Commission is involved in an on-going 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 and implement the auction program. These funds cover the personnel and administrative costs required to plan and execute spectrum auctions; operational costs to manage installment payments, loan processing, and collections activities; the costs of bankruptcy litigation; development, implementation, and maintenance of the Universal Licensing System (ULS); and 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 pre-requisite to the continued use of auctions receipts for the costs of all auctions activities. The Commission is no longer required to submit an Annual Report, however, the FY 2000 Auctions Report was provided to the appropriate oversight committees on August 24, 2001.