

### INTRODUCTION

The Federal Communications Commission's primary mission is to promote competition in communications, protect consumers, and support access for every American to existing and advanced communications services.

In five years, we expect U.S. communications markets to be characterized predominately by vigorous competition that will greatly reduce the need for direct regulation. The advent of Internet-based and other new technology-driven communications services will continue to erode the traditional regulatory distinctions between different sectors of the communications industry.

As a result, over the next five years, the FCC must manage the transition from an industry regulator to a market facilitator. The enactment of the Telecommunications Act of 1996 - and the establishment of a new pro-competitive, deregulatory model for communications policy - necessitates a reassessment of our core policy functions, structure, and processes. New competitors and technological innovation currently are transforming communications markets, but history has shown that markets that have been highly monopolistic often do not naturally become fully competitive. History also has shown that domestic markets that have been protected from foreign competition do not naturally become open to global competition. Therefore, during this critical period of transition, the overall strategic objective of the FCC must be to continue to promote competition, open markets, and technological innovation, while also continuing to protect and empower consumers as they navigate the new world of communications.

Pursuing these strategic objectives will require the identification of clear goals and the execution of year-by-year action plans. As we accomplish our transition goals, we set the stage for a competitive environment in which communications markets look and function like other competitive industries.

It is critical that the FCC continues the transition initiated in FY 2000 and that the resources to achieve the goals expressed in our strategic plan are available to meet the demands of this multiyear plan. Our FY 2001 budget request addresses the funding to accomplish our continued progress in meeting our strategic objectives.

#### FCC Goals and Objectives

The Commission, under Chairman Kennard, has set forth the following goals and objectives to help the FCC manage the transition to vigorously competitive communications markets:

##### **Create A Model Agency For The Digital Age.**

- \* Lead the way in the Information Age.
- \* Reorganize to create an agency infrastructure conducive to convergence.
- \* Create a faster, flatter, more functional agency.
- \* Preserve and increase the wealth of knowledge and expertise of FCC staff.

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### Promote Competition In All Communications Markets.

- \* Eliminate barriers to entry in domestic markets.
- \* Deregulate as competition develops.
- \* Enforce the rules so that businesses compete fairly.
- \* Promote competition in international communications markets.

### Promote Opportunities For All Americans To Benefit From The Communications Revolution.

- \* Ensure access for all Americans to existing and future communications services.
- \* Promote opportunities to expand direct participation in existing and future communications businesses.
- \* Foster a consumer friendly marketplace.

### Manage The Electromagnetic Spectrum (The Nation's Airwaves) In The Public Interest.

- \* Create more efficient spectrum markets.
- \* Increase the amount of spectrum available for use, particularly for new services.

These goals and objectives will guide the FCC's agenda in FY 2000 and FY 2001 and beyond, and are thus given particular emphasis in the programmatic funding requested in these budget estimates. For example, the FCC proposes to fund a series of information technology initiatives to enhance productivity, promote public availability of information and further the effectiveness of reorganization efforts approved by Congress.

### The FCC's Agenda: Managing the Transition to Competition

**Promoting Competition** - The new, pro-competitive, deregulatory communications model established in the 1996 Telecommunications Act is based on two principal goals – a fully competitive marketplace and access for every American to current and future advanced communications services. Congress defined a new policy framework for achieving these goals in the 1996 Act, and over the past few years, the FCC and the states have been working toward full implementation of these policies.

Today we see glimpses of the competitive, deregulated telecommunications marketplace that Congress had in mind. Many markets, such as mobile wireless and wireline long distance markets, are already quite competitive, and many – but by no means all – of the fundamental prerequisites for fully competitive, deregulated local telecommunications markets are now in place. In many markets, consumers are receiving the benefits of competition through lower prices, greater choices, and better quality service. The challenge ahead for the FCC is to continue to promote the pro-competitive deregulatory framework in order to extend benefits domestically and worldwide.

**Enforcement and Consumer Access** - Vigorous enforcement of the fundamental prerequisites for competitive markets and expeditious dispute resolution are vital during the transition to full competition and will remain necessary for some years to come. Similarly, effective consumer information programs are essential during this period. Consumers must become familiar with the myriad new communications options and providers available, as well as the new demands which emerge from the advent of increased competition. Where competition does not ensure access for all Americans to communications services, the FCC must continue to promote universal service and other public interest policies to further that goal.

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**Managing the Spectrum** - Fundamental to spectrum management is the difficult task of advancing the pro-competitive goals of the Communications Act, while at the same time ensuring that other public interest goals are met. Competing demands and changing technologies make spectrum management a unique challenge. Since spectrum is a finite public resource, it is important that it be allocated and assigned efficiently to provide the greatest possible benefit to the American public. It is also important to encourage the development and deployment of technology that will increase the amount of information that can be transmitted in a given amount of bandwidth. To meet these challenges, the Commission must constantly strive to improve the way it both allocates and assigns spectrum.

**Transforming the FCC** - At the same time, the Commission must significantly revamp its functions, processes, and structure agency-wide to meet the challenges of a rapidly progressing global information-age economy and an evolving global communications market.

The FCC as we know it today will be very different both in structure and mission as we evolve to meet the challenges of the future. Increased automation and efficiency will enable the FCC to streamline its licensing activities, accelerate the decision making process, and allow the public faster and easier access to information. The FCC will be a "one-stop, digital shop" where form-filing and document-location are easy and instantaneous. The FCC will continue consolidation along functional lines so that its structure is more consistent with convergence.

### The FCC's 2001 Budget

In order to continue this agenda, we estimate that the FCC will require a FY 2001 budget of \$237,188,000 and a staff ceiling of 1,975 full-time equivalents (FTEs). This includes 1,930 FTEs to be funded from resources

requested in this document and 45 FTEs to address increases in the auctions workload, should there be a requirement. These numbers reflect a total increase of \$27,188,000 or approximately 13 percent over the FY 2000 Appropriation. Uncontrollable cost increases to fund proposed government-wide pay raises, Portals rent increases and other inflationary increases constitute 47 percent of the total requested increase in funds. Programmatic increases to accomplish the Commission's comprehensive information technology strategic plan initiatives comprise the remaining 53 percent of the requested increases for FY 2001.

The Commission has strived since FY 1987 to reduce the cost of government operations by implementing user fee cost recovery programs. The first program initiated at the FCC was the Application Processing Fee program. That program was designed to recover a substantial portion of the costs of the Commission application processing functions, which account for the majority of the Licensing activities costs. The funds received under this program are deposited directly into the General Fund of Treasury and are not available for use by the 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 competition, enforcement and public information services. 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.

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In FY 1994, these fees offset approximately 37% of the FCC appropriation. In FY 1995, the offset grew to 63%, in FY 1996 to 68%, and in FY 1997 the

FCC offset 81% of the total appropriation from regulatory fees. In FY 1998 the Commission offset 83% of the total appropriation from regulatory fees and offset approximately 90% of the FY 1999 appropriation from regulatory fees. The regulatory fees authorized in FY 2000 will offset 89% of the total appropriation. Our FY 2001 request assumes regulatory fees will increase for the cost of information technology enhancements which will directly benefit the industry. Regulatory fees proposed for FY 2001 would offset approximately 84% of the resources requested in this document.

### OVERVIEW OF REQUEST

The Federal Communications Commission (FCC) proposes an FY 2001 appropriation of **\$237,188,000**. The FCC has proposed to maintain a Full Time Equivalent (FTE) ceiling of **1,975**. This includes an estimated **1,930** FTEs to be funded from resources requested in this document and an additional **45 FTEs** to address increases in the auctions program workload, should there be a requirement.

The Commission will use the FY 2001 funds to carry out its mission to promote competition in communications, protect consumers, and support access for every American to existing and advanced communications services. The goals and objectives of the Commission during this time are to create a model agency for the digital age, promote competition in all communications markets, promote opportunities for all Americans to benefit from the communications revolution, and manage the electromagnetic spectrum (the Nation's airwaves) in the public interest.

This FY 2001 funding increase will provide for uncontrollable and inflationary cost increases to personnel and non-personnel operating costs, including GSA rents, contract services, etc. In addition, the increased funding will support information technology initiatives to allow the FCC to lead the way in the information age, as we create a model agency for the 21<sup>st</sup> century. Funds are included to maintain and expand the capabilities of electronic filing systems activated in FY 1999 and FY 2000 and allow the Commission to initiate additional productivity and public access enhancements in FY 2001.

The Commission is requesting **\$14,392,000** for initiatives which we believe are critical to the Commission if we are to achieve the mandates of the Communications Act and allow us to manage the transition to vigorously competitive communications markets. We have requested resources to

support effectively the Commission's comprehensive information technology initiatives including new program initiatives to enhance internet access and tracking of Commission rulemakings and proceedings, development of data bases to better manage spectrum, and consolidation of enforcement workload and data management reporting systems, all of which will allow increased public access and participation in the FCC's decision making process and provide efficiencies in serving the public. In FY 2001 we plan to continue our efforts to increase productivity and better utilize FTE resources by enhancing our electronic filing systems and automated information accessibility to the public.

An additional **\$12,796,000** is for uncontrollable cost increases for salaries and benefits, and inflationary cost increases for space rent, supplies, printing, postage and other contract services.

*The Commission's limited resources will be utilized to accomplish changes in communication policy which encourage competition and promote access to existing and enhanced communications services.* Our funding request reflects the high priority the Commission places on programs and activities which authorize service, enforce federal legislation and Commission regulations, resolve critical safety-of-life interference problems, promote economic growth through the introduction of advanced telecommunications and increased marketplace competition, protect consumers and safeguard the public interest. In FY 2001, we will be able to accomplish these fundamental and critical functions if this funding request is approved.

*The Commission's discretionary funds remain very limited.* Currently 74% of the FY 2000 appropriation is earmarked to pay the salaries and benefits of our employees. Additionally, 23% will be spent for totally non-discretionary

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expenses such as space rent, telephones, mail and utilities, etc. The remaining funds (3%) will enable the agency to meet only minimum requirements needed to continue efforts to streamline Commission operations, and provide funds for resolution of ongoing issues such as enforcement of cramming/slammings, universal service, spectrum management, etc.

*FCC's success is tied directly to its ability to maintain critical staffing levels and fund the ongoing and new initiatives requested in this document.*

In order to develop our request for FY 2001, we assumed a base funding level or Budget Authority of \$210,000,000, the amount appropriated for FY 2000 for the Commission. This amount represents \$24,246,000 in net direct budget authority assuming we collect \$185,754,000 in offsetting collections from regulatory fees.

In FY 2001 it is anticipated that FCC's uncontrollable cost increases, including additional GSA rent and fees will total \$12,796,000. These uncontrollable costs include 25% of the FY 2000 pay raise (4.94%) to be annualized in FY 2001, as well as a projected FY 2001 locality and pay raise totaling 3.7%. Also included are 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 \$222,796,000 for FY 2001. This funding is critical if we are to maintain a level of response to the universe of communications issues the FCC must address as we transition from an industry regulator to a market facilitator.

In addition to this current services level, we have requested \$14,392,000 in programmatic funds. This modest 6.9% increase will allow the FCC to maintain our information technology infrastructure and continue electronic filing and other initiatives intended to enhance public access and expedite Commission activities in efforts to address the issues of an exploding communications industry in a timely manner that will result in economic growth for the Nation.

Our FY 2001 budget request is summarized in Table 1. Details of this request and a justification for specific increases follow.

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	\$ in Thousands	FTEs Ceiling <sup>2/</sup>
<b>FY 2000 Appropriation <sup>1/</sup></b>	<b>\$ 210,000</b>	<b>1,975</b>
o Direct \$24,246		
o Regulatory Fees \$185,754		
<b>FY 2001 Uncontrollable Cost Increases:</b>		
o Compensation/Benefits Cost Increases	\$ 6,844	
o Increase to GSA Rent and Operating Fees	\$ 5,102	
o Uncontrollable Inflationary Cost Increases	\$ 850	
<b>FY 2001 Programmatic Increases to Support Strategic Goals:</b>		
o Create a Model Agency	\$ 12,972	
- Life-cycle Replacement	\$6,310	
- Maintenance of Electronic Filing/Licensing Systems	\$3,150	
- Mandatory Enhancements	\$1,932	
- New Initiatives	\$1,580	
o Promote Competition	\$ 795	
o Manage Electromagnetic Spectrum	\$ 625	
<b>FY 2001 Total Request <sup>1/</sup></b>	<b>\$237,188</b>	<b>1,975</b>
o Direct \$37,042		
o Regulatory Fees \$200,146		

Table 1: Summary of FY 2001 Budget Request

- <sup>1/</sup> Does not include any reimbursable costs to be collected from auctions or \$1,000,000 anticipated from interagency and/or other authorized reimbursable resources.
- <sup>2/</sup> The FTE ceiling (1,975) includes 1,930 FTEs to be funded from resources requested in this document and an additional 45 FTEs to address the Auctions workload increases should there be a requirement.

### FY 2001 UNCONTROLLABLE COST INCREASES

#### FY 2001 Uncontrollable Cost Increases

The Commission is requesting \$12,796,000 in funding increases to provide for inflationary and uncontrollable costs in FY 2001. These pay and inflationary costs increases have been based on assumptions contained in the economic assumptions included in the President's FY 2001 Budget Request. The costs have been identified as follows:

- **Personnel Compensation and Benefits (\$6,844,000):**  
Provides funds to cover the cost of the FY 2001 payraise and locality pay (3.7%) for 75% of the fiscal year, funds to annualize 25% of the FY 2000 payraise and locality pay increases (4.94%). Benefits payments to OPM are also included.
- **Travel and Transportation of Persons and Things (\$34,000):**  
Provides funds to cover inflationary increases (2.4%) to domestic and international travel and transportation costs.
- **GSA Rent(\$5,102,000):**  
Provides funds to cover the increase in rental costs and operating fees to GSA for office space in FY 2001 at the Portals Complex as well as increased cost of field office space including the impact of an increase in indemnification fees (\$702,000) requested by GSA for all government agencies.

**NOTE:** This amount includes \$3,300,000 in adjustments to rent funds to allow GSA to repay the building owner for the financing of certain move costs.

- **Rent, Communications and Utilities (\$185,000):**  
Provides funds for inflationary increases (2.4%) to non-GSA space rent, utilities and cleaning services, departmental and FTS telephone services, postage fees, and miscellaneous equipment rentals.
- **Other Contractual Services (\$560,000):**  
Provides funds for inflationary increases (2.4%) to federal and non-federal contract services, security, training, health services, maintenance of vehicles, repair of ADP and office equipment, repair of interior space, maintenance of software, and ADP data acquisitions.
- **Printing and Reproduction/Supplies and Materials (\$71,000):**  
Provides 2.4% inflationary cost increases for printing, binding, photocomposition services, energy related supplies, departmental, technical and ADP supplies, and subscriptions.



### PROGRAM REQUIREMENTS

**Program Requirements (\$14,392,000):** As the FCC manages the transition from an industry regulator to a market facilitator, the Commission will need funding to carry out the goals and objectives of its strategic plan to create a new FCC for the 21<sup>st</sup> century. To reach these goals investment in technology is critical to allow the Commission to continue to automate our processes and to make more information available to the public electronically.

For FY 2001 the Commission is requesting \$14,392,000 for critical Information Technology (IT) requirements. Most of this funding (\$11,392,000) would permit adequate support of existing systems and ensure compliance with government-wide system security, accessibility and financial management requirements (see Table 2). The remaining funds (\$3,000,000) would permit system enhancements or development of new systems that are critical to supporting the FCC's mission. These initiatives are summarized in Table 3. A narrative follows on how these requests support each goal in the FCC strategic plan.

#### *Create a Model Agency for the Digital Age*

**Maintenance of Electronic Filing/Licensing Systems (\$3,150,000):** In FY 1999 and FY 2000 the Commission completed more than 15 new or significantly revised electronic filing and support systems that sustain our licensing and other activities. These systems incorporate electronic filing, remote data access, and other enhancements that reduce staffing requirements and provide much faster service and better information to the telecommunications industry and public. The new systems are quite sophisticated and require increased contract maintenance to sustain their operation. In addition, the new applications place a heavy demand on our internal network and our internet site and require additional contract staff

to ensure that our infrastructure is operating properly, that the databases are properly backed-up, and to resolve system access problems.

**Mandatory Enhancements (\$1,932,000):** Funding is required to ensure that our security practices meet Federal Government standards (i.e., OMB A-130). This involves performing security reviews and training that cover all major systems. This is especially critical given the high volume of traffic on our internet site and internal network (e.g., 700,000 daily hits on our internet site, up 100% from last year). Enhancements to our financial accounting systems also are required to facilitate handling payments from regulated entities. In addition, we need to implement several upgrades to ensure that our systems remain reliable and consistent with our rules, and are accessible by individuals with disabilities.

**Life-cycle Replacement (\$6,310,000):** In FY 2001, the Commission intends to initiate a comprehensive life-cycle replacement program of its network and telecommunications infrastructure, specialized applications, public access and end-user productivity hardware and software. Life-cycle replacement in accordance with industry standards ensures that the Commission's IT systems will continue to function in a reliable manner and meet the basic requirements necessary for the agency to carry out its mission. Implementing a life-cycle replacement program also enables the Commission to spread the significant expense of component upgrading over a three to five-year period. The FY 2001 cost includes \$1,900,000 for equipment that was originally scheduled for replacement in FY 2000 that was not funded. In some areas, the age of the system or its components makes it impossible to continue maintenance. In these cases, the system could simply fail and force a return to manual processing that would drag down major segments of the industry, adversely affect the public, and disrupt staff productivity.

**New Initiatives (\$1,580,000):** In FY 2001 the Commission continues on its path to create a paperless FCC by requesting funds to continue to automate and fully implement electronic filing and internet data access systems across the agency. The Commission is requesting \$1,270,000 in funding for strategic initiatives including the development of an Intelligent Gateway, or internet tracking system, to track proceedings and processes and to provide on-line access to the public of proceeding status; automation of the applications process for certification of Customer Premises Equipment (Part 68); and to support electronic filing of Tariffs and Congressional inquiries. \$310,000 in funding is included to provide for the integration of all new initiatives into the existing computer network infrastructure of the Commission.

### *Promote Competition in all Communications Markets*

**IT Enforcement Initiatives (\$795,000):** Effective use of the Commission's enforcement resources is critical to ensuring full implementation of the Communications Act. Specifically, funding is required to consolidate the enforcement workload reporting and tracking systems that had been previously used in most of the FCC's bureaus/offices prior to establishing the new Enforcement Bureau. This initiative also will provide desktop access to consumer complaints and other data needed to identify emerging problem areas that could require investigation and possible enforcement action. In addition, these initiatives will allow us to accurately measure the agency's output and achievements as required in the Government Performance and Results Act (GPRA).

### *Manage The Electromagnetic Spectrum In The Public Interest*

**Spectrum Database (\$625,000):** The Commission is charged with managing the use of the nation's airwaves in the public interest for all non-Federal government users, including private sector, state and local government. Spectrum is an important public resource; it is essential that it be allocated and assigned efficiently to provide the greatest possible benefit to the American public. To aid in creating more efficient spectrum markets, the FCC is requesting funds to provide the first increment of a four-year plan to develop a comprehensive data base of existing use of the RF spectrum to facilitate improved spectrum management and encourage development of markets for spectrum.

<b>FY 2001 Information Technology Requirements for Existing Systems</b>	<b>(\$000)</b>
Maintenance of Electronic Filing/Licensing Systems	\$ 3,150,000
Mandatory Enhancements	\$ 1,932,000
Life-cycle Replacement	\$ 6,310,000
<b>TOTAL</b>	<b>\$ 11,392,000</b>

**Table 2: Funding Requirements to Support Existing Systems**

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<b>FY 2001 Information Technology Initiatives to Support Strategic Goals:</b>	<b>(\$000)</b>
Intelligent Gateway Internet Tracking System	\$ 900,000
Electronic Tariff Filing System for Non-Dominant Carriers	\$ 150,000
On-line Filing for Certification of Customer Premises Equipment	\$ 120,000
Electronic Filing of Congressional Inquiries	\$ 100,000
Consolidation of Enforcement Workload Reporting /Tracking Systems	\$ 578,000
Desktop Access to Database of Consumer Complaints/Inquiries	\$ 217,000
Database of RF Spectrum Use to Improve Spectrum Management	\$ 625,000
<b>Subtotal:</b>	<b>\$2,690,000</b>
IT Infrastructure Support for Requested Initiatives	\$ 310,000
<b>Total Cost of Information Technology Initiatives</b>	<b>\$3,000,000</b>

**Table 3: Funding Requirements to Support Enhancement and Development of FCC Information Technology Systems**

### FEE COLLECTIONS AND AUCTIONS

#### Application Processing Fees

Since 1990 the Federal Communications Commission (FCC) has collected and deposited into the general fund of the Treasury application processing fees, often referred to as Section (8) fees. The fees are designed to recover a substantial portion of the costs of the Commission's applications processing functions. The program encompasses over 300 different fees with the vast majority collected at the time an original license application, renewal or request for modification is filed with the Commission. Most fees are assessed as a one-time charge on a per-application basis, although there are certain exceptions. Government, nonprofit, non-commercial broadcast and amateur license applicants are exempt from the fees. A lockbox bank is utilized to collect the fees, with all fees deposited into the General Fund of the U.S. Treasury. The Commission must review and revise the fees every two years based upon changes to the Consumer Price Index (CPI). On May 8, 1998, a report and order was adopted which increased the processing fees to reflect these CPI changes. This was the first increase since August 7, 1996. The schedule will be adjusted for CPI changes again in FY 2000. Application Processing Fee Collections are summarized by Fiscal Year in Table 5.

#### Regulatory Fees

PL 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 still intended to recover the costs attributable to the Commission's policy and rulemaking, enforcement, and user information activities.

The fees, often referred to as Section (9) fees, apply to most current licensees 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 13, 1999, pursuant to an order adopted by the Commission on June 11, 1999, and released June 18, 1999, and published in the Federal Register July 1, 1999 (FR 35832). The FCC collected a total of \$177.1 million in regulatory fees for FY 1999. This amount exceeded the \$172.5 million cited in our FY 1999 appropriation language by \$4.6 million. These excess funds were deposited in Treasury and are available for obligation in FY 2000 as authorized.

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The FCC collected \$155.9 million in offsetting regulatory fees in FY 1997. This was \$3.4 million in excess of the required level established in the Appropriation Language. The FY 1997 excess funds became available for Commission use in FY 1998 under authorization contained in the Appropriation Language. A total of \$5.1 million excess regulatory fees was carried forward as no-year funds into FY 1998, from FY 1996 and FY 1997. These collections in excess of the required level are available until expended and are not limited to the one-year spending rule established for our salaries and expenses appropriation. In FY 1998, the Commission utilized \$3.9 million of these funds to begin critical Y2K transition projects after receiving authorization from the House and Senate Appropriations Committees. An additional \$1.2 million, the remaining balance of regulatory fees in FY 1998 available for use, was then carried forward into FY 1999. The \$1.2 million in regulatory fees available, but not obligated in FY 1999, was carried forward into FY 2000. The FY 1999 fee collections exceeded amounts cited in the Appropriation Language by \$4.6 million. These excess funds were also carried into FY 2000 and became available for obligation on October 1, 1999. The combined total of all carryover regulatory fee funds is \$5.8 million.

The FY 2000 Appropriation Language, authorizes the Commission to increase the fee schedule for regulatory fees so as to collect \$185.8 million in offsetting collections to be credited to the FCC Appropriation in FY 2000. The FY 2001 request assumes an additional increase for regulatory fees to a level of \$200.1 million. The increase to regulatory fees will fund \$14.4 million in critical information technology initiatives which will allow the FCC to better serve the industry. Regulatory Fee Collections are summarized by fiscal year in Table 4.

<b>Section (9) Fees – Dollars in Millions</b>	
<b>1994 (Actual)</b>	<b>\$ 58.7</b>
<b>1995 (Actual)</b>	<b>\$119.0</b>
<b>1996 (Actual)</b>	<b>\$126.5</b>
<b>1997 (Actual)</b>	<b>\$155.9</b>
<b>1998 (Actual)</b>	<b>\$155.1</b>
<b>1999 (Actual)</b>	<b>\$177.1</b>
<b>2000 (Estimate) <sup>1</sup></b>	<b>\$185.8</b>
<b>2001 (Estimate) <sup>2</sup></b>	<b>\$200.1</b>

**Table 4: Regulatory Fee Collections**

- 1. FY 2000 reflects the level contained in the appropriation language for FY 2000.**
- 2. Reflects the Regulatory Fee Schedule proposed for FY 2001.**

<b>Section (8) Fees - Dollars in Millions</b>	
<b>1987 (Actual)</b>	<b>\$10.3</b>
<b>1988 (Actual)</b>	<b>\$41.2</b>
<b>1989 (Actual)</b>	<b>\$56.9</b>
<b>1990 (Actual)</b>	<b>\$27.6</b>
<b>1991 (Actual)</b>	<b>\$46.3</b>
<b>1992 (Actual)</b>	<b>\$50.6</b>
<b>1993 (Actual)</b>	<b>\$39.1</b>
<b>1994 (Actual)</b>	<b>\$42.8</b>
<b>1995 (Actual)</b>	<b>\$50.6</b>
<b>1996 (Actual)</b>	<b>\$42.8</b>
<b>1997 (Actual)</b>	<b>\$38.0</b>
<b>1998 (Actual)</b>	<b>\$32.0</b>
<b>1999 (Actual)</b>	<b>\$26.0</b>
<b>2000 (Estimate)</b>	<b>\$26.0</b>
<b>2001 (Estimate)</b>	<b>\$26.0</b>

**Table 5: Application Processing Fee Collections**

### 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 of 1994. By the end of 1999, the Commission had completed 22 auctions. Between July, 1994 and January, 2000 total receipts from this program deposited in the General Fund of the Treasury have exceeded \$15.0 billion. Congress is currently looking at additional spectrum to be made available for public use through the auction process. 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. Beginning in FY 1994, the Commission utilized approximately \$7 million to initiate the first round of Auctions. During FY 1995, the Commission recouped approximately \$23.9 million from auction revenues to cover the costs of conducting Auctions and operating the program as an offset. In FY 1996, the program required \$18.4 million to conduct all auctions activities, and as complexities and litigation surrounding C-Block began to evolve, the program operating costs totalled \$25.2 million in FY 1997, including \$1.3 million in administrative costs to manage the credit program financing accounts for Auctions. \$36.2 million was required to provide for all Auctions activities in FY 1998.

A total of \$47.8 million was obligated for auctions program support in FY 1999, including 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 publish a detailed report of all obligations in support of the Auctions Program as part of the FCC Annual Report beginning in FY 1997. This annual requirement must be met in order for the Commission to have continued access to auction receipts to fund the conduct of auction activities. The first report reflecting FY 1997 Auctions expenditures was provided to Congressional Committees responsible for FCC operations in August of 1998. A summary of FY 1997 Auctions expenditures was included in the Commission's FY 1997 Annual Report. The FY 1998 Auctions Report was provided to the appropriate committees on August 5, 1999. The information provided in that report was summarized in the FY 1998 Annual Report.



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# FEDERAL COMMUNICATIONS COMMISSION

**FY 2001 Budget Estimates to Congress**

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## FY 2001 PROPOSED APPROPRIATION LANGUAGE

### FEDERAL COMMUNICATIONS COMMISSION SALARIES AND EXPENSES

For necessary expenses of the Federal Communications Commission, as authorized by law, including uniforms and allowances therefor, as authorized by 5 U.S.C. 5901-5902; not to exceed \$600,000 for land and structure; not to exceed \$500,000 for improvement and care of grounds and repair to buildings; not to exceed \$4,000 for official reception and representation expenses; purchase (not to exceed 16) and hire of motor vehicles; special counsel fees; and services as authorized by 5 U.S.C. 3109, [\$210,000,000] \$237,188,000, of which not to exceed \$300,000 shall remain available until September 30, [2001] 2002, for research and policy studies: Provided, That [\$185,754,000] \$200,146,000 of offsetting collections shall be assessed and collected pursuant to section 9 of title I of the Communications Act of 1934, as amended, and shall be retained and used for necessary expenses in this appropriation, and shall remain available until expended: Provided further, That the sum herein appropriated shall be reduced as such offsetting collections are received during fiscal year [2000] 2001 so as to result in a final fiscal year [2000] 2001 appropriation estimated at [\$24,246,000] \$37,042,000: Provided further, That any offsetting collections received in excess of [\$185,754,000] \$200,146,000 in fiscal year [2000] 2001 shall remain available until expended, but shall not be available for obligation until October 1, [2000] 2001. (Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 2000, as enacted by section 1000(a)(1) of the Consolidated Appropriations Act, 2000 (P.L. 106-113).)

# FEDERAL COMMUNICATIONS COMMISSION

***FY 2001 Budget Estimates to Congress***

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## **Additional Legislative Proposals contained in the President's FY 2001 Budget Request to Congress:**

### **Analog Spectrum Lease Fee:**

Contingent upon the enactment of authorizing legislation, the Commission shall assess fees totaling not less than \$200,000,000 for use of analog spectrum by commercial television broadcasters, and collect the fees by no later than September 30, 2001. Such fees shall be deposited as offsetting receipts to this account, to be available for transfer as follows, subject to the terms and conditions of the receiving account: "Salaries and Expenses", Federal Communications Commission, not to exceed \$2,000,000, to remain available until expended, for the costs of developing and implementing the program required by this section; and for upgrading Federal public safety wireless communications equipment and facilities, to "Narrowband Communications", Department of Justice, \$138,000,000; to "department-wide Systems and Capital Investment Programs", Department of the Treasury, \$55,000,000; and to "Operation of Indian Programs", Bureau of Indian Affairs, Department of the Interior, \$5,000,000: Provided further, That upon enactment of authorizing legislation for such fee, the amounts appropriated from the General Fund to the above-named accounts shall be reduced by the respective amounts specified above.

The Commission will receive \$2 million transferred from the proposed Analog Spectrum Lease Fee to cover the cost of developing and implementing the program in 2001.

### **Explanation of proposed legislation:**

The Administration will propose legislation authorizing the FCC to establish a lease fee on the use of analog spectrum by television broadcasters, subject to appropriations as indicated in the language. The FCC will promulgate a rulemaking to apportion the aggregate fee amount among broadcasters. Upon return of its analog channel to the FCC, an individual broadcaster is exempt from the fee. As indicated in the appropriation language, the amounts collected will be transferred to the Department of Justice, the Department of the Treasury, and the Bureau of Indian Affairs to be used for the purpose of promoting digital and wireless communications.

**FY 2001 Budget Estimates to Congress  
ANALYSIS OF CHANGE  
Summary of Adjustments  
(Dollars in Thousands)**

	<u>FTE</u> <u>Ceiling</u>		<u>\$</u> <u>AMOUNT</u>
<b><u>Summary of adjustments to base and built-in changes:</u></b>			
FY 2001 Base Funding Level Assumes the FY 2000 Appropriation level prior to rescission	1,975 1/	\$	210,000
<hr/>			
<b><u>Uncontrollable and Inflationary Increases to base required for support of agency initiatives:</u></b>			
<b>1. <u>Compensation and Benefits</u></b>			
a. FY 2000 Annualized Pay Raise/ Locality Pay Adjustments @4.94% (25% of Fiscal Year)		\$	2,381
b. FY 2001 Pay Raise and Locality Pay Adjustment (3.7%) (75% of Fiscal Year)		\$	4,463
<b>2. <u>Non-Salary</u></b>			
a. FY 2001 amount required for inflationary increases to cover non-GSA Rent/Mail/ADP production support and maintenance/misc.		\$	850
b. FY 2001 Increases for GSA office space and fees for headquarters and field		\$	<u>5,102</u>
Subtotal Uncontrollable and Inflationary Increases:		\$	12,796

1/ The current FCC FTE ceiling for FY 1999/2000 of 1,975 FTEs includes 45 FTEs to address Auctions workload, should there be a requirement. No increase to FTEs has been requested for FY 2001.

FY 2001 Budget Estimates to Congress  
**ANALYSIS OF CHANGE**  
 Summary of Adjustments  
 (Dollars in Thousands)

	<u>FTE</u> <u>Ceiling</u>	<u>\$</u> <u>AMOUNT</u>
<b><u>Programmatic Increases to the Base:</u></b>		
<b>(Requested funding increases to support Commission's goals, objectives and initiatives)</b>		
<b>1. <u>Create a Model Agency For The Digital Age.</u></b>		
- Lead the way in the Information Age.		
o Maintenance of Electronic Filing/Licensing systems	\$	3,150
o Mandatory Enhancements/Security upgrades/training	\$	1,932
o Life-cycle replacement program	\$	6,310
o Develop Intelligent Gateway (EDOCs) internet tracking system	\$	900
o Enhance/develop electronic filing and licensing systems	\$	370
o Infrastructure software/hardware to support initiatives	\$	310
Subtotal Goal 1:	\$	12,972
<b>2. <u>Promote Competition In All Communications Markets.</u></b>		
- Enforce the rules so that businesses compete fairly.		
o Provide desktop access to consumer complaints/inquiries database	\$	217
o Consolidation of enforcement workload reporting and tracking systems	\$	578
Subtotal Goal 2:	\$	795
<b>3. <u>Promote Opportunity For All Americans To Benefit From The Communications Revolution.</u></b>		
- There are no requested increases to base funds for this goal in FY 2001	\$	--
Subtotal Goal 3:	\$	0
<b>4. <u>Manage The Electromagnetic Spectrum In The Public Interest.</u></b>		
- Create more efficient spectrum markets.		
o Establish database of RF spectrum to improve spectrum management	\$	625
Subtotal Goal 4:	\$	625
Subtotal Programmatic Increases:	\$	14,392
<b>Total Requested Increase to Base:</b>	\$	27,188
<b>Total FY 2001 Commission Request:</b>	1,975 1/	\$ 237,188

1/ The current FCC FTE ceiling for FY 1999/2000 of 1,975 FTEs includes 45 FTEs to address Auctions workload, should there be a requirement. No increase to FTEs has been requested for FY 2001.