



## INTRODUCTION

**Today, as perhaps never before, the Federal Communications Commission (FCC) stands at the crossroads where today's telecommunications technologies intersect with our potential as individuals and our well-being as a nation. The transformational nature of today's digital telecommunications services enables Americans to configure voice, video and data communications in innovative combinations to suit our immediate needs, regardless of whether these needs are individual, commercial, or governmental in nature or whether they are local, national, or global in scope.**

**To be sure, prior advances in telecommunications technology affected the lives of previous generations of Americans. The advent of telephone and radio service led Congress to direct the FCC to ensure that all Americans have access to wired and wireless communications services that are rapid, efficient, and affordable. But while this Congressional mandate is not new, the challenges it presents with the advent of digital telecommunications are as unprecedented as the host of new services being created.**

Because these innovative digital services truly hold the key to increased economic opportunity and individual well-being for all Americans, the FCC must assure that these new services will be available and affordable to all consumers. But because the digital revolution is also changing the economics of the telecommunications industry itself, the FCC must understand the implications of these complex changes so that the rules and policies that apply to telecommunications markets will accurately reflect them.

These are not easy tasks. To ensure that an orderly, efficient, and effective framework exists for the delivery of both new and existing services to consumers and businesses, the FCC maintains a comprehensive and interdependent program of administrative functions. In addition to its traditional licensing function, the FCC now allows many telecom services to be offered on an unlicensed basis, and establishes the parameters governing their operations. Equally important, the FCC vigorously enforces rules to eliminate the possibility of harmful technical interference that would degrade their use.

The FCC also continues the vital work of ensuring the universal availability of basic telephone service. We are committed to making telecom services accessible to all people whether they live in a rural area or have a disability, and to protecting and informing consumers about their rights in the complex new world of digital telecommunications.

For these reasons, it can fairly be said that no independent agency has a more pervasive impact on our lives today, or on our potential for tomorrow, than the FCC. To successfully carry out the



responsibilities imposed on it by Congress and by the exigencies of new technology, the FCC is requesting a Fiscal Year 2006 budget of \$304,057,000. We project we will work 1,999 full-time equivalents (FTEs) from all available resources to carry out our mission for the American people.

The FCC's FY 2006 budget request will be used to support the following Strategic Goals:

- a. Broadband** – Broadband, both wired and wireless, is the digital highway over which advanced Internet-based services are made available to homes, businesses, schools, and hospitals. As such, it has become an integral element of our Nation's economic stability and growth. The FCC will continue its efforts in FY 2006 to assure that competition, innovation, and investment in broadband services continues apace. 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. Competition** – In FY 2006 the FCC will continue its important work of supporting and enhancing the Nation's economy through implementing the investment and competition-enhancing provisions of national telecommunications law. 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 access to communications services.
- c. Spectrum** – Electromagnetic spectrum is the means by which most new advanced telecommunications services are transmitted. The explosion of new digital services has placed huge new demands on this traditionally scarce resource, and allocating its private-sector use has always been one of the FCC's fundamental responsibilities. The pioneering work of the FCC's Spectrum Management Task Force is producing new approaches to spectrum management, freeing up more of this valuable resource for innovative uses and shortening the time it takes to make spectrum available. These initiatives, as well as the FCC's ongoing efforts to encourage the highest and best use of spectrum domestically and internationally, will be even more essential in FY 2006 if the United States is to encourage the growth and rapid deployment of innovative and efficient communications technologies and services.
- d. Media** – In FY 2006 the FCC will continue its management of the Digital TV transition process, pursuant to which over-the-air broadcasters will convert to digital transmission and relinquish their current channels, which can then be reallocated to commercial and public safety uses. The FCC will also continue to clarify and ensure compliance with general media regulations
- e. 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. The Commission will also continue to steward the spectrum resources of public safety's first responders and promote new life saving technologies like wireless E 911.

- f. Modernize the FCC** – To achieve the goals and programs in the FY 2006 performance budget, the FCC must be an up-to-date, well-run organization that can understand and adapt to ongoing developments in telecommunications technology and economics. The Commission will continue on a variety of fronts to emphasize effective, efficient, and legally compliant performance and results through excellent management. The FCC will also strive to ensure that it has the appropriate mix of expert, well-prepared staff, that it maximizes the benefits of technology in its programs, and that it uses other best management practices to meet the mission-critical challenges ahead.



## EXECUTIVE SUMMARY

In order to attain the goals set forth in our Strategic Plan and implement the FY 2006 Performance Budget, **the Federal Communications Commission (“FCC”) is requesting an FY 2006 appropriation of \$304,057,000<sup>1</sup> We project the FCC will work 1,999 full-time equivalents (FTEs) in FY 2006 from these requested resources.**

The Commission will use the FY 2006 funds to carry out its fundamental mission to implement the Communications Act of 1934, as amended, in a manner that promotes the availability, at reasonable costs and without discrimination, rapid, efficient, Nation-and world-wide communications services whether by radio, television, wire, satellite, or cable, for the American people.

**Our Fiscal Year 2006** request reflects resources necessary for the Commission to keep abreast of industry changes and set rational regulatory and productivity goals. This request builds on the resources originally identified and requested in the FY 2005 President’s Budget. The Commission **is requesting \$14,273,000 in program performance funding to ensure that the FCC has the basic tools and services** to facilitate its efforts. This equates to a 5% increase to the FY 2005 Budget for essential Commission activities to support our efforts to address changing consumer and industry conditions. These enhancements include **\$1,800,000 to allow the FCC to participate in a government-wide program to manage personnel data electronically and to provide for critical enhancements to the FCC’s major electronic filing systems.** We are requesting funds to **consolidate Commission-owned facilities at Columbia, Maryland into a new building which would house the current Enforcement Bureau and Engineering and Technology Laboratory operations.** The FY 2006 budget request includes **\$9,300,000 for this infrastructure upgrade to enable the Commission to maintain adequate response to Homeland Security issues as well as provide an environment which will promote staff productivity for a variety of spectrum management activities.** In addition, funds have been requested to provide for the additional FCC staff support needed to perform oversight activities and reporting associated with the Universal Service Fund (USF) audits. We have included a request for **\$3,173,000 in FY 2006 to fund FTE hired on limited term appointments to provide an adequate level of program oversight associated with increased USF audit activities.** These funds will provide audit support to the Office of Inspector General to help minimize any potential for fraud, waste and abuse. The funds will also provide increased staff resources to the Wireline Competition Bureau to review audit results and validate the findings, as well as provide the financial and information technology support to allow the FCC to perform all necessary budgetary oversight and reporting for USF-related activities.

An **additional \$8,686,000 is requested for uncontrollable increases to pay employee salaries and provide for inflationary increases** for office space rental, supplies, printing, postage and contractual services.

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



### *FY 2005 Baseline Assumptions*

*The requested resources will be utilized to accomplish the mission and goals of the FCC.* Currently 70% of the FY 2005 appropriation is allocated to pay the salaries and benefits of our employees. Additionally, 28% will be spent for non-discretionary expenses such as space rental, telephones, mail, utilities, etc. The remaining 2% will enable the agency to meet minimum requirements for outreach, employee training, programmatic travel, economic and engineering analysis and the myriad of needs to accomplish the six strategic goals of the FCC.

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

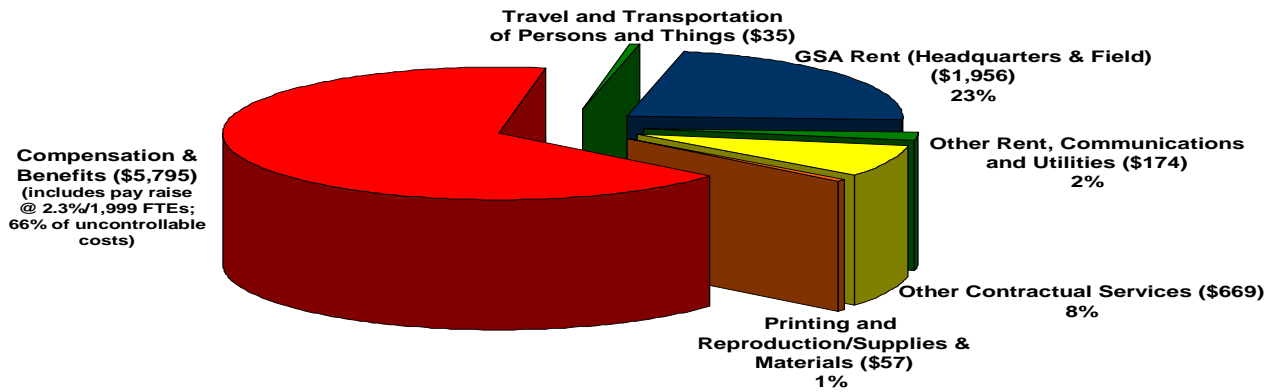
In order to develop our request for FY 2006, under guidance from the Office of Management and Budget, we began with **base funding level assumptions** contained in the FY 2005 Appropriations, as enacted, for the FCC of **\$281,098,000**. This amount includes **\$1,000,000 in net direct budget authority** and assumes we collect **\$280,098,000 in offsetting collections** from regulatory fees.

### *FY 2006 Current Services*

**In FY 2006 it is anticipated that FCC's uncontrollable and inflationary cost increases will total \$8,686,000.** These uncontrollable costs include 25% of the FY 2005 pay raise (3.7%), which must be annualized in FY 2006, as well as a projected FY 2006 locality and pay raise totaling 2.3%. In addition, funds are included for inflationary costs for various non-compensation accounts including GSA space cost adjustments, miscellaneous rents, mail, service contracts, etc. **The following chart illustrates the distribution of uncontrollable pay and inflationary cost increases for FY 2006.**



**Distribution of Requested Funding for  
Pay Raise and Inflationary Costs \$8,686,000**  
(Dollars in Thousands)



These uncontrollable increases, when added to the FY 2005 base, total a **“current services” level of \$289,784,000** for FY 2006. Funding at this level is critical if we are to continue to respond to the universe of communications issues and challenges facing the FCC to provide the industry and the consumer with well-defined communications policy and oversight. In addition to funds required to maintain this current services level, we have requested funds to support critical programmatic initiatives.

*FY 2006 Programmatic Increases*

In order to achieve our objectives at this time of great innovation and increasing consumer interest in the communications industry, the FCC must strive to stay on the cutting edge of changes in technology, economics and law, and must have the tools necessary to respond effectively to the challenges posed in the telecommunications sector. The Commission is requesting **\$14,273,000 in funding to maintain critical program performance initiatives**, to achieve the mandates of the Communications Act and transform the FCC to deal effectively with the industry we oversee, to the benefit of consumers.

**The incremental details of the FY 2006 request include:**

- **\$450,000 to support the Enterprise Human Resources Integration System.** Provides funds for government wide OPM initiative to support comprehensive personnel record keeping and analysis system.
- **\$1,350,000 for the most critical enhancements to FCC’s major electronic filing systems.** As the FCC changes its licensing rules and spectrum policy to increase public benefits derived from the use of the radio spectrum, the FCC’s electronic licensing and filing systems must be adapted to support the new rules, implement electronic filing forms, incorporate new



functionality and streamlined processes for licensing. These funds will be used to begin to update infrastructure components (hardware, software, security, and telecommunications); expand system capacity and replace unsupported software to avoid system failures; modernize infrastructure to support internet-based application filing systems; and enhance and consolidate customer support help desk operations to better assist users of the on-line systems.

- **\$9,300,000 to Consolidate and Upgrade FCC Owned Facilities.** Provides funds for the repair and replacement of FCC field facilities in Columbia, Maryland to ensure the FCC has adequate monitoring and test capabilities to respond to industry, enforcement, and homeland security issues. These funds will be used to replace the existing inadequate facilities which range in age from 30 to over 100 years. The current condition of these facilities threatens to undermine the FCC's ability to perform vital enforcement and engineering functions and protect the American people. The funds will provide site preparations, construction, utility tie-ins, security access control, monitoring array linkages, and telecommunications linkages.
- **\$3,173,000 for additional FCC staff hired on term appointments to provide audit oversight and the necessary financial reporting requirements associated with increased Universal Service Fund Audits.** Funds will provide audit and oversight support to protect against waste, fraud, and abuse in the Universal Service Fund.

The funding for programmatic initiatives, when added to the "current services" funding, brings the Commission's **total request for FY 2006 to \$304,057,000**. This amount represents an increase in **budget authority of \$22,959,000**. **The FY 2006 request assumes an increase to FY 2005 Appropriations of \$3,823,000 in direct authority and an increase of \$19,136,000 in offsetting collections from regulatory fees for all other requested initiatives which will benefit the industry we serve.**

### *Cost Recovery Programs*

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

The **second cost recovery program** is the **Regulatory Fee program**. Implemented in FY 1994, this program collects fees to recover the costs attributable to the Commission's non-licensing activities. These fees are often referred to as "**Section 9**" fees. These fees apply to most current licensees and to other entities (*e.g.*, cable television systems) which benefit from the Commission's regulatory activities not directly associated with its licensing or application processing functions. **These fees can be retained by the Commission and applied to obligations incurred during the fiscal year, thereby reducing the amount of appropriated funds required to be provided from the General Fund of Treasury.**

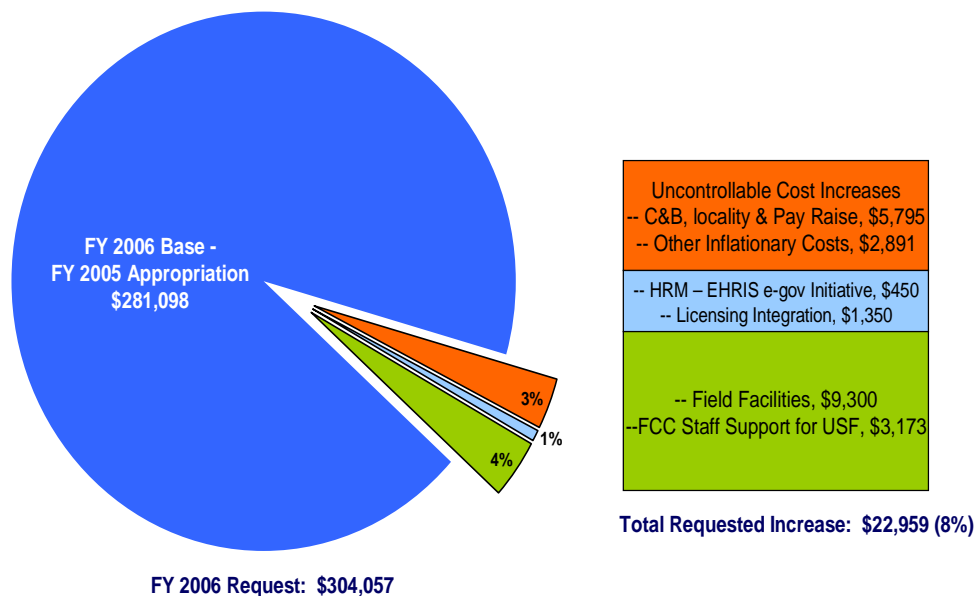


Since FY 1994, the fee offset to the FCC's appropriation has increased from 37% in the initial year of implementation to more than 99% of the agency's FY 2004 and FY 2005 appropriations. The FY 2006 proposal would offset approximately 98% of the total request.

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

**Our FY 2006 budget request is summarized in the following chart.**

**FY 2006 Budget Request: \$304,057,000**  
**Incremental Increases to Base**  
 (Dollars in Thousands)



Distribution of Budget Authority:	FY 2005	FY 2006
Direct Appropriation	\$ 1,000	\$ 4,823
Regulatory Fees (Offsetting Collections)	\$280,098	\$299,234



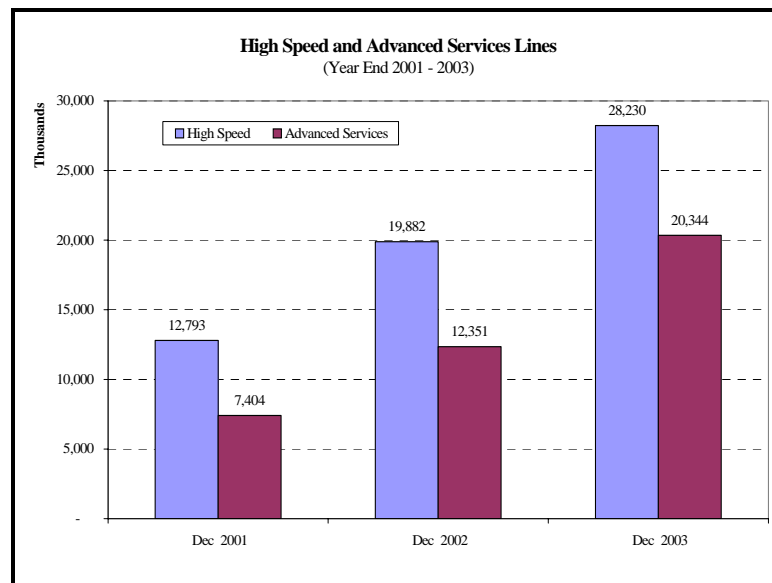
# FISCAL YEAR 2006 PERFORMANCE PLAN<sup>1</sup>

## STRATEGIC GOAL #1: *BROADBAND*<sup>2</sup>

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

### Progress Toward Goal:

#### A. Highlights:



<sup>1</sup> OMB Circular A-11 encourages agencies to substitute a *Performance Budget* for the previously separate fiscal year budget estimates and the GPRA-required *Annual Performance Plan*. This chapter of the FCC's *FY06 Performance Budget* replaces the *Annual Performance Plan*. As such, organized by strategic goal in a cascading "pyramid" hierarchy, this chapter of the *Performance Budget* provides:

- Background on what the agency has accomplished/contributions of agency programs to the accomplishment of strategic goals – illustrated in the past performance section of the chapter;
- An overview of what the agency plans to accomplish/performance targets – depicted in the future commitments section of the chapter;
- An indication of the means and strategies the agency uses to influence strategic outcomes – shown in the required resources section of the chapter; and
- A listing of funds and FTE resources the agency is requesting - shown in the required resources section of the chapter.

This chapter also strives to use fulfill A-11's preferences that agencies "prepare your justification in concise, specific terms" and "use tables, charts, and graphs in lieu of or to supplement text."

<sup>2</sup> This strategic goal comes from the FCC *Strategic Plan, FY 2003 – FY 2008*. As required by GPRA, the FCC will review and potentially revise its strategic plan for FY 2006 – FY 2011.

**U.S. Subscribers to High Speed Lines  
(x1000)**

	<b>Dec 2001</b>	<b>Dec 2002</b>	<b>Dec 2003</b>
<b>ADSL</b>	3,948	6,472	9,509
<b>Other Wireline</b>	1,079	1,216	1,305
<b>Coaxial Cable</b>	7,060	11,369	16,446
<b>Fiber</b>	494	548	602
<b>Satellite or Wireless</b>	213	276	367
<b>High Speed Total Lines</b>	12,794	19,881	28,229

**B. Scorecard:**

<b>BROADBAND FCC 2004 Performance Measure Scorecard</b>				
<b>Activities</b>	<b>Exceeded Goal</b>	<b>Met Goal</b>	<b>Did Not Meet Goal</b>	<b>Data Not Available</b>
1. Conduct rulemakings/issue and vigorously enforce regulations that influence the deployment and adoption of broadband technologies.		X		
2. Review and, if necessary, adjust the definition of what constitutes broadband.		X		
3. Continue to measure the deployment of broadband technology, particularly to rural America.		X		
4. Take further action in ongoing rulemaking proceeding to evaluate Broadband over Power Lines.		X		
5. Continue to facilitate access to spectrum in order to encourage deployment of new and innovative broadband services.		X		
6. Create and maintain a dialogue with regulators at the state, local and tribal level and around the globe on policies to promote broadband development.		X		

**Future Performance (FY05 and FY06) Commitments:**

- Targets
  - 1) Increasing access to and adoption of broadband services and devices across multiple platforms: DSL, cable modem, powerline, fiber, terrestrial wireless, satellite, etc.
- Planned Program Evaluations to be Released in:
  - FY 2007 budget – Universal Service Fund
  - FY 2008 budget – Spectrum Auction Program Account
  - FY 2009 budget – Spectrum Auction Direct Loan Financing Account
  - FY 2010 budget – FCC (General Salaries and Expenses)

## Required Resources:

This section meets OMB’s requirements that agencies describe “the means and strategies, including resources, processes, and technologies, to be used in achieving the performance goals.” Processes include items such as work methods, workforce adjustments, and shifts in responsibility for particular tasks. Skills include both routine staff skills as well as the skills needed in the development, introduction, and use of technologies. Technologies include computer and communications hardware and software, as well as capital assets and equipment.

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

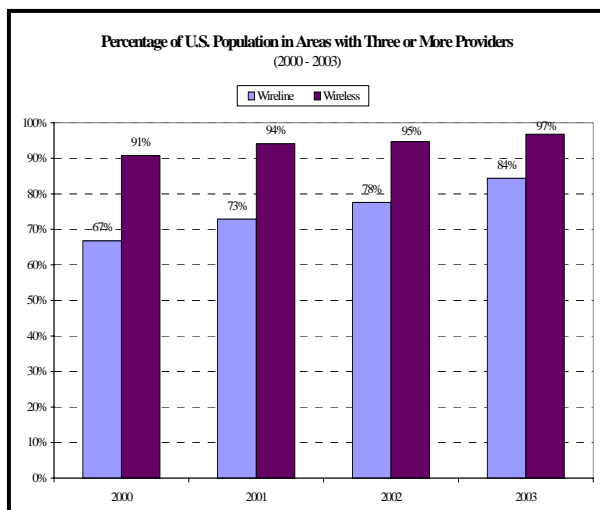
Funds and Staff					
FY 2004		FY 2005		FY 2006	
\$11,986,369	98 FTE’s	\$17,848,875	134 FTE’s	\$18,401,284	134 FTE’s

## STRATEGIC GOAL #2: COMPETITION<sup>3</sup>

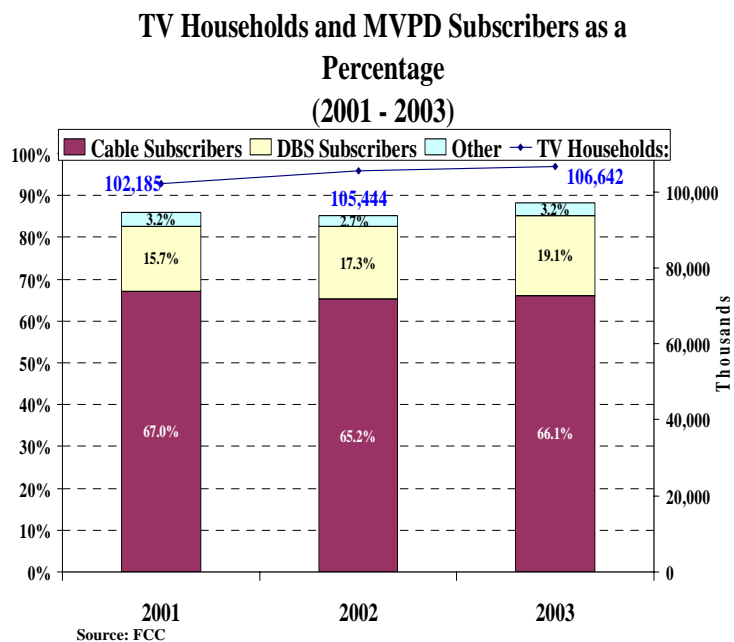
Support the Nation's economy by ensuring that there is a comprehensive and sound competitive framework for communications services and devices. Such a framework should foster innovation and offer businesses and consumers meaningful choice in services and devices. Such a pro-competitive framework should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

### Progress Toward Goal:

#### A. Highlights

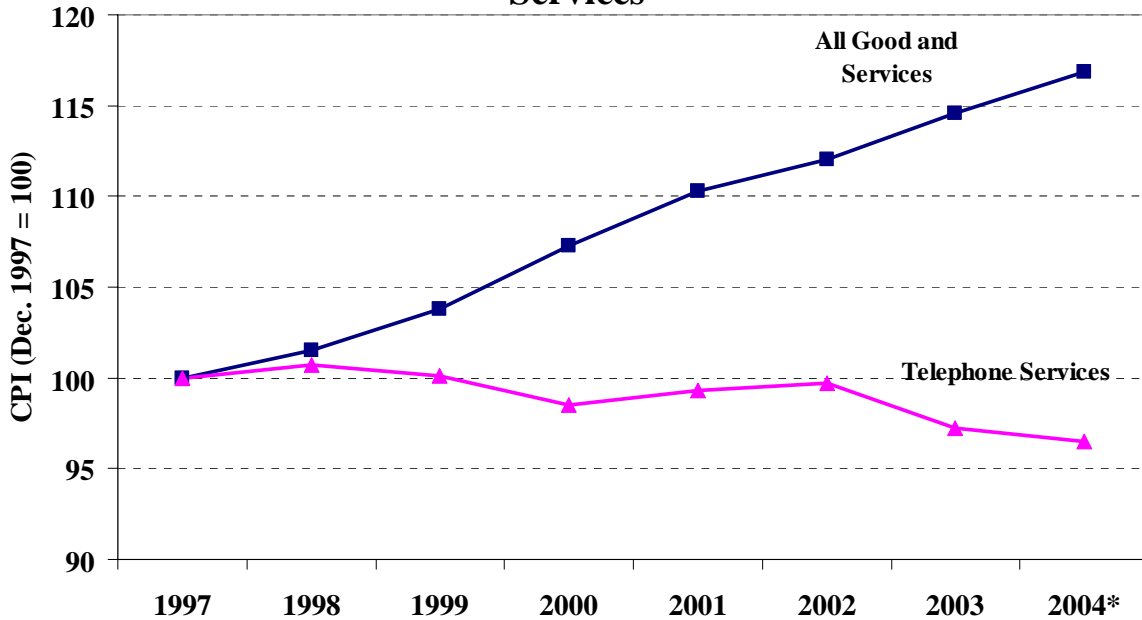


**Sources:** *Ninth Annual CMRS Competition Report*, FCC 04-216 (rel. September 28, 2004), Appendix D, Table 10; *Local Telephone Competition: Status as of December 31, 2003*, (rel. June 18, 2004), Table 15.



<sup>3</sup> This strategic goal comes from the FCC *Strategic Plan, FY 2003 – FY 2008*. As required by GPRA, the FCC will review and potentially revise its strategic plan for FY 2006 – FY 2011.

## Consumer Price Indices Telephone Services Compared to All Goods and Services

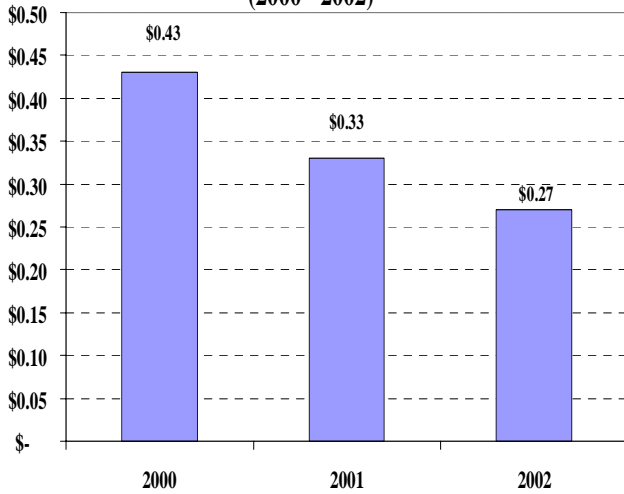


Source: Bureau of Labor Statistics.

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

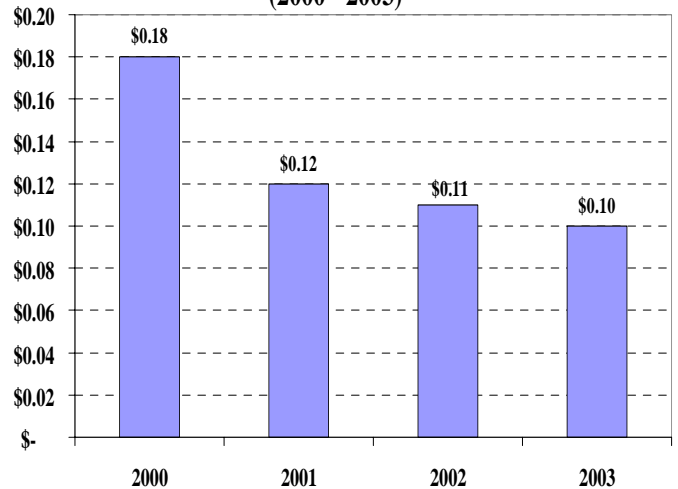
\* Jan - June

### Average Price per Minute for an International Call (2000 - 2002)



Source: International Telecommunications Data Report (Annual Section 43.61), January 2002.

### Average Revenue per Minute for Mobile Telephone Service (2000 - 2003)



Source: Cellular Telecommunications and Internet Association, Semi-Annual Wireless Industry Survey <http://www.wow-com/industry/stats/surveys/>.

B. Scorecard

<b>COMPETITION</b>				
<b>FCC 2004 Performance Measure Scorecard</b>				
Activities	Exceeded Goal	Met Goal	Did Not Meet Goal	Data Not Available
1. Foster the pro-competitive goals of the Telecommunications Act by reforming total element long-run incremental cost (TELRIC), intercarrier compensation, and universal service, examining voice over internet protocol, local number portability, forbearance, biennial review proceeding, and implementing and enforcing provisions of the unbundled network element (UNE) proceeding.		X		
2. Adopt and enforce regulations which streamline and encourage reliable affordable communications services by multiple providers.		X		
3. Adopt and enforce rules to streamline administration of the Universal Service support mechanism and protect against waste, fraud, and abuse.		X		
4. Conduct quarterly reviews of carrier compliance to ensure continuity of service requirements are met.		X		
5. Increase consumer awareness of their rights in relation to phone service and enforce regulations to ensure those rights.		X		
6. Maintain a dialogue with regulators around the globe on competition issues.		X		
7. Review and analyze merger and transfers of control requests to ensure that consumers retain reliable and affordable communications services that serve the public interest.		X		
8. Adopt and implement policies that will decrease the price of international calls.		X		
9. Initiate international reporting reform.		X		

**Future Performance (FY05 and FY06) Commitments:**

- Targets
  - 1) Increasing percentage of households with competitive choices for multichannel video programming.
  - 2) Increasing number of consumers and businesses have a choice among wireless and wireline voice and data service providers.
  - 3) Competitive pricing for voice, data, and video services
- Planned Program Evaluations to be Released in:
  - FY 2007 budget – Universal Service Fund
  - FY 2008 budget – Spectrum Auction Program Account
  - FY 2009 budget – Spectrum Auction Direct Loan Financing Account
  - FY 2010 budget – FCC (General Salaries and Expenses)

## Required Resources:

This section meets OMB’s requirements that agencies describe “the means and strategies, including resources, processes, and technologies, to be used in achieving the performance goals.” Processes include items such as work methods, workforce adjustments, and shifts in responsibility for particular tasks. Skills include both routine staff skills as well as the skills needed in the development, introduction, and use of technologies. Technologies include computer and communications hardware and software, as well as capital assets and equipment.

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

Funds and Staff					
FY 2004		FY 2005		FY 2006	
\$100,781,732	654 FTE’s	\$96,665,009	602 FTE’s	\$102,829,717	628 FTE’s

### STRATEGIC GOAL #3: *SPECTRUM*<sup>4</sup>

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

#### Progress Toward Goal:

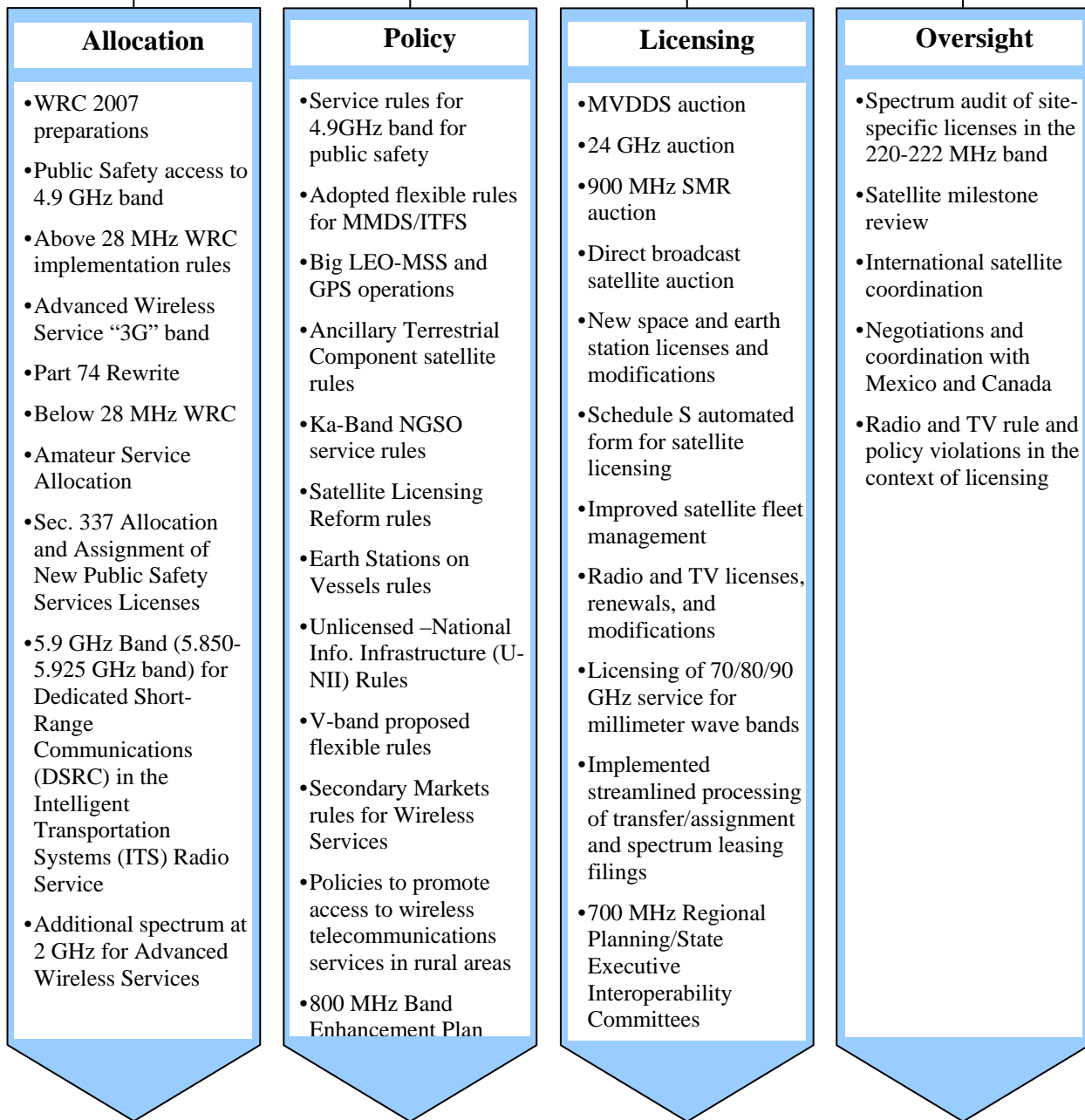
##### A. Highlights

<b>Enhanced Telecommunications Equipment Authorizations</b>						
Issuer of Approval Grant	Total FY03	1Q2004	2Q2004	3Q2004	4Q2004	Total FY04
Telecommunications Certification Bodies (TCB)	4,945	1,266	1,434	1,479	1,705	5,884
FCC Equipment Authorization Services (EAS)	521	133	124	109	147	513
<b>Total Authorizations</b>	<b>5,466</b>	<b>1,399</b>	<b>1,558</b>	<b>1,588</b>	<b>1,852</b>	<b>6,397</b>
<i>Source: OET Lab</i>						

<sup>4</sup> This strategic goal comes from the FCC *Strategic Plan, FY 2003 – FY 2008*. As required by GPRA, the FCC will review and potentially revise its strategic plan for FY 2006 – FY 2011.



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



**Potential Long-term Outcomes for Spectrum**

In FY 2004, the Commission made significant progress in developing and implementing spectrum initiatives that contribute to overall performance goals for spectrum both domestically and internationally. Collectively, these activities promote:

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

## FCC 2004 Performance Measure Scorecard

Activities	Exceeded Goal	Met Goal	Did Not Meet Goal	Data Not Available
1. Continue implementation of recommendations made by the Spectrum Policy Task Force and take steps to improve the efficient and effective use of spectrum such as promoting the use of spectrum for new efficient technologies and systems.		X		
2. Increase the number of new spectrum users.		X		
3. Negotiate and enforce satellite and other coordination treaties with affected countries.		X		
4. Develop rules to permit the licensing of innovative satellite technologies.		X		
5. Advance U.S. positions on spectrum through the International Telecommunications Union and other fora, including preparations for WRC-07.		X		
6. Enforce satellite milestones.		X		
7. Encourage the deployment of new spectrum efficient technologies, including spread spectrum systems, ultra-wideband systems and cognitive radio.		X		
8. Enforce regulations and investigate complaints affecting communications systems and infrastructure.		X		
9. Construct anechoic test facility for making sensitive measurements for advanced equipment and systems at the Columbia Engineering Laboratory.		X		
10. Increase reliance on market-driven transactions to promote and facilitate efficient spectrum usage.		X		

### Future Performance (FY05 and FY06) Commitments:

- Targets
  - 1) Deploying new or existing services or devices that make efficient use of spectrum.
  - 2) Advancing U.S. positions on spectrum in international negotiations and enforcement of treaties (number of U.S. positions partially or fully adopted).
- Planned Program Evaluations to be Released in:
  - FY 2007 budget – Universal Service Fund
  - FY 2008 budget – Spectrum Auction Program Account
  - FY 2009 budget – Spectrum Auction Direct Loan Financing Account
  - FY 2010 budget – FCC (General Salaries and Expenses)

## Required Resources:

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Processes	Skills	Technology
<ul style="list-style-type: none"> <li>▪ Rulemaking</li> <li>▪ Industry analysis</li> <li>▪ Data collection</li> <li>▪ Licensing</li> <li>▪ Engineering</li> <li>▪ Intergovernmental collaboration and international negotiations</li> <li>▪ Notice of Apparent Liability/Forfeitures</li> <li>▪ Spectrum audits</li> </ul>	<ul style="list-style-type: none"> <li>▪ Prospective and innovative thinking in order to identify ways to use spectrum while ensuring adequate communications for public safety and critical infrastructure protection.</li> <li>▪ Auditing, investigating, enforcing.</li> <li>▪ Understanding of economical and technical aspects of spectrum uses for the benefit of the public.</li> <li>▪ Understanding of international and regional factors.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Auctions system</li> <li>▪ Universal Licensing System (ULS)</li> <li>▪ International Bureau Filing System (IBFS)</li> <li>▪ Experimental Licensing System (ELS)</li> <li>▪ Cable Operations and Licensing System (COALS)</li> <li>▪ Antenna Structure Registration System (ASRS)</li> <li>▪ Columbia Engineering Laboratory</li> <li>▪ Enforcement equipment</li> <li>▪ Equipment Authorization System (EAS)</li> <li>▪ Consolidated Database System (CDBS)</li> <li>▪ Desktop/Network Document Development and Data Access Tools</li> <li>▪ COSER Database System</li> </ul>

Funds and Staff					
FY 2004		FY 2005		FY 2006	
\$75,717,033	635 FTE’s	\$79,378,303	610 FTE’s	\$88,066,001	610 FTE’s

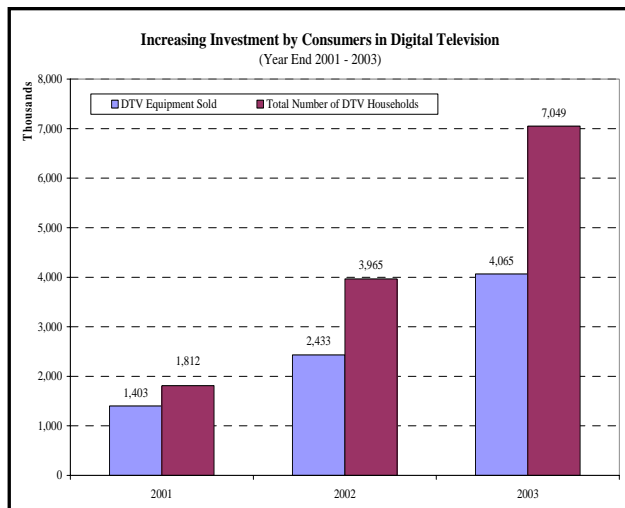
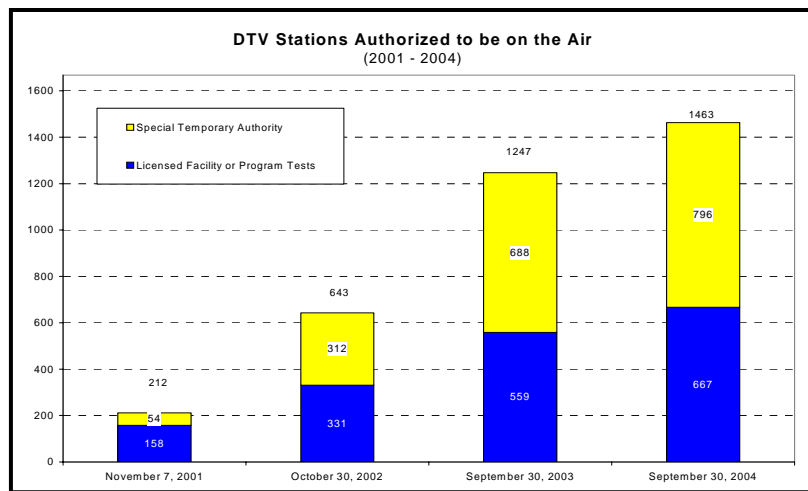
## STRATEGIC GOAL #4: MEDIA <sup>5</sup>

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

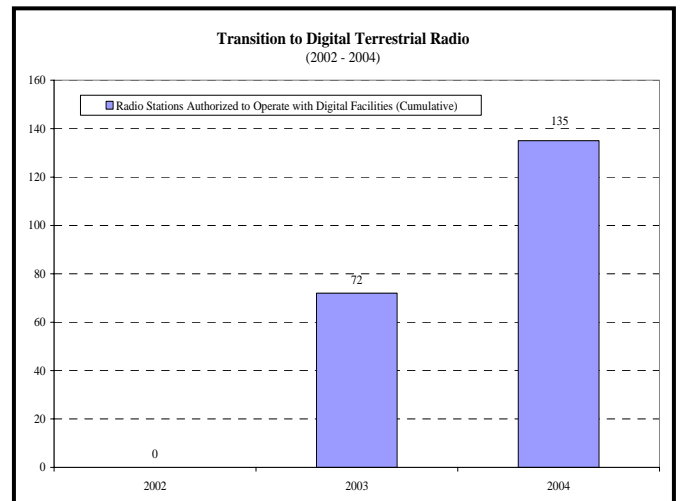
### Progress Toward Goal:

#### A. Highlights

Source: Media Bureau Consolidated Database Systems (CDBS).



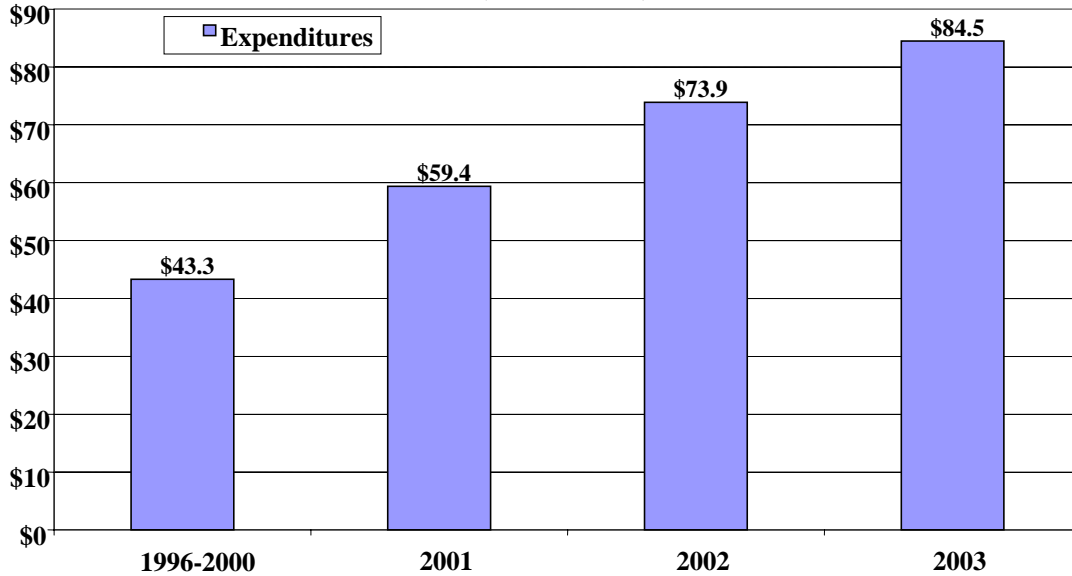
Source: Media Bureau Consolidated Database System (CDBS).



Source: Year-end statistics, Kagan World Media analysis of CEA data.

<sup>5</sup> This strategic goal comes from the FCC *Strategic Plan, FY 2003 – FY 2008*. As required by GPRA, the FCC will review and potentially revise its strategic plan for FY 2006 – FY 2011.

**Cumulative Cable Industry Infrastructure Expenditures  
(1996 - 2003)**



Source: National Cable & Telecommunications Association Cable Developments 2004.

**B. Scorecard**

<b>MEDIA</b>				
<b>FCC 2004 Performance Measure Scorecard</b>				
<b>Activities</b>	<b>Exceeded Goal</b>	<b>Met Goal</b>	<b>Did Not Meet Goal</b>	<b>Data Not Available</b>
1. Resolve challenges to revised rules issued in Third Biennial Review of Broadcast Ownership Rules and issue NPRM for Fourth Biennial Review of broadcast ownership rules to assure that the rules reflect the current media marketplace.			X	
2. Adopt and enforce regulations to advance the digital transition and implement public education efforts, e.g., DTV Must-Carry, DTV Periodic Review, DTV LPTV and TV Translators, Plug-and-Play, Broadcast Flag, Digital Audio Systems and Service Rules, and Disability Accessibility.		X		
3. Initiate any further actions to gather information and data from consumers, industry, civic organizations, and others to assess broadcasters' service to local communities.		X		
4. Resolve and enforce broadcast, cable and satellite operating matters in a timely way (e.g., children's television, public files, leased access, main studio, EEO, political programming, closed captioning, analog must carry, and other non-technical rules).		X		
5. Conduct staff review of DTV technical rules to identify any changes needed to facilitate the completion of the DTV transition mandated by statute.		X		
6. Foster the digital television transition by negotiating cross-border agreements with Canada and Mexico.		X		

**Future Performance (FY05 and FY06) Commitments:**

- Targets
  - 1) Increasing investment in and deployment of digital programming, equipment, and infrastructure by both industry and consumers.
  - 2) Promoting competition, diversity, and localism in the media marketplace.
  
- Planned Program Evaluations to be Released in:
  - FY 2007 budget – Universal Service Fund
  - FY 2008 budget – Spectrum Auction Program Account
  - FY 2009 budget – Spectrum Auction Direct Loan Financing Account
  - FY 2010 budget – FCC (General Salaries and Expenses)

**Required Resources:**

This section meets OMB’s requirements that agencies describe “the means and strategies, including resources, processes, and technologies, to be used in achieving the performance goals.” Processes include items such as work methods, workforce adjustments, and shifts in responsibility for particular tasks. Skills include both routine staff skills as well as the skills needed in the development, introduction, and use of technologies. Technologies include computer and communications hardware and software, as well as capital assets and equipment.

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

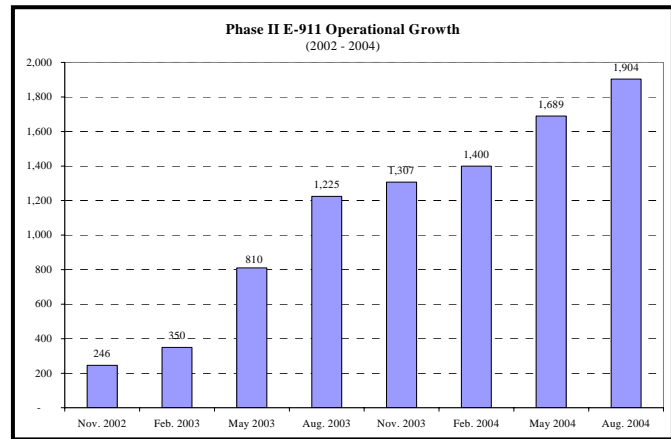
Funds and Staff					
FY 2004		FY 2005		FY 2006	
\$25,804,004	157 FTE’s	\$27,967,922	172 FTE’s	\$28,833,508	172 FTE’s

## STRATEGIC GOAL #5: *HOMELAND SECURITY*<sup>6</sup>

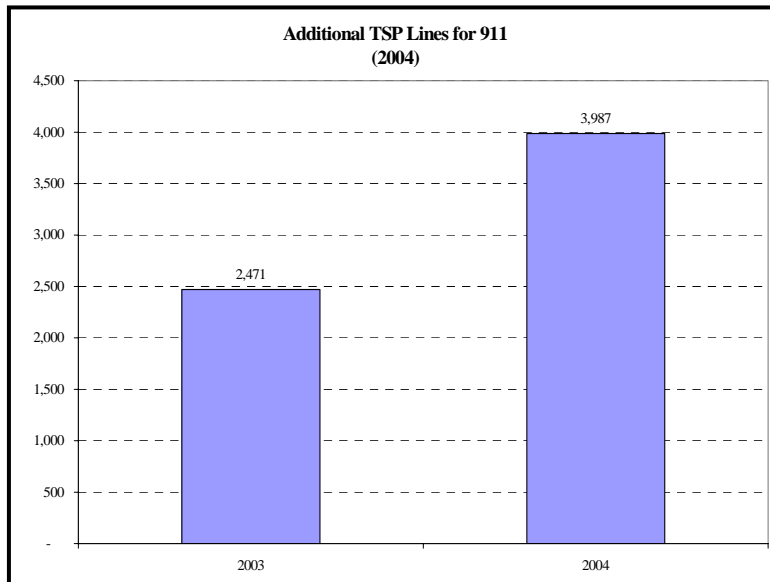
Provide leadership in evaluating and strengthening the Nation's communications infrastructure, in ensuring rapid restoration of that infrastructure in the event of disruption, and in ensuring that essential public health and safety personnel have effective communications services available to them in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

### Progress Toward Goal:

#### A. Highlights

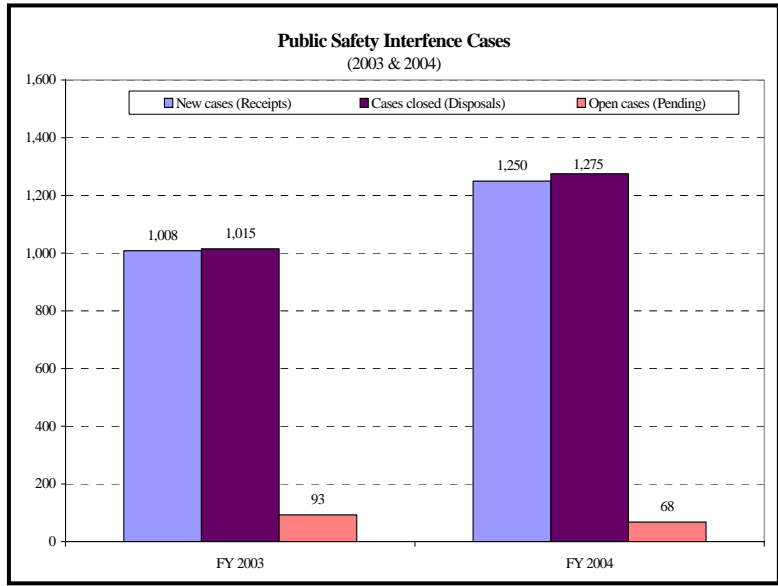


Source: E-911 Quarterly Reports filed by Carriers.



Source: DHS-NCS Active TSP Participation Reports.

<sup>6</sup> This strategic goal comes from the FCC *Strategic Plan, FY 2003 – FY 2008*. As required by GPRA, the FCC will review and potentially revise its strategic plan for FY 2006 – FY 2011.



Source: Enforcement Bureau Quarterly Workload Summary Report.

B. Scorecard

<b>HOMELAND SECURITY FCC 2004 Performance Measure Scorecard</b>				
<b>Activities</b>	<b>Exceeded Goal</b>	<b>Met Goal</b>	<b>Did Not Meet Goal</b>	<b>Data Not Available</b>
1. Identify and engage domestic and international counterparts on homeland security issues.		X		
2. Develop regulations to ensure the security and survivability of the satellite communications infrastructure, including treatment of orbital debris.		X		
3. Ensure public safety has adequate means of meeting communications needs through spectrum and technology.		X		
4. Increase the deployment of Telecommunications Service Priority.		X		
5. Enhance consumer awareness of communications security and reliability issues in emergency situations.		X		
6. Enforce technical regulations and investigate harmful interference complaints affecting public safety communications systems and infrastructure.		X		
7. Complete rulemakings/issue regulations that further the accessibility of the telecommunications network to people with disabilities (e.g., Telecom Relay Services including annual review of TRS issues, and Section 255 accessibility to equipment and services).		X		
8. Coordinate Section 214 market access and Section 310 foreign ownership reviews with the Executive Branch.		X		
9. Facilitate deployment of enhanced 911 services		X		



<b>HOMELAND SECURITY FCC 2004 Performance Measure Scorecard</b>				
<b>Activities</b>	<b>Exceeded Goal</b>	<b>Met Goal</b>	<b>Did Not Meet Goal</b>	<b>Data Not Available</b>
through new regulations, clarification of existing regulations, enforcement proceedings, and data tracking.				
10. Complete the deliverables required by the Network Reliability and Interoperability Council (NRIC) and Media Security and Reliability Council (MSRC) charters.		X		
11. Enhance the Emergency Alert System through consistent, strong enforcement of Emergency Alert System (EAS) equipment and testing requirements.		X		

### **Future Performance (FY05 and FY06) Commitments:**

- Targets
  - 1) Increasing deployment of E-911.
  - 2) Increasing Telecommunications Service Priority participation for 911 centers, state and local emergency operations centers, and federal departments and agencies.
  - 3) Enhancing telecommunications and media network reliability, including emergency preparedness.
  - 4) Increasing amount and effective use of spectrum available for public safety communications.
  - 5) Increasing reporting of service outages across multiple platforms.
  - 6) Improve the effectiveness of an Emergency Alert System (EAS) by expanding its reach to users of additional communications technologies and media.
  - 7) Coordinating with other agencies regarding homeland security.
- Planned Program Evaluations to be Released in:
  - FY 2007 budget – Universal Service Fund
  - FY 2008 budget – Spectrum Auction Program Account
  - FY 2009 budget – Spectrum Auction Direct Loan Financing Account
  - FY 2010 budget – FCC (General Salaries and Expenses)

### **Required Resources:**

This section meets OMB’s requirements that agencies describe “the means and strategies, including resources, processes, and technologies, to be used in achieving the performance goals.” Processes include items such as work methods, workforce adjustments, and shifts in responsibility for particular tasks. Skills include both routine staff skills as well as the skills needed in the development, introduction, and use of technologies. Technologies include computer and communications hardware and software, as well as capital assets and equipment.

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

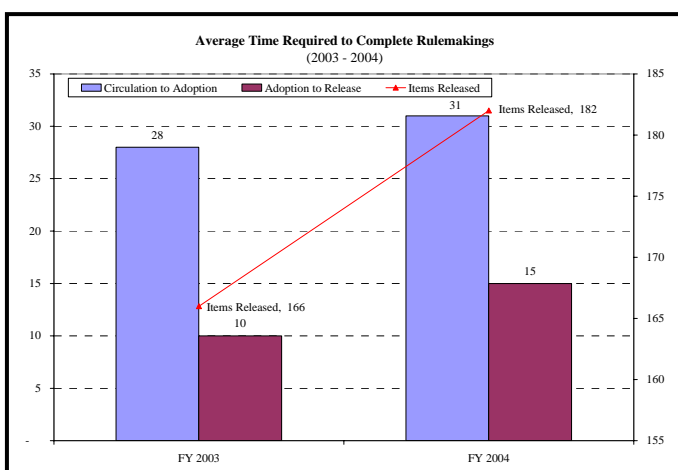
<b>Funds and Staff</b>					
<b>FY 2004</b>		<b>FY 2005</b>		<b>FY 2006</b>	
\$27,661,457	175 FTE's	\$27,096,560	173 FTE's	\$31,004,177	173 FTE's

## STRATEGIC GOAL #6: *MODERNIZE THE FCC*<sup>7</sup>

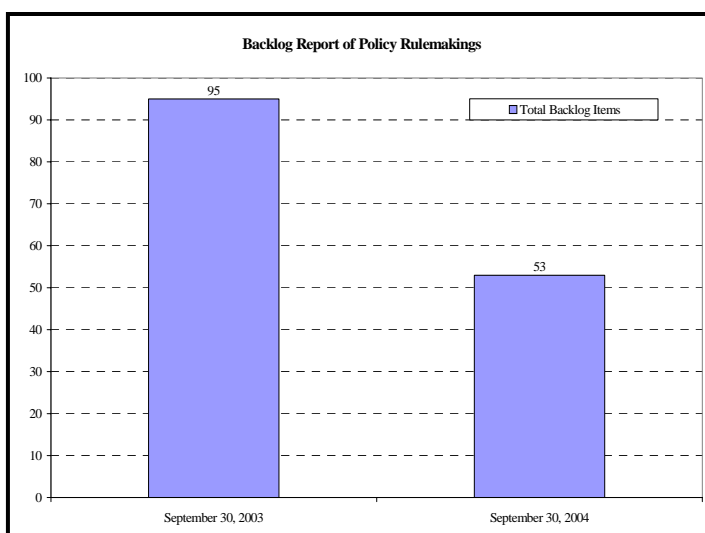
Emphasize performance and results through excellent management. Develop and retain independent mission-critical expertise and align the FCC with the dynamic communications markets.

### Progress Toward Goal:

#### A. Highlights



Source: Quarterly Performance and Results Review, FY 2004.

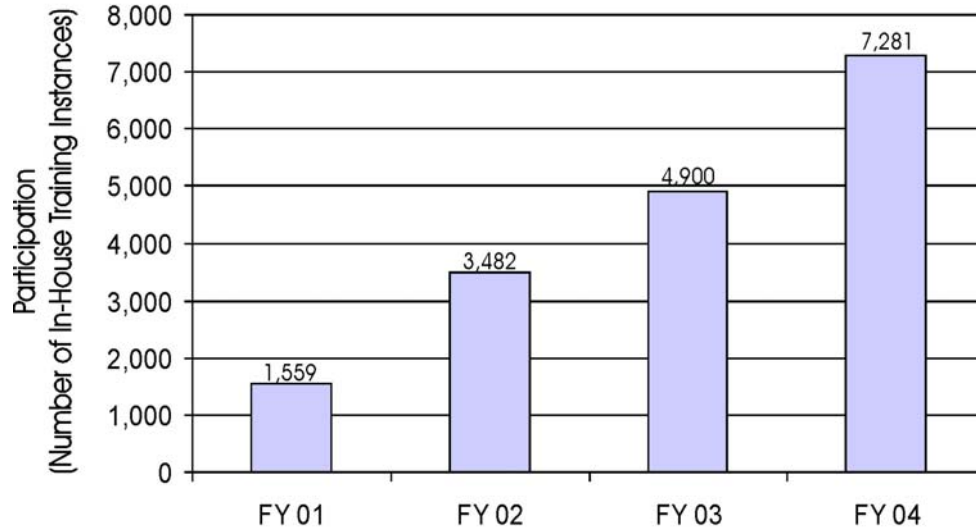


Source: Quarterly Performance and Results Review, FY 2004.

<sup>7</sup> This strategic goal comes from the FCC *Strategic Plan, FY 2003 – FY 2008*. As required by GPRA, the FCC will review and potentially revise its strategic plan for FY 2006 – FY 2011.

## FCC Training Accomplishments

### FCC University Growth



Source: FCC

## B. Scorecard

<b>MODERNIZE THE FCC</b>				
<b>FCC 2004 Performance Measure Scorecard</b>				
Activities	Exceeded Goal	Met Goal	Did Not Meet Goal	Data Not Available
1. Assess and report on the initial results of the IMPACT pilot.		X		
2. Bureau/Office efficiency initiatives reported in Quarterly Performance and Review Report.		X		
3. Ensure appropriate number of engineers, economists, and attorneys.		X		
4. All agency staff participates in appropriate career development discussions with their supervisor.		X		
5. Supervisory and managerial performance plans and awards are linked to the FCC's Strategic Plan goals and measures.		X		
6. Implement performance-based budgeting based on OMB guidelines.		X		
7. To improve FCC operations, conduct audits, assessments and evaluations and make recommendations (e.g., Fiscal Year Financial Statements, Federal Information Security Management Act Evaluations, and Continuity of Operations Plan (COOP)).		X		

**Future Performance (FY05 and FY06) Commitments:**

- Targets
  - 1) Reducing the average time required to complete rulemakings (improve workflow, document and knowledge management).
  - 2) Increasing efficiency in the processing of workload, e.g., reducing rulemaking backlog and response times to consumer complaints (measured by and reported in the Quarterly Performance and Results Review).
  - 3) Implementing Human Capital strategies to address skills and competencies required for accomplishment of strategic goals.
  - 4) Developing targeted skills and competencies for all FCC employees through appropriate career development aligned with strategic goals.
  - 5) Increasing rate of agency achievement of strategic objectives.
  
- Planned Program Evaluations to be Released in:
  - FY 2007 budget – Universal Service Fund
  - FY 2008 budget – Spectrum Auction Program Account
  - FY 2009 budget – Spectrum Auction Direct Loan Financing Account
  - FY 2010 budget – FCC (General Salaries and Expenses)

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

<b>Funds and Staff</b>					
<b>FY 2004</b>		<b>FY 2005</b>		<b>FY 2006</b>	
\$31,993,706	264 FTE's	\$32,127,975	282 FTE's	\$34,922,313	282 FTE's



## **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 goals.

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

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

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

The Commission implemented the Regulatory Fee collection program by rulemaking on July 18, 1994. The most recent fee schedule became effective on August 10, 2004, pursuant to an order adopted by the Commission on June 21, 2004, released June 24, 2004 and published in the Federal Register July 7, 2004 (69 FR 41027).

### **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 the salaries and expenses appropriation and are carried forward as no-year funds indefinitely. The combined total of all prior year-carryover regulatory fees from FY 1997 – FY 2002 was \$18.9 million. A total of \$11.2 million in carryover funds were approved for use and obligated as of FY 2001. The remaining \$6.6 million in regulatory fees, from the FY 2001 appropriation became available for obligation in FY 2002. In FY 2002 Congress authorized the Commission's use of \$2.0 million of the \$6.6 million in excess funds to meet critical physical security needs following the events of September 11<sup>th</sup>. A total of \$5.7 million in carryover funds remained at the beginning of FY 2003, \$4.6 million in carryover funds from prior years plus \$1.1 million in regulatory fees collected in excess of the FY 2002 Appropriation required levels. In FY 2003 pursuant to

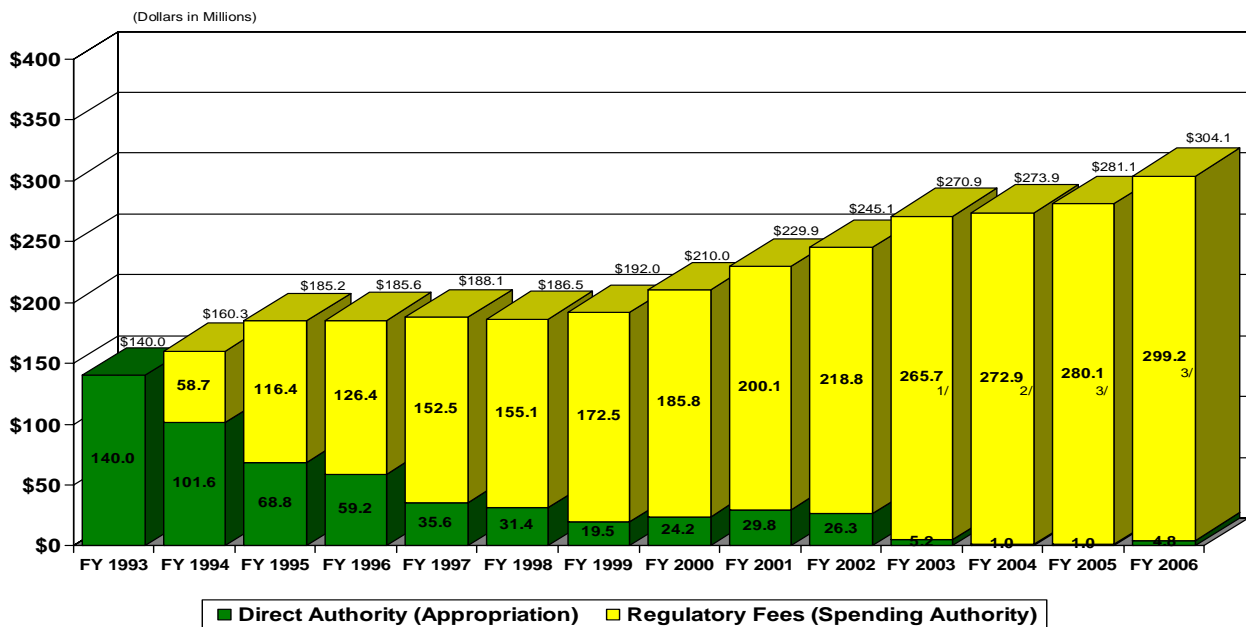


P.L. 108-7, the \$5.7 million in carryover funds was rescinded. There was no request to Congress to use any excess regulatory fees available through prior year recoveries in FY 2004. There was \$12.6 million in regulatory fee collections at the end of FY 2004 available for obligation carried forward into FY 2005. Under authority contained in P.L. 108 – 447, \$12 million in carryover unobligated regulatory fee funds were rescinded and are unavailable for obligation. The balance of approximately \$600,000 was identified as available for obligation to obtain land surrounding the current Puerto Rico monitoring facility to provide enhanced security to the facility operations.

### FY 2006 Regulatory Fee Assumptions

The FY 2004 Appropriation for the FCC authorized \$272.9 million in the collection of regulatory fees. The FY 2005 Appropriation’s language authorizes the Commission to collect \$280,098,000 in regulatory fees. The FY 2006 President’s Budget to Congress proposes to increase the regulatory fee collections to a level of \$299,234,000. These funds will support Commission-wide goals which will allow the FCC to serve the American public in an efficient, effective and responsive manner. The distribution of Budget Authority between direct and offsetting collections from Regulatory Fees is illustrated in the following graph.

**FY 1993 – FY 2006 RESOURCE COMPARISON  
Budget Authority**



1/ Reflects actual Regulatory Fees collected in FY 2003.

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

3/ Reflects the Regulatory Fee Schedule proposed for FY 2005 and FY 2006.

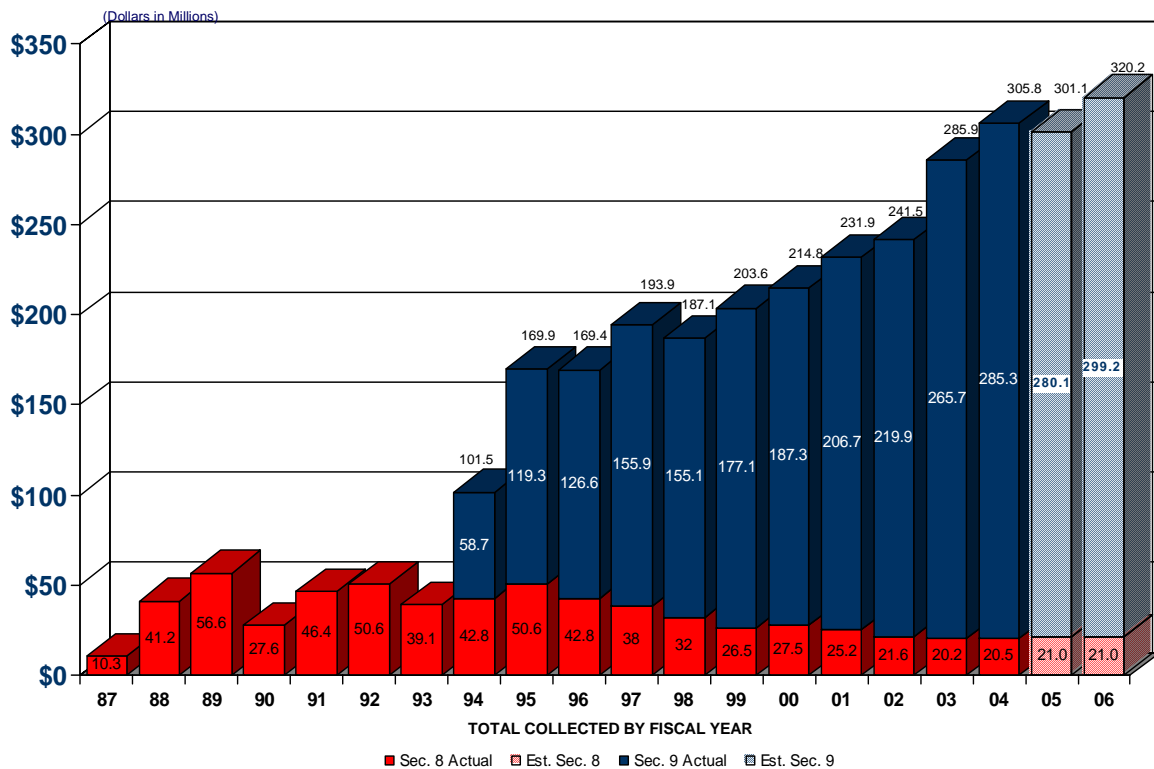




## Application Processing Fees

Since FY 1987 the Federal Communications Commission (FCC) has collected and deposited into the General Fund of the U.S. Treasury application processing fees, often referred to as Section (8) fees. The fees are designed to recover a substantial portion of the costs of the Commission's applications processing functions. The program encompasses over 300 different fees with the vast majority collected at the time an original license application, renewal or request for modification is filed with the Commission. Most fees are assessed as a one-time charge on a per-application basis, although there are certain exceptions. Government, nonprofit, non-commercial broadcast and amateur license applicants are exempt from the fees. A lockbox bank is utilized to collect the fees, with all fees deposited into the General Fund of the U.S. Treasury. Once deposited, these fees are generally not refundable regardless of the outcome of the application process. The Commission must review and revise the fees every two years based upon changes to the Consumer Price Index (CPI). On July 23, 2004, an order was adopted which increased application fees to reflect these CPI changes; this change became effective on August 10, 2004. Application Processing Fee Collections (Section 8) and Regulatory Fee collections are summarized in the following graph.

### FEE COLLECTIONS\* FY 1987 – FY 2006



\*In addition to Sec. 8 processing fees which go to the General Fund of Treasury, totals for FY 1994-2006 include Sec. 9 Regulatory Fees. Sec. 9 actual reflects fees collected thru 9/30. Est. Sec. 9 reflects fees established in appropriations language.



## **Spectrum Auctions**

In addition to regulatory fees, the Omnibus Budget Reconciliation Act of 1993 required the FCC to auction portions of the spectrum for certain services, replacing the former lottery process. The Commission is required to ensure that small businesses, women, minorities, and rural telephone companies have an opportunity to participate in the competitive bidding process. The original Spectrum Auction authority was scheduled to expire in FY 1998; however, it was extended through FY 2007 in the Balanced Budget Act of 1997. The Commission initiated regulations implementing the legislation and conducted its first round of auctions in July 1994. By the end of the first quarter of FY 2005, the Commission had completed 54 auctions. Between July 1994 and December 31, 2004, total receipts from this program deposited in the General Fund of the U.S. Treasury have exceeded \$14.4 billion.

The Commission is authorized to retain from auction revenues those funds necessary to develop, implement and maintain the auction program. These funds cover the personnel and administrative costs required to plan and execute spectrum auctions; operational costs to manage installment payments and collections activities; development, implementation, and maintenance of all information technology systems necessary for Auctions operations including development of a combinatorial bidding system, and a proportional share of the general administrative costs of the commission based on the split of direct FTE hours charged to auctions in the previous year. 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 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 2003 Auctions Report was provided to the appropriate oversight committees in September, 2004. The FY 2004 Auctions Report will be submitted in September, 2005.