

### INTRODUCTION

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

- When you heat your breakfast waffle in the microwave,
- When your child plays with their radio-controlled airplane,
- When you push the button on your garage door opener,
- When your toll fee is automatically deducted from the little plastic box attached to your windshield without having to stop at the booth,
- When the cashier at the coffee shop rings up your favorite morning drink using an electronic cash register and inventory control system,
- When you turn on your computer,
- When you go to the medical center for a CAT scan,
- When you upgrade to a digital hearing aide,

- When your child's class uses the Internet to visit with other school children in another country,
- When the local video store contacts its remote, central computer network to find out if you have enough bonus points to qualify for a free rental,
- When you swipe your credit card at the gasoline pump,
- When you lock your car with your remote entry system,
- When your teenager upstairs sends their homework assignment to the printer downstairs via your new wireless home network, or
- When you activate your home alarm system before going to bed.

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

So, while the formal charge of Congress to the FCC can be summed up in less than 30 words – ensure that the American people have available, at reasonable costs and without discrimination, rapid,

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efficient, Nation - and world-wide communication services; whether by radio, television, wire, satellite, or cable<sup>1</sup> – the day-to-day reality may be that there is no more ubiquitous presence in the lives of most Americans than the FCC-regulated communications industries.<sup>2</sup>

To successfully carry out the responsibilities inherent to this daily reality, the FCC is requesting from Congress a Fiscal Year 2004 budget of \$280,798,000 and 2,015 full-time equivalents (FTE's) in order to carry out the following commitments:

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

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

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

<sup>2</sup> Irwin Stelzer, "The Politics of Broadband," *Public Interest*, 85-96, Winter 2002.

and industry continue to enjoy the advantages of technological progress based upon the availability of reliable, innovative communications products and services.

More than half of the FCC's FY 2004 budget request will be used to support the following Strategic Goals:

- a. **Broadband** – The FCC intends to continue its efforts in FY 2004 to establish regulatory policies that promote competition, innovation, and investment in broadband services. It will also closely monitor and report to Congress and the American people on the Nation's progress toward the deployment of broadband services in the United States and abroad.
- b. **Spectrum** – FCC efforts to encourage the highest and best use of spectrum domestically and internationally will become even more essential in FY 2004 if the United States is to encourage the growth and rapid deployment of innovative and efficient communications technologies and services.
- c. **Media** – In conformance with congressional mandates and judicial decisions, in FY 2004 the FCC must revise its media regulations so that media ownership rules promote competition and diversity in a comprehensive, legally sustainable manner and continue to implement the mandated migration to digital modes of delivery.
- d. **Homeland Security** – The FCC is dedicated to providing the leadership and policy guidance necessary to promote the reliability, security, and survivability of our Nation's communications infrastructure.

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

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

The FY 2004 budget request focuses on two additional strategic goals in this area:

- a. **Competition** – In FY 2004 the FCC will continue its important work of supporting and enhancing the Nation’s economy through implementing the investment and competition portions of the Telecommunications Act of 1996. This includes the licensing and authorization of several thousand communications products and services each year. It also includes vigorous enforcement and consumer education programs. By carrying out programs in this area the FCC will help ensure that the communications and video programming revolution continues and that all consumers will have the opportunity to make meaningful choices among and have equal access to communications services.

- b. **Modernize the FCC** – Emphasizing effective, efficient, and legally-compliant performance and results through excellent management requires a dedication to monitoring, auditing, and reporting on the work of the FCC. In FY 2004, the essential efforts of the Inspector General require an additional investment of contract staff and funds.

In total, to successfully achieve the policy vision set forth in the FY 2003 – FY 2008 Strategic Plan, including efforts to create a new Commission, the FCC requests a Fiscal Year 2004 budget of \$280,798,000 and 2,015 full-time equivalents (FTE’s). An explanation of the assumptions and rationale for this level of resources is presented in the Annual Performance Plan, narrative sections, tables, and appendices included in this document.

### OVERVIEW OF REQUEST

In order to attain the goals set forth in our Strategic Plan and implement the FY 2004 Annual Performance Plan, the Federal Communications Commission (“FCC”) is requesting **\$280,798,000 and 2,015 full-time equivalents (FTEs)**.

The Commission will use the FY 2004 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 **\$6,100,000 for additional staff and 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 **\$6,371,000 is for uncontrollable cost increases** for salaries and benefits, and inflationary cost increases for office space rental, supplies, printing, postage, and other contract services.

#### **Of the \$6,100,000 to improve programmatic performance:**

- **\$2,600,000 will provide funds for 20 additional employees** as well as the related support costs to provide office space, equipment, supplies, etc. These FTEs will be utilized for engineering expertise to ensure effective management of the electromagnetic spectrum and encourage the provision of new technologies and services to the public.

- **\$500,000 has been requested to fund the completion of the enclosed test facility at the Commission’s Office of Engineering and Technology Laboratory at Laurel, Maryland.**
- **\$3,000,000 will provide contract audit support for our Office of Inspector General.** These funds will support the agency efforts to prevent waste, fraud and abuse within Commission programs. Additional contract audit support is necessary to perform audits and support investigations as necessary for the review of financial statements, audits of the Commission’s workplace violence program, commercial contract audits, audits of controlled entities and the associated beneficiaries, and annual evaluation under the Government Information Security Reform Act (GISRA).

#### *The requested resources will be utilized to accomplish the mission of the FCC.*

Currently 67% of the FY 2003 appropriation requested by the President, 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 4% will enable the agency to meet only minimum requirements.

#### *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 2004, we began with a base funding level or Budget Authority of \$268,327,000 which is the amount requested in the President’s Budget for FY 2003, excluding the funding for the

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Retirement and Health Benefits Proposal. This amount represents \$28,814,000 in net direct budget authority assuming we collect \$239,513,000 in offsetting collections from regulatory fees.

**In FY 2004 it is anticipated that FCC's uncontrollable cost increases will total \$6,371,000.** These uncontrollable costs include 25% of the FY 2003 pay raise (3.1%) which must be annualized in FY 2004, as well as a projected FY 2004 locality and pay raise totaling 2%.

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 \$274,698,000** for FY 2004. Funding at this level is critical if we are to respond to the universe of communications issues and current challenges facing the FCC to provide the industry and the consumer with well defined communications policy and direction.

In addition to funds required to maintain this current services level, we have requested **\$6,100,000 for additional staff and critical programmatic initiatives.** This modest 2.2% increase for essential Commission activities will support our efforts to address in a timely manner the issues arising from an exploding communications industry, resulting in economic growth for the Nation.

Since FY 1987 the Commission has strived to reduce the cost of Government operations through user fee cost recovery programs. The first program initiated at the Commission was the Application Processing Fee program. That program was designed to recover a substantial portion of the costs of the Commission's application processing functions, which account for the majority of the licensing activity costs. The funds received under this program are deposited directly into the General Fund of Treasury and are not

available for use by the FCC. Congress appropriates approximately this same amount annually to offset the agency's costs.

The second cost recovery program is the Regulatory Fee program. Implemented in FY 1994, this program collects fees to recover the costs attributable to the Commission's 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) which benefit from the Commission's regulatory activities not directly associated with its licensing or application processing functions. These fees can be retained by the Commission and applied to obligations incurred during the fiscal year, thereby reducing the amount of appropriated funds required to be provided from the General Fund of Treasury. Since FY 1994, the fee offset to the FCC's appropriation has increased from 37% in the initial year of implementation to approximately 89% of the agency's FY 2003 appropriation as requested by the President. The FY 2004 requested regulatory fee collections would offset 90% of the proposed FY 2004 budget.

Our FY 2004 budget request is summarized in Table 1. Details of this request and a justification for specific increases follow.

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Table 1: Summary of FY 2004 Budget Request

	(\$ in 000)	FTEs
<b>FY 2003 Appropriation</b>		<b>1,995</b>
• Direct \$28,814	<b>\$268,327</b>	
• Regulatory Fees \$239,513		
<b>FY 2004 Uncontrollable Cost Increases:</b>		
• Compensation/Benefits Cost Increases	<b>\$ 4,723</b>	
• Uncontrollable Inflationary Cost Increases	<b>\$1,648</b>	
<b>FY 2004 Programmatic Increases:</b>		
• <b>Compensation, Benefits &amp; Operational Support to provide 20 additional FTEs</b>		<b>20</b>
- 20 FTEs for Commission-wide Engineering Expertise including Operational Support Costs for 20 FTEs	<b>\$ 2,600</b>	
• <b>Audit Contracts to Support the Office of Inspector General</b>	<b>\$3,000</b>	
• <b>Laural Laboratory Enclosed Test Facility Structures</b>		
- Promote More Efficient use of Spectrum	<b>\$ 500</b>	
<b>FY 2004 Total Request <sup>1/</sup></b>	<b>\$280,798</b>	<b>2,015</b>
• <b>Direct \$28,814</b>		
• <b>Regulatory Fees \$251,984</b>		

1/ Does not include any reimbursable costs to be funded from auctions receipts as offsetting collections or \$1,300,000 anticipated from interagency and/or other authorized reimbursable resources.

### FY 2004 UNCONTROLLABLE COST INCREASES

The Commission is requesting **\$6,371,000 in funding increases to provide for inflationary and uncontrollable costs** in FY 2004 to maintain current programs. These pay and inflationary cost increases have been based on the economic assumptions included in the President's FY 2004 Budget Request. The costs have been identified as follows:

- o **Personnel Compensation and Benefits (\$4,723,000):**

Provides funds to cover the cost of the FY 2004 payraise and locality pay (2.0%) for 75% of the fiscal year, as well as funds to annualize 25% of the FY 2003 payraise (3.1%) and locality pay increases.
- o **Travel and Transportation of Persons and Things (\$28,000):**

Provides funds to cover increase in travel and transportation costs, developed in accordance with Office of Management and Budget guidelines for projected inflationary costs (2.0%).
- o **GSA Rent (Headquarters and Field) (\$855,000):**

Provides funds to cover the inflationary increase in rental costs to provide office space to the FCC in FY 2004 at the Portals complex and increased cost estimates for field office space.
- o **Other Rent, Communications and Utilities (\$134,000):**

Provides funds to cover inflationary cost increases (2.0%) for utilities, cleaning services, non-GSA space rentals, departmental and FTS telephone services, postage fees, and miscellaneous equipment rentals.
- o **Other Contractual Services (\$569,000):**

Provides funds for estimated cost increases based on 2.0% inflationary assumptions provided by the Office of Management and Budget. Increase covers federal and non-federal contract support services, security, training, health units, maintenance of vehicles, repair of ADP and office equipment, repair of interior space, maintenance of software, and ADP data acquisitions.
- o **Printing and Reproductions/Supplies and Material (\$62,000):**

Provides 2.0% inflationary cost increases for printing, binding, photocomposition services, energy-related supplies, departmental, technical and ADP supplies, and subscriptions.

### PROGRAM ENHANCEMENTS

#### **Total Program Performance Enhancements (\$6,100,000):**

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 continue to be new markets, new competitors, and new regulatory challenges.

Our Fiscal Year 2004 request reflects resources necessary for the Commission to keep abreast of industry changes and set rational productivity and regulatory goals. This request builds on the resources requested in the FY 2003 President's Budget. The Commission is requesting funds to ensure that the FCC has the staff to facilitate its reform efforts.

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. 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. Much of the FCC's efforts to oversee the development of competition in telecommunications markets since enactment of the Telecommunications Act of 1996 has focused on developing local competition rules and reviewing applications by the Bell Operating Companies (BOC) to demonstrate that their local markets are sufficiently

open to competition to permit them to enter the long distance market under Section 271 of the Act. The Commission has recently received an influx of applications. Over the next few months it is likely that the number of states in which a BOC has been granted Section 271 authority to provide long distance service will increase from a handful to a majority. In the coming years, the Commission's local competition efforts will increasingly focus on enforcement to ensure that companies continue to keep their local markets open after they get long distance authorization. Recent events in the communications marketplace, including major bankruptcies, have underscored the need for the FCC to provide strong, swift enforcement regarding matters within its regulatory jurisdiction in order to promote competition and broadband deployment.

#### **Provide Funding for 20 Additional Full-Time Equivalents to Promote Spectrum Efficiency and Educate the Consumer (\$2,600,000):**

Managing the electromagnetic spectrum effectively and encouraging the provision of new technologies and services to the public are among the FCC's most important core functions. Engineering expertise is essential to fulfilling these objectives. The Excellence in Engineering program established in 2001 launched a multi-dimensional, multi-year effort to rebuild the agency's engineering staff and equipment. These efforts have been necessarily incremental and a number of mission-critical functions are not being adequately staffed, including spectrum management, broadband, and competition-related engineering matters. We are requesting funding for 20 additional staff with engineering expertise to be devoted to identifying spectrum for new services, handling increased complexities of spectrum sharing and interference analyses, and developing flexible use policies. In addition the increase in staff would enhance the effectiveness of the agency's work on media-related digital service issues, wireless and network homeland security issues, and advanced wireless and high speed internet access issues.



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### **Promote More Efficient Use of Spectrum (\$500,000):**

The Commission is requesting \$500,000 in funding to complete an initiative first identified in the FY 2003 budget cycle to fund an enclosed equipment test facility for the Commission's Office of Engineering and Technology Laboratory at Laurel, Maryland. The FCC's FY 2003 Budget Request identified \$200,000 for the initial architectural and engineering requirements for this project. The cost of equipment in FY 2004 would be provided from baseline funding. The funding requested for FY 2004 would provide the cost of the actual enclosed structure to house the equipment and provide a facility with a controlled environment which could be used throughout the year to accurately measure and test equipment. Currently the Commission can only test during favorable climate conditions as the weather permits.

### **Create a More Efficient and Effective Agency (\$3,000,000):**

The Office of Inspector General is tasked with the responsibility of performing operational, program and financial audits in efforts to ensure the prevention of waste, fraud and abuse within Commission programs. We are requesting \$3,000,000 to enhance those audit capabilities through the retention of contractors with unique levels of expertise in the financial, loan servicing, and information technology areas. This funding will be used to procure assistance from commercial and intergovernmental sources to provide the necessary expertise to continue the financial statement audit in FY 2004, assess the effectiveness of the Commission's workplace violence prevention program, as well as information technology (IT) security at all FCC locations, including the field offices and the Commission's Consumer Center and increase the FCC's oversight of controlled entities including audits associated with the beneficiaries of the Universal Service Fund. This assessment will help ensure the Commission's IT security program is meeting the requirements of the Government Information Security Reform Act (GISRA). We believe that this funding will allow the Commission to take a proactive audit and investigative stance which represents a significant

and sound investment in the operations of the Commission, much as insurance represents a prudent investment for an individual.

Table 2 summaries the total of all programmatic enhancements requested for FY 2004.

**Table 2: FY 2004 Program Performance Enhancements**

<b>PROGRAM PERFORMANCE ENHANCEMENTS SUMMARY</b>	
	<b>(\$000)</b>
<b>20 FTEs to Provide Engineering Expertise Commission-wide</b>	\$2,600
<b>Enclosed Test Facility to Enhance Test Capability at Laurel Laboratory</b>	\$500
<b>Contract Audit Support for the Office of Inspector General</b>	\$3,000
<b>Total Request for Program Performance Enhancements:</b>	<b>\$6,100</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, 2002, pursuant to an order adopted by the Commission on

July 3, 2002, released July 5, 2002, and published in the Federal Register July 12, 2002 (67 FR 46297).

#### Authorization to Retain Fees

Regulatory fee collections in excess of levels specified in the appropriation language are available for obligation by the Commission and remain available until expended. These excess collections become available for obligation on October 1, following the year in which they are collected. These funds are not limited to the one-year spending rule established for our salaries and expenses appropriation and are carried forward as no-year funds indefinitely. The combined total of all prior year carryover regulatory fees from FY 1997 – FY 2001 was \$17.8 million. A total of \$11.2 million in carryover funds were approved for use and obligated as of FY 2001. The remaining \$6.6 million in regulatory fees, from the FY 2001 appropriation, became available for obligation in FY 2002. In FY 2002 Congress authorized the Commission's use of \$2.0 million of the \$6.6 million in excess funds to meet critical physical security needs following the events of September 11<sup>th</sup>. The remaining \$4.6 million in carryover funds from prior years plus \$1.1 million in regulatory fees collected in excess of the FY 2002 Appropriation required levels could provide \$5.7 million in funding available for obligation in FY 2003 upon approval from Congress.

#### FY 2004 Regulatory Fee Assumptions

Pending final resolution of the FY 2003 appropriation, the President's Budget request for FY 2003 proposes to increase the collection of regulatory fees to \$239.5 million in FY 2003. The FY 2004 request assumes an additional increase for regulatory fees to a level of \$252.0 million. This increase reflects the cost of increased staff and other program enhancements such as the

completion of an enclosed laboratory test facility and the support of audit activities to ensure the integrity of all the Commission's programs including the FCC's financial audit and the security of the Commission's information technology systems. Additional engineering staff will assist the FCC in managing the electromagnetic spectrum effectively and encouraging the provision of new technologies and services to the public. These initiatives will provide better services to the industries we regulate, 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 U.S. Treasury application processing fees, often referred to as Section (8) fees. The fees are designed to recover a substantial portion of the costs of the Commission's applications processing functions. The program encompasses over 300 different fees with the vast majority collected at the time an original license application, renewal or request for modification is filed with the Commission. Most fees are assessed as a one-time charge on a per-application basis, although there are certain exceptions. Government, nonprofit, non-commercial broadcast and amateur license applicants are exempt from the fees. A lockbox bank is utilized to collect the fees, with all fees deposited into the General Fund of the U.S. Treasury. The Commission must review and revise the fees every two years based upon changes to the Consumer Price Index (CPI). On July 1, 2002, an order was adopted which increased application fees to reflect these CPI changes, this change became effective on September 10, 2002. Application Processing Fee Collections are summarized by fiscal year in Table 4.

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**Table 3: Regulatory Fee Collections**

<b>Fiscal Year</b>	<b>Appropriation Offset</b>	<b>Actual Collections</b>	<b>Difference</b>
<b>1994 (Actual)</b>	<b>\$63.0</b>	<b>\$ 58.7</b>	<b>\$ -1.7</b>
<b>1995 (Actual)</b>	<b>\$116.4</b>	<b>\$119.3</b>	<b>+\$2.9</b>
<b>1996 (Actual)</b>	<b>\$126.4</b>	<b>\$126.5</b>	<b>+\$ .1</b>
<b>1997 (Actual)</b>	<b>\$152.5</b>	<b>\$155.9</b>	<b>+\$3.4</b>
<b>1998 (Actual)</b>	<b>\$162.5</b>	<b>\$155.1</b>	<b>\$ -7.4</b>
<b>1999 (Actual)</b>	<b>\$172.5</b>	<b>\$177.1</b>	<b>+\$4.6</b>
<b>2000 (Actual)</b>	<b>\$185.8</b>	<b>\$187.2</b>	<b>+\$1.4</b>
<b>2001 (Actual)</b>	<b>\$200.1</b>	<b>\$206.7</b>	<b>+\$6.6</b>
<b>2002 (Actual)</b>	<b>\$218.8</b>	<b>\$219.9</b>	<b>+\$1.1<sup>1</sup></b>
<b>2003 (Estimate)<sup>2</sup></b>	<b>\$239.5</b>		
<b>2004 (Estimate)<sup>3</sup></b>	<b>\$252.0</b>		

1/ Use of prior year carryover Regulatory Fees in FY 2003 is subject to approval by the Appropriation Committees prior to obligation of funds. Congress approved \$2.0 in spending for FY 2002.

2/ Reflects the Regulatory Fee Schedule for FY 2003 contained in the Appropriations Language as requested by the President, does not include \$8.7 million to fund the Presidents' government-wide legislative proposal to provide full funds for federal retirees costs.

3/ Reflects the Regulatory Fee Schedule proposed for FY 2004.

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**Table 4: Application Processing Fee Collections – Funds are deposited into the General Fund of the U.S. 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>\$56.6</b>
<b>1990 (Actual)</b>	<b>\$27.6</b>
<b>1991 (Actual)</b>	<b>\$46.4</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>\$25.2</b>
<b>2002 (Actual)</b>	<b>\$21.6</b>
<b>2003 (Estimate)</b>	<b>\$22.0</b>
<b>2004 (Estimate)</b>	<b>\$22.0</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 2003, the Commission had completed 42 auctions. Between July 1994 and January 2003, total receipts from this program deposited in the General Fund of the U.S. 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 prerequisite to the continued use of auctions receipts for the costs of all auctions activities. The Commission is no longer required to submit an FCC Annual Report; however, the FY 2001 Auctions Report was provided to the appropriate oversight committees on September 10, 2002.