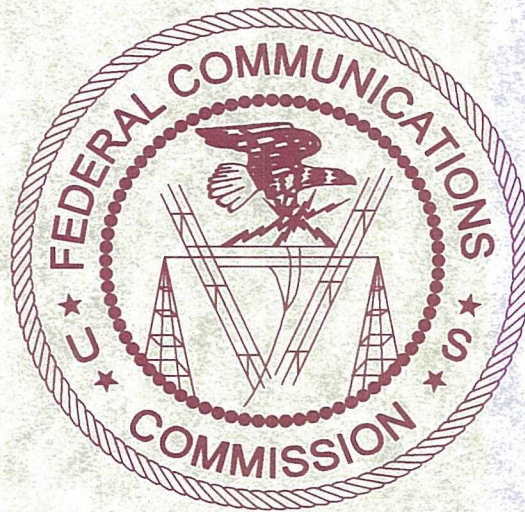


Federal Communications Commission



Fiscal Year 2000 Budget Estimates

Submitted to Congress

February 1999

FEDERAL COMMUNICATIONS COMMISSION

FY 2000 Budget Estimates to Congress

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FEDERAL COMMUNICATIONS COMMISSION'S STRATEGIC PLAN FOR FY 1997 - FY 2002

AND

ANNUAL PERFORMANCE PLAN FOR FY 2000

The Federal Communications Commission's Strategic Plan serves as the agency's primary long-range planning document, setting forth the overall mission of the agency and its general and specific goals and objectives for a six year timeframe. The Plan consists of a Mission Statement, general activity goals, a discussion of the means, strategies and resources required to achieve our goals, a discussion of the external factors that could affect the achievement of our goals and a discussion of the consultations which took place with our customers and stakeholders in the development of our Plan. The Strategic Plan for FY 1997 - FY 2002 also integrates the Commission's Annual Performance Plan for FY 2000, directly linking our specific FY 2000 performance objectives with our longer term activity goals and overall mission statement.

MISSION STATEMENT

The Federal Communications Commission exists to encourage competition in communications and to promote and support access for every American citizen to existing and advanced telecommunications services. This mission is executed through the four primary Commission activities: Authorization of Service, Policy and Rulemaking, Enforcement, and Public Information Services.

AUTHORIZATION OF SERVICE

The authorization of service activity covers the licensing and authorization through certification, and unlicensed approval, of radio stations and devices, telecommunications equipment and radio operators, as well as the authorization of common carrier and other services and facilities. It includes policy direction, program development, legal services and executive direction, as well as support services associated with authorization activities.

Activity Goal: To promote efficient and innovative licensing and authorization of services by meeting established customer Speed of Disposal (SoD) goals and by utilizing auctions whenever feasible to license or authorize telecommunications services quickly and efficiently.

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Means/Strategies/Resources: The FCC has sought to improve its authorization of service activities through reengineering and integrating its licensing databases and through the implementation of electronic filing. This has included universal licensing, streamlined application processes, revised and simplified licensing forms, blanket authorizations, authorization for unlicensed services and electronic filing of license applications and certifications. The benefits to be derived from such projects are manifold and include a more economical use of FCC personnel resources, improvement in processing times, the ability of our customers to file via the Internet or through other electronic filing mechanisms, and the ability to provide our customers with immediate status reports on their applications. The end results also provide improved service to the public. For many years, the cost and complexity of such projects did not allow for their consideration. However, improvements in software combined with the technological capabilities of the Internet, have allowed us in the past few years, to make substantial progress in planning, and in some cases, implementing these capabilities for a limited number of licensing systems. The goals we have specified in our FY 2000 Annual Performance Plan are, for the most part, add-ons or enhancements to our Internet or electronic filing applications.

Additional resources have been requested to ensure that all Commission and computer licensing systems can be adequately maintained, upgraded or replaced according to the FCC's life cycle replacement schedule. A summary of these life cycle replacement and maintenance requirements is provided under Authorization of Service Activity Objective 1 and in the Y2K narrative.

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The following chart reflects resources dedicated to **authorization of service activities** and includes both direct organizational FTE and operating costs, as well as staff office support (FTE and operating cost), necessary to provide policy direction, program development, legal services, executive direction and other support services associated with authorization of service activities.

(Dollars in Thousands)

	Estimated FY 1998	Estimated FY 1999	Estimated FY 2000	Projected ¹ Change (+/-)
Cost by Activity ²	\$40,042	\$38,928	\$49,076	\$10,148
Full Time Equivalents (FTEs) ³	485	419	402	-17

¹ Projected FTE change includes Direct and Indirect FTE savings resulting from electronic filing and other automation enhancements.

² Activity costs are funded from Direct Appropriations and Offsetting Collections (Regulatory Fees). Increases in FY 2000 reflect information technology upgrades (\$6,023), and fixed cost increases for AOS (\$3,834), plus a prorata portion of the reimbursement to GSA (\$1,766). These increases in costs have been partially offset by a reduction in FTE compensation and benefits costs (\$1,476).

³ A detailed distribution of authorization of service FTEs by organization is included in Appendix C. FTE reductions in FY 2000 results from efficiencies gained following implementation of electronic filing initiatives. These FTE savings have been reallocated to address increasing workload in the Enforcement Public Information activities.

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AUTHORIZATION OF SERVICE ACTIVITY OBJECTIVE 1

We will meet our established customer Speed of Disposal processing goals.

FY 2000 Annual Performance Goals:

- o We will review our authorization of service rules and will simplify and streamline those authorization rules where appropriate.
- o We will meet 90% of our customer Speed of Disposal processing goals.⁴
- o We will continue to develop electronic filing capabilities to facilitate and improve our licensing and other authorization of services activities. In FY 2000 we will:
 - Implement an interactive system for filing CCB Part 68 registrations and associated fees.
 - Implement a system for electronic filing of CCB network change disclosures by ILECS.
 - Allow electronic filing capability for CCB's number portability database.
 - Allow electronic filing capability of IB's Public Fixed applications.
- o We will process DTV authorization to construct applications which conform to the original allotment site, within five days of receipt.
- o We will monitor the progress of DTV implementation, targeting potential problems which may require further Commission action.

⁴ A listing of the FCC Authorization of Service Customer Service Processing Goals is provided in Appendix E.

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AUTHORIZATION OF SERVICE ACTIVITY OBJECTIVE 1 (CONTINUED)

Performance Indicator: Performance will be measured through analysis of data contained in quarterly reports prepared by our operating Bureaus. These reports contain bureau and customer-established performance goals for all application processing services based on Speed of Disposal. Data to be analyzed includes receipts, disposals, backlogs, pending SoD, and Age of Pending measurements. Performance will also be measured by the number of authorization systems reengineered, the number of electronic filing systems implemented, and the effect of both on our licensees. We will conduct a semi-annual review of DTV Construction reports to monitor progress and identify areas of concern.

Additional Resources/Requirement: An additional \$11.3 million is requested in FY 2000 to support FCC licensing, management and data enhancement requirements. Forty-nine percent of this total, or \$5.5 million, is required for mandatory life-cycle replacement and upgrades to our hardware/software infrastructure. \$2.6 million is required to maintain nineteen new tracking and electronic filing systems implemented in the past two years. An additional \$3.19 million is required for critical upgrades to internal Commission systems where work has been deferred to complete higher priority client databases or to complete major systems development including major public information service projects. We have provided individual justification for the most significant initiatives throughout this Annual Performance Plan.

In FY 1999, we will complete work on 19 electronic filing and tracking systems. These sophisticated, Y2K compliant systems offer our customers a host of capabilities including electronic filing via the Internet. Once fully operational, they will also significantly reduce the amount of time it takes to process an application. Adequate funding is not included in our FY 2000 base to effectively maintain and upgrade these systems.

\$5.5 million is required for mandatory life-cycle replacement and upgrades to our hardware/software infrastructure. Notable among these life-cycle replacement requirements is our need to convert many internal tracking systems currently operating in Paradox to Access, part of the Office 97 software suite we will migrate to in FY 1999. Programatically the \$11.3 total in information technology funding will be distributed as follows: \$6.02 to Authorization of Service; \$2.48 million to Policy and Rulemaking; \$1.69 million to Enforcement and \$1.1 million to Public Information Services.

In the Authorization of Service activity \$558,000 is required for contract support (\$308,000) hardware (\$175,000) and software (\$75,000) to accept and track over 1600 DTV licenses and to allow electronic filing of license data and provide information on DTV licenses to both the MMB and the public.

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AUTHORIZATION OF SERVICE ACTIVITY OBJECTIVE 2
<p>We will utilize spectrum auctions whenever feasible for efficient licensing and innovative use of the electromagnetic spectrum allowing the most advantageous use of the scarce spectrum and expedited new consumer services.</p>
<p><u>FY 2000 Annual Performance Goal:</u></p> <ul style="list-style-type: none">o We will meet all Congressionally-mandated auction schedules in FY 2000.o We will establish and implement a competitive bidding selection process for mutually exclusive applications for new radio and television stations.
<p><u>Performance Indicator:</u> Performance will be measured by whether the schedule was met or the process was implemented.</p>

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AUTHORIZATION OF SERVICE ACTIVITY OBJECTIVE 3
We will encourage competition in the telecommunications industry through efficient licensing and authorization of service to competitive services.
<u>FY 2000 Annual Performance Goal:</u> <ul style="list-style-type: none">o We will meet 90% of our customer Speed of Disposal processing goals.o We will act on Bell Operating applications to provide in-region, interLATA services within 90 days of filing.
<u>Performance Indicator:</u> Performance will be measured through an annual assessment on the state of competition in competitive services, e.g. common carrier local exchange competition, cable television services and commercial mobile radio services.

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POLICY AND RULEMAKING

The policy and rulemaking activity covers formal inquiries, rulemaking proceedings to establish or amend the Commission's rules and regulations, action on petitions for rulemaking and requests for rule interpretations or waivers; economic studies and analyses; spectrum planning, modeling, propagation-interference analyses and allocation; and the development of equipment standards. It includes policy direction, program development, legal services and executive direction, as well as support services associated with policy and rulemaking activities. The Commission's rulemaking procedures will continue to have a substantial effect on the economic efficiency and competitiveness of the telecommunications industry. These policies and rules will also affect how efficiently the radio spectrum resource is used.

Activity Goal: To encourage, through our policy and rulemaking activities, the development of competitive, innovative and excellent communications systems, with a minimum of regulation or with an absence of regulation where appropriate in a competitive marketplace. This will be accomplished by restructuring and streamlining the FCC, by eliminating overlapping and/or burdensome rules and regulations and by increasing the telecommunications choices available to consumers through pro-competitive, deregulatory rulemakings. We will also support, through our policy and rulemaking activities, access for every American citizen to existing and advanced telecommunications services.

Means/Strategies/Resources: Most of the performance goals included under this activity are related to the FCC's traditional rulemaking procedures which are governed by the statutory requirements of the Administrative Procedure Act. In addition, several of the annual performance goals contained in this Plan result from requirements of Telecommunications Act of 1996 implementation or agency-generated procedures to effectively continue implementation of this Act. Because these initiatives are prescribed by legal requirements, they are more output in nature -- whether a rulemaking was completed or rules reviewed -- although the long-term impact of these goals will ultimately be measurable outcomes. Any attempt to assess impacts or outcomes of these activities at this time would be premature, since many of our deregulatory initiatives are currently in litigation. Although we continue to monitor competition in the telecommunications industry, it will be several years following the end of litigation and implementation of final agency rules before any determination can be made of the effect of our actions on the telecommunications industry. In addition, as both OMB and GAO have commented in their published guidelines, determining the effect of a regulatory agency's actions on a marketplace where there are many factors contributing to its overall economic state can be challenging.

In FY 2000, the FCC will continue the consolidation and streamlining of its organizational structure along activity lines. In FY 1999, we plan to complete consolidation of our Public Information Service activity and commence work on consolidation of our Enforcement functions. These efforts, along with our other streamlining and electronic filing initiatives, will result in numerous benefits both for the FCC and for our customers. However, these efforts will also result in the potential displacement of a number of our permanent employees and a need to retrain and reassign other staff. We are requesting additional resources to address these needs.

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The following chart reflects resources dedicated to **policy and rulemaking activities** and includes both direct organizational FTE and operating costs, as well as staff office support (FTE and operating cost) necessary to provide policy direction, program development, legal services, executive direction, and other support services associated with policy and rulemaking activities.

(Dollars in Thousands)

	Estimated FY 1998	Estimated FY 1999	Estimated FY 2000	Projected Change (+/-)
Cost by Activity ⁵	\$77,442	\$79,680	\$93,351	+\$13,671
Full Time Equivalents (FTEs) ⁶	724	697	694	-3

⁵ Activity costs are funded from Direct Appropriations and Offsetting Collections (Regulatory Fees). Increases in FY 2000 reflect information technology upgrades (\$2,482), and fixed cost increases for policy and rulemaking (\$7,838), plus a prorata portion of the reimbursement to GSA (\$3.611). These increases have been partially offset by a reduction in FTE compensation and benefits costs (\$-260).

⁶ A detailed distribution of policy and rulemaking FTEs by organization is included in Appendix C. FTE reductions in FY 2000 result from efficiencies gained following implementation of electronic filing initiatives. These FTE savings have been reallocated to address increasing workload in the enforcement and public information activities.

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POLICY AND RULEMAKING ACTIVITY OBJECTIVE 1

We will restructure and streamline the FCC, eliminating outdated or redundant organizations and overlapping regulation.

FY 2000 Annual Performance Goal:

- o We will restructure the FCC through consolidation of our functions based on our four major activities of authorization of service, policy and rulemaking, enforcement and public information services. In FY 2000 we will complete consolidation of our Enforcement activities.
- o We will review and restructure our cable services and mass media functions.
- o We will continue to evaluate whether certain regulations are no longer necessary in the public interest and should be repealed or modified as required by Section 11 of the Communications Act and Section 202(h) of the Telecommunications Act of 1996.
- o We will continue to use our forbearance authority where appropriate.
- o We will allow foreign telecommunications equipment manufacturers to test equipment for conformity with United States standards with no regulatory delay.
- o We will initiate a competitive bidding process to complete the privatization of the International Telecommunications Settlement function.
- o We will continue to hold public fora, meet with out state regulatory partners, and consumer groups, to solicit input and feedback to ensure our rules are in the public interest and are the least burdensome to achieve stated objectives.

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POLICY AND RULEMAKING ACTIVITY OBJECTIVE 1 (CONTINUED)

<p><u>Performance Indicator:</u> Performance will be measured by the number of initiatives completed. We will also survey our customers relative to the impact of our restructuring, streamlining initiatives and compile a listing of the public fora conducted.</p>

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POLICY AND RULEMAKING ACTIVITY OBJECTIVE 2

We will encourage competition in the telecommunications industry through pro-competitive, deregulatory rulemakings, reducing consumer costs and increasing the telecommunications choices available to consumers.

- o We will initiate and conclude rulemakings to analyze the state of advanced communications services in the United States and, if necessary, implement policies to enhance these services.
- o We will coordinate all actions necessary for the development of ultra wideband technology.
- o We will complete actions to reallocate federal government spectrum to the private sector to provide for new services and promote increased use of bandwidth.
- o In response to consumer demand, we will initiate rulemakings to develop the licensing, service, operational and technical rules to facilitate the development and marketing of wireless services.
- o We will continue to participate in global standard setting for telecommunications services.
- o We will review all mergers, acquisitions and transfers of control to ensure that they are in the public interest.
- o We will continue to implement the local competition provisions of the Telecommunications Act of 1996.
- o We will continue to monitor the implementation of digital television and initiate any necessary proceedings to amend our rules to ensure conversion of this technology according to the timetable in the Telecommunications Act of 1996. We will oversee and resolve all technical issues involved in the roll out of this new technology.

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POLICY AND RULEMAKING ACTIVITY OBJECTIVE 2 (CONTINUED)

- o We will ensure that the competitive bidding process for support to schools and libraries is successful in assisting them to access the best quality services at the lowest possible cost by obtaining two or more bids for the majority of contracts posted on the administration's website requesting discounted service.
- o We will assist eligible schools and libraries in receiving telecommunications services, Internet access and internal connections by ensuring that 30% of eligible schools and libraries have access to these services by the end of FY 2000.
- o We will ensure that eligible rural health care providers have access to basic and advanced telecommunications services for telemedicine purposes at rates comparable to urban rates by increasing by 10% the level of T-1 service for eligible rural health care providers.
- o We will implement a new methodology to calculate universal service support for non-rural carriers based on a new economic model, developed in FY 1999.
- o We will continue to work with state and local authorities to promote the use of number conservation and to ensure non-discriminatory access to numbering resources including such issues as number portability and pooling, access to 911, E11, N11, availability of toll free numbers, etc.
- o We will review the state of local competition throughout the United States by examining local exchange carrier and competing local exchange filings and implement procedures to accelerate the development of local competition.

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POLICY AND RULEMAKING ACTIVITY OBJECTIVE 2 (CONTINUED)

- o We will analyze price levels for interstate access services using economic cost models and determine the best means for lowering prices within a pro-competitive, deregulatory framework.
- o We will initiate a proceeding to develop an incentive regulation plan for incumbent LECs currently regulated on a rate-of-return basis that would both bring additional services at lower costs to consumers and reduce the regulatory burden for carriers.
- o We will provide the American public with a greater choice of telecommunications service providers by implementing procedures to administer carrier identification codes in an efficient and nondiscriminatory manner.
- o We will review international accounting rate policies and, if necessary, propose revisions to our benchmark policies.

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POLICY AND RULEMAKING ACTIVITY OBJECTIVE 2 (CONTINUED)

Performance Indicator: Performance will be measured by an annual compilation of the number of actions taken by the Commission to promote competition and an analysis of the result of these activities on consumers. Performance will also be measured by evaluation and compilation of annual reports on the state of competition in specific industries. Performance for Universal Service goals will be measured through analysis of data included in the annual report to be prepared by the Universal Service Administrator. This report will evaluate such factors as the number of schools and libraries with Internet access, the number of eligible rural health care providers, etc.

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POLICY AND RULEMAKING ACTIVITY OBJECTIVE 3

We will reduce reporting requirements and eliminate unnecessary rules and burdensome regulations.

FY 2000 Annual Performance Goal:

- o We will conduct FY 2000 Biennial Reviews as required by the Telecommunications Act of 1996, including the following:
 - We will initiate a Year 2000 Biennial Regulatory Review of the Public Safety and Private Wireless Radio Service.
 - We will conduct the second biennial review of broadcast ownership rules to determine whether these rules are required as a result of competition.
- o We will initiate a proceeding to simplify price cap regulation and eliminate aspects of rate-of-return regulation, reducing accounting cost requirements.
- o We will implement mandatory detariffing of non-dominant carriers.
- o We will seek a legislative amendment to Section 319(d) of the Communications Act to replace the current 2-step construction permit/license process with a single step, license only process.
- o We will amend Parts 15 and 18 of the Commission's rules where radio noise standards may be unnecessary or inappropriate.

Performance Indicator: Performance will be measured by monitoring the impact of our rules reduction effort relative to the Paperwork Reduction and Regulatory Flexibility Acts. Performance will also be measured by our analysis of deregulatory actions taken by the agency and required to be reported to Congress by the Telecommunications Act of 1996.

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ENFORCEMENT

The enforcement activity covers the enforcement of the Commission's rules and regulations, including investigations, inspections, compliance monitoring and sanctions of all type. Enforcement includes the receipt and disposition of formal and informal complaints regarding common carrier rates and services, the review and acceptance/rejection of carrier tariffs, and the review, prescription and audit of carrier accounting practices, the review and enforcements of children's television and EEO obligations of broadcasters, the receipt and disposition of cable rate complaints, and the public interest obligations of communications providers. It includes policy direction, program development, legal services, and executive direction, as well as support services associated with compliance activities. The importance of enforcement of the agency rules has increased in an era of deregulation and increased competition. Common carrier oversight is required to ensure that "slamming" and other abuses do not occur. Further, carriers and their customers now seek to adjudicate disputes formerly covered by regulatory proceedings, thus increasing the Commission's complaint workload. In addition, increased use of the radio spectrum and the marketing of new electronic equipment had greatly increased potential interference problems. Additionally, there has been an increase in unauthorized "pirate" radio stations.

Activity Goal: To promote the public interest and pro-competitive policies by enforcing rules and regulations that ensure that all Americans are afforded efficient use of communications services and technologies. This will be accomplished by utilizing the latest technical and process engineering techniques to improve interference and consumer complaint resolution, by partnering with the private sector and with other governmental units to resolve shared telecommunications issues, and by utilizing industry and customer feedback to determine effective levels of enforcement and appropriate enforcement policies and procedures and by providing incentives for market forces to ensure efficient markets.

Means/Strategies/Resources: Historically, the FCC has managed enforcement issues on a case-by-case basis. The majority of consumer complaints were individually recorded and resolved. Interference complaints were managed by our field installations with on-site monitoring and enforcement. This approach worked well in a world where the number and types of telecommunications equipment was finite -- telephones, radios, televisions and a sprinkling of mobile radio services. However, with the proliferation in the types and numbers of telecommunications services, it has become increasingly apparent that the FCC could not effectively keep pace with enforcement requirements using traditional approaches. For example, the costs of maintaining field installations with state-of-the-art monitoring equipment became prohibitively expensive and we could not respond effectively to the escalating number of complaints and inquiries regarding harmful radio interference. With the increase in "slamming" and other consumer telephone issues, the number of unresolved backlogged complaints mounted. With the increase in cable rates, the number of cable rate cases increased. To address these enforcement issues, the FCC has developed, in the past few years, a multi-faceted strategy to deal with enforcement issues. We have developed a multi-phased implementation plan for converting our manual consumer common carrier complaint processing system to a state-of-the-art automated, paperless system. With Phase 1 of the project completed, we have already documented a significant reduction in the time required to resolve consumer complaints. We have established a National Call Center in Gettysburg, Pennsylvania, providing consumers with a toll-free number to

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call to find out information on all FCC-related issues. We have identified "hot" consumer issues and published consumer bulletins on these topics (both in hard copy and on the Internet) and we have met and shared outreach programs with state and local officials on many of these issues. We continue to use self-certification procedures for many new telecommunications products to prevent the marketing of equipment which could potentially generate harmful electronic interference. We have entered into social contracts compacts with cable operators to resolve cable rate cases. We have revised our common carrier formal complaint rules to resolve cases faster. We have issued substantial fines against companies violating our rules. We have designated for hearing the issue of whether an entity should be able to provide telecommunications services because of rule violations. Finally, we have replaced some of the costly on-site resolution of electronic interference problems with a centralized monitoring system in Columbia, Maryland. In FY 2000 we will begin a comprehensive review of all our enforcement activities with the ultimate goal of centralizing these activities wherever feasible.

One documented by-product of a deregulated industry is an increase in illegal or questionable market practices. While we streamline and simplify our procedures and replace our traditional inspection and individual license review procedures with self regulation and self certification, we must ensure that we can monitor marketplace activities and respond, swiftly and effectively, to consumer and industry complaints and documented abuses. The consolidation of our enforcement activities will allow us to create a streamlined, centralized enforcement program, capable of spotting problems as they emerge. Under a consolidated enforcement program we will be far better equipped to provide a wide range of enforcement initiatives from issuing instant "consumer alerts" to effectively enforcing our fines and forfeitures procedures.

As part of our effort to consolidate all like activities under Enforcement and Public Information Services activities, we also plan to strengthen the links between these two activities. The two new organizations will work closely to watch for trends and to share data with each other. For example, if our enforcement staff continues to witness an increase in the number of complaints concerning a single issue, they will transmit this information to the Office of Public Affairs who will draft consumer bulletins and establish special Websites focused on this single issue. The end result will be improvements in performance in both these functions through an improved outreach program, a better educated telecommunications consumer, and a more law abiding industry.

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The following chart reflects resources dedicated to **enforcement activities** and includes both direct organizational FTEs and operating costs as well as staff office support (FTE and costs) necessary to provide policy direction, program development, legal services, executive direction, and other support services associated with enforcement activities.

(Dollars in Thousands)

	Estimated FY 1998	Estimated FY 1999	Estimated FY 2000	Projected Change (+/-)
Cost by Activity ⁷	\$56,396	\$58,992	\$69,933	\$+10,941
Full Time Equivalents (FTEs) ⁸	616	625	634	+9

⁷ Activity costs are funded from Direct Appropriations and Offsetting Collections (Regulatory Fees). Increases in FY 2000 reflect information technology upgrades (\$1,691), compensation and benefits cost associated with internal realignment of FTEs (\$781), and fixed cost increases for enforcement (\$5,798), plus a prorata portion of the reimbursement to GSA (\$2,671).

⁸ A detailed distribution of enforcement FTEs by organization is included in Appendix C. FTE reductions in FY 2000 result from efficiencies gained following implementation of electronic filing initiatives. These FTE savings have been reallocated to address increasing workload in the enforcement and public information activities.

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ENFORCEMENT ACTIVITY OBJECTIVE 1
We will streamline our complaints processes and procedures to ensure timely and satisfactory resolution of consumer complaints.
FY 2000 Annual Performance Goal: <ul style="list-style-type: none">o We will initiate a complete review of all our enforcement activities and begin consolidating them.o We will reduce the number of active formal complaints pending longer than 15 months, by 10% over FY 1999 levels through implementation of "Accelerated Dockets" proceedings.
<u>Performance Indicator:</u> Performance will be measured through an analysis of the Quarterly Workload Reports which document the Speed of Disposal of informal consumer complaints. Performance will also be measured by whether the consolidation of all Enforcement activities was completed as scheduled.

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ENFORCEMENT ACTIVITY OBJECTIVE 2

We will work as a partner with the private sector and with federal, state, and local governments in the investigation and resolution of shared telecommunications problems focusing particularly on issues affecting the safety of life and property. This will ensure that problem resolution is achieved quickly, at the least possible cost and with state and local interests duly considered.

FY 2000 Annual Performance Goal:

- o We will establish partnerships with industry frequency coordinating groups to resolve public safety and interference issues.
- o We will actively participate in the development and review of regional Public Safety plans.
- o We will complete an evaluation of the Alternative Broadcast Inspection Program to ensure that radio licensees are in compliance with FCC rules.
- o We will evaluate the Telecommunications Services Priority System's effectiveness in today's technology and recommend changes to the system, as needed.
- o We will promote the deployment of advanced telecommunications capabilities and broadband technologies through monitoring the performance of the public switched telephone network and such broadband technologies as Asymmetric Digital Subscriber Line, Asynchronous Transfer Mode and Integrated Services Digital Network.

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- o We will work together with the states to monitor contributions to and distributions from the Universal Service Fund to ensure that all subject telecommunications companies contribute their fair share and that only eligible services qualify for discounts and reimbursements.
- o We will address and correct all management weaknesses in the FCC collections and other financial management systems to ensure that all licensees have paid the correct auction, application or regulatory fees and that all fiscal accounting standards are met.
- o We will assume control over the Auctions loan servicing and correct any deficiencies in loan amounts, billing and balance reporting.

Performance Indicator: Performance will be measured by an annual performance report detailing what issues were considered in partnership with state and local governments and what the resulting impact was on consumers. Performance will also be measured through annual federal reports such as the FMFIA.

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ENFORCEMENT ACTIVITY OBJECTIVE 3
<p>We will identify industry and consumer issues through customer feedback on the impact of our rules, the levels of enforcement, the effects of nonenforcement and the need for revisions to our enforcement policies and procedures.</p>
<p>FY 2000 Annual Performance Goal:</p> <ul style="list-style-type: none">o We will enforce our rules prohibiting slamming, cramming, pirate radio activity, unregistered towers and improper marketing activities which result in unlicensed telecommunications operations.o We will review and evaluate the children's television programming reports for the years 1997-1999 to assess commercial television stations' compliance with the FCC's children's educational and informational program requirements and guidelines.
<p><u>Performance Indicator:</u> Performance measurement will be by the number of initiatives completed, enforcement actions taken, and through an annual performance report which will document the number of meetings held and the results of these meetings.</p>

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ENFORCEMENT ACTIVITY OBJECTIVE 4

We will utilize the latest technology to minimize interference resolution time and increase overall customer satisfaction by resolving complaints in a timely fashion.

FY 2000 Annual Performance Goal:

- o We will develop and implement a system enhancement to allow for the electronic transmission of informal complaints and carrier responses to these.
- o We will enhance our capabilities to resolve radio interference problems in a more effective and efficient manner by:
 - Continuing to update 15% (2 of 14) of the long-range, medium, and high frequency radio direction finding systems, as budget permits.
 - Continuing to update 15% (9 of 60) of our mobile direction finding fleet to the latest technology to ensure compatibility with new communications services such as PCS and DTV, as budget permits.
 - Upgrading the FCC's satellite monitoring system, as budget permits.

Performance Indicator: Performance will be measured through technical improvements implemented and an analysis of customer surveys and complaints to determine if complaints are being addressed in a timely fashion.

Additional Resources/Justification: An additional \$300,000 is required for computer hardware and software to upgrade the current Informal Complaints Paperless System to the latest version of Lotus notes and for the implementation of a duplicate system external to the FCC firewall that could be accessed by common carriers. An additional \$269,000 is required to integrate the Informal Complaints Paperless System with the National Call Center.

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PUBLIC INFORMATION SERVICES

The Public Information Services activity covers the publication and dissemination of Commission decisions and actions, and related activities; public reference and library services; the duplication and dissemination of Commission records and databases; the receipt and disposition of public inquiries; consumer, small business and public assistance; and public affairs and media relations. This also includes the dissemination of fact sheets, complaint information and other information related to the rights of a consumer vis-a-vis communications services. It includes policy direction, program development, legal services, and executive direction, as well as support services associated with public information activities.

Activity Goal: To provide information services to our customers in the most useful formats available and in the most timely, accurate and courteous manner possible. This will be accomplished by providing "one stop" information shopping to consumers through the consolidation of our public reference rooms, by designing our information systems for Internet applications to ensure rapid and accurate information dissemination and by actively encouraging public participation in all FCC proceedings. This will also provide for more rapid decision making so as to bring about new services faster.

Means/Strategies/Resources: At the FCC we take great pride in the information services we provide to our customers. Evidently, our customers find our services valuable. In the 2 years since its establishment the National Call Center in Gettysburg, Pennsylvania has responded to close to 775,000 inquiries. Our Internet Home Page, cited as one of the best among federal agencies, currently averages 247,000 "hits" each day. We are nearing completion of an Electronic Comments Filing System which will allow anyone, anywhere, with access to the Internet, to file comments in any FCC rulemaking procedure.

In FY 1999 we took the final step in consolidation of all our public information services with the transfer of the National Call Center in Gettysburg, Pennsylvania from our Compliance and Information Bureau to the Office of Public Affairs. For the first time since our establishment, all information services whether it is the FCC library, an International reference room, or a website is under one organization. We truly can offer "one stop" shopping.

Consolidation of information services under a single structure yields significant benefits to our customers and stakeholders. First, we are able to provide timely, accurate and consistent information regardless of its source or format -- whether telephone, e-mail, voice mail, FAX, paper or via our website. Second, we can track trends and map "hot" consumer issues nationwide, by region or by state. Third, we can achieve economies of scale -- or "more bang for our buck" -- all our dollars will be spent once -- not several times throughout the Commission. Finally, we can develop a useful Public Information Strategic Plan for FCC-wide applications, with no duplication in our coverage.

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The following chart reflects resources dedicated to **public information services** and includes both direct organization FTE and costs, as well as staff office support (FTE and costs) necessary to provide policy direction, program development, legal services, executive direction and other support services associated with Public Information Service activities.

(Dollars in Thousands)

	Estimated FY 1998	Estimated FY 1999	Estimated FY 2000	Projected Change (+/-)
Cost by Activity ⁹	\$12,627	\$14,400	\$18,528	+\$4,128
Full Time Equivalents (FTEs) ¹⁰	180	189	200	+11

⁹ Activity costs are funded from Direct Appropriations and Offsetting Collections (Regulatory Fees). Increases in FY 2000 reflect information technology upgrades (\$1,104), the compensation and benefits costs associated with internal realignment of FTEs (\$955), and fixed cost increases for public information activities (\$1,417), plus a prorata portion of the reimbursement to GSA (\$652).

¹⁰ A detailed distribution of public information services FTEs by organization is included in Appendix C. FTE reductions in FY 2000 result from efficiencies gained following implementation of electronic filing initiatives. These FTE savings have been reallocated to address increasing workload in the enforcement and public information activities.

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PUBLIC INFORMATION ACTIVITY OBJECTIVE 1
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<p>We will provide "one stop" information shopping through consolidation of our public reference rooms and other information services.</p>
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<p><u>FY 2000 Annual Performance Goals:</u></p>
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- | |
|---|
| <ul style="list-style-type: none">o We will establish a satellite Call Center at FCC Headquarters to prepare information sheets and bulletins on the latest Commission actions and consumer concerns.o We will expand the National Call Center capabilities to incorporate responses to consumers' informal complaints on current common carrier issues.o We will integrate our Electronic Filing Comment System (ECFS) and Electronic Document System (EDOCS) to related license, registration and management databases to provide links with policy, legislative and authorization of services activities. [Systems that will be integrated include the Congressional Correspondence Tracking System, the Office of General Counsel Tracking System, the CLAS System (Commission Agenda Items) and the agency-wide Management/Tracking System.] |
|---|

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PUBLIC INFORMATION ACTIVITY OBJECTIVE 1 (CONTINUED)
<p><u>Performance Indicator:</u> Performance will be measured by the number of initiatives completed.</p>
<p><u>Additional Resources/Justification:</u> \$230,000 is requested to provide links between Public Information Service's National Call Center and Enforcement's Informal Complaints databases to allow improved responses to consumer complaints and inquiries concerning telephone service.</p>

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PUBLIC INFORMATION ACTIVITY OBJECTIVE 1 (CONTINUED)

As we consolidate our functions along activity lines, we must establish links between the activities where functions and concerns overlap. One link we need to establish is between Enforcement's Informal Complaints and the National Call Center where the number of complaints and inquiries has risen dramatically over the past several years due to abuses in the telephone industry such as cramming and slamming. As we deregulate and competition for new customers increases there will likely be an increase in the number and kinds of complaints/questions. Our effective management of these must rely on a two-prong, shared, approach of improved outreach efforts and an effective enforcement program.

We are requesting a total of \$312,000 in FY 2000 to begin to integrate our electronic comment (ECFS), management, correspondence and document tracking systems to provide status and text at every step in a Commission action from the initial draft, through publication to archiving for all rulemakings, cases, correspondence or other significant projects undertaken within the agency. Specifically, this funding is required to implement a document management and tracking system which will provide the status and text of agency agenda items and related documents.

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PUBLIC INFORMATION ACTIVITY OBJECTIVE 2
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<p>We will design our information systems for Internet applications as well as other media to ensure rapid and efficient dissemination of information to our customers.</p>
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<p><u>FY 2000 Performance Goals:</u></p>

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| <ul style="list-style-type: none">o We will implement mandatory electronic filing of ARMIS data (accounting and audits).o Through the facilities of the National Call Center, we will establish on-line consumer kiosks to provide "real-time broadcast" consumer alert advisory messages on critical telecommunications issues. (See also Public Information Activity Objective #1).o We will improve the FCC-State Link web site by placing all Industry Analysis Reports, rulemakings, news releases, and Public Notices on it.o We will use Internet capabilities to maintain an ongoing dialog with equipment manufacturers, suppliers and industry organizations to facilitate MRA (Mutual Recognition Agreements) implementation and administration. |
|--|

<p><u>Performance Indicator:</u> Performance will be measured through an annual performance report which will document all our information outreach initiatives, including specific projects, public meetings and conferences, and an examination of the overall impact on consumers.</p>
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PUBLIC INFORMATION ACTIVITY OBJECTIVE 3
<p>We will encourage public participation in all FCC proceedings to ensure all parties' views are heard and that there is speedy resolution of issues.</p>
<p><u>FY 2000 Annual Performance Goals:</u></p> <ul style="list-style-type: none">o We will continue to work closely with industry to address and resolve any issue that may arise from Y2K transition.o We will routinely host public fora to discuss a broad range of legal, policy and technical issues raised in various FCC rulemaking proceedings.
<p><u>Performance Indicator:</u> Performance will be measured through an annual performance report which will document public participation in FCC proceedings.</p>

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The Year 2000 Issue

In FY 1999 we will complete implementation of 19 electronic filing systems. These restructured Y2K compliant licensing, tracking, and electronic comment systems offer a number of benefits to our customers, including the ability to file and view their license data on the Internet. In FY 2000 funding will be required to adequately maintain them and to implement planned enhancements to them. In addition, these new electronic licensing systems with state-of-the-art hardware and software operate on a new platform that many of our older systems should, but do not yet, occupy. These systems must be upgraded so that all our systems can achieve maximum utility.

As we have replaced our dated and inefficient application tracking systems we must now replace our obsolete office software applications. In FY 1999 we will migrate to Office 97 and will use Access software for our internal, limited applications. We will no longer support a large number of office applications currently operating in Paradox. These systems must be converted in FY 2000.

Since the database systems and desktop configurations which must be replaced are located throughout the FCC, we have spread this funding requirement over all four of our budget activities.

Key External Factors Affecting Achievement of Performance Goals

The passage of the Telecommunications Act of 1996 has had a major impact on the agency's GPRA planning activities. Our efforts to implement the provisions of this Act according to its mandated deadlines has and will continue to affect every aspect of the FCC -- our resource allocation and our very organizational structure.

The unclear picture of what the telecommunications industry and the FCC will look like in the future makes formulating useful Performance Goals and Indicators, which will remain relevant for the next several years, extremely difficult. Considering these concerns, we have crafted goals, objectives and performance indicators which incorporate both the major regulatory functions mandated by the Telecommunications Act of 1996 and the fundamental functions of the agency based on our four major activities: authorization of service, policy and rulemaking, enforcement and public information services. Our three somewhat antithetical goals - to meet the statutory deadlines for implementation of the Telecommunications Act, to change the assignment of resources relative to function, as needed, and to continue to respond effectively to the needs of a dynamic telecommunications market -- may deter or slow our progress in meeting our performance goals.

Additionally, several other factors will likely impact on our ability to achieve all of our stated objectives. Foremost among these, of course, is our budgetary situation. Without adequate resources to perform our work, we cannot make real progress in meeting the formidable goals we have established. The relative state

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of the economy can affect the rate of technological innovation and related manufacturing of technologically advanced telecommunications equipment and thus on the state of competition in this country. The growing international impact of telecommunications policy decisions made by foreign administrations and the increasingly competitive global marketplace for telecommunications products can significantly impact not only the economy but also the direction and focus of Commission decision making and policy making. State regulatory agencies, local municipalities, and the FCC are jointly dealing with more telecommunications issues of shared interest and jurisdiction (e.g., local competition, slamming, children's television, antenna sitting, zoning, and industry television ratings). All of these factors can have an impact on the achievement of our performance goals and objectives.

Cross Cutting Functions

The Commission routinely interacts with various Federal agencies. For example, we: coordinate radio antenna and tower proposals with the Federal Aviation Administration in order to prevent interference and to ensure safety of life and property; measure spurious radio signal emissions in cooperation with the Environmental Protection Agency (EPA) to monitor public risks associated with electromagnetic radiation; coordinate with the U. S. Customs Service concerning imported electronic devices; coordinate our fines and forfeitures and compliance programs with the U.S. Justice Department; work closely with the Coast Guard on inspections of ship radios; work closely with the Federal Trade Commission on information services issues; and coordinate spectrum policy issues with the National Technical Information Administration. All of these functions of the Commission are strictly defined relative to the functions assigned these other agencies and there are no functional regulatory conflicts between the FCC and other agencies. We received no comments relative to this issue in response to the publication of our draft Strategic Plan.

Consultations

In developing our Strategic Plan, we met with Office of Management and Budget officials to obtain their input on our draft Plan. We reviewed draft plans from other federal agencies. We also incorporated our draft Strategic Plan into our FY 1998 Budget To Congress in February 1997 and sought input from our Congressional Oversight and Budgetary Committees. We published our draft Strategic Plan as a Public Notice on July 17, 1997 requesting that interested parties file comments. We also prominently displayed the Plan on our Internet web site, soliciting comments via e-mail. We had over 600 visits to the World Wide Web site featuring our draft Plan. We received a total of 12 written comments, including six transmitted via Internet e-mail. For the most part, the comments we received were favorable. Two commenters thought our Strategic Plan was too generic and should contain more specific performance goals. Their comments are addressed in our FY 1999 Annual Performance Plan which contains the level of specificity the commenters sought. Three commenters were concerned that our Enforcement activity did not include the traditional enforcement goals of interference-free public safety communications and a commitment to protect the safety of life and property. In response to these concerns, we added appropriate language to our Enforcement Activity Objective #2 to focus on this issue.

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Program Evaluations

Although many of our goals and objectives were developed without the need for formal program evaluations, we utilized the results of several formal and informal evaluations in developing our Strategic Plan and Annual Performance Goals. One source that was used was the agency's Quarterly Workload Report Evaluations. These are reports by each of our Bureaus that provide detailed Speed of Disposal processing statistics and other Authorization of Service information that is then independently analyzed to identify significant workload trends and to provide other management information to agency officials. Several of the performance objectives were developed in response to reviews performed as a result of Telecommunications Act requirements and several more (e.g., our proposals to privatize certain functions and to expand the utilization of our National Call Center) were the result of internal management reviews.

We plan to continue to evaluate our Quarterly Workload Reports and will seek to expand the reports to cover most of the annual objectives that the Commission will be reporting on in FY 2000. We also plan to request Inspector General (IG) reviews of our GPRA goal-setting processes and procedures and will conduct as yet unspecified management reviews/program evaluations of specific functions covered by our annual objectives each fiscal year during the timeframe covered by the Strategic Plan.

INTRODUCTION

The agenda of the Federal Communications Commission is a full and important one, justifying the requested resources set forth in these Fiscal Year 2000 Budget Estimates. Information technologies are transforming our economy. A New Economy has emerged. It is an economy centered on skilled workers, broad access to technology, and entrepreneurial markets. The communications industries are the centerpiece of this New Economy and thus an indispensable part of our country's prosperity.

Indeed, major economic indicators for every sector of the communications industry are up -- job growth, revenue, investment, and stock values. There are more telecommunications competitors, new services available to consumers, and more of both on the way. In 1998, 22 million households used the Internet for news, schoolwork, or to just keep in touch with family and friends. Similarly, 61 million Americans had cellular phones, and because of competition, these phones were of a higher quality and bills were more than 50 percent lower than a decade ago. American families also watched as long-distance companies competed for their business, offering special incentives and cut rates. The price of long distance minutes plummeted, from 10 to 9 to 5 cents a minute. As a result of this price competition, long distance rates are now the lowest in history.

These positive developments occurred because we have the right statutory and regulatory models in this country. These models work for the Information Age and are being emulated in much of the rest of the world.

But, of course, the FCC has much more work to do. The transition from monopoly regulation to open markets, from today's technologies to tomorrow's breakthroughs, is not complete. Looking forward, the challenge before the Commission is clear: to promote competition, deregulate as competition develops, protect consumers, ensure broad access to communications services and technology, foster innovation, and advance competition goals worldwide.

These goals are the will of the American people and of the Congress, as set forth in the Telecommunications Act of 1996. They will guide the FCC in its work in FY 1999 and in FY 2000.

THE FCC's AGENDA

Specifically, in FY 1999 and FY 2000 the FCC will work to promote competition throughout the communications marketplace, ensure all communications markets are open, reform access charges mechanisms to promote the development of competition and preserve affordable rates.

The FCC will scrutinize merger proposals to ensure that they are pro-competitive and benefit consumers and allow the Regional Bell Operating Companies into the long-distance market when they have opened their own local markets to competition, as required by law.

The FCC will also promote competition and choice in the video marketplace and work to promote alternatives to wireline technology in the local telephone market.

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The FCC will show zero tolerance for perpetrators of consumer fraud such as slamming and cramming and remain vigilant in protecting customer privacy.

In the video delivery area, the FCC will encourage the accessibility of emergency information via closed-captioning and video description, and ensure the viability of free, over-the-air broadcast services and satellite coverage in underserved areas. The FCC may open low-power radio frequencies for local use and work to make our telecommunications network accessible to all Americans, including the 54 million Americans with disabilities.

The FCC will work to ensure that America remains the world's leader in innovation, and will promote the development and deployment of high-speed Internet connections to all Americans.

Finally, the FCC will seek to advance competitive goals worldwide, assisting other nations to establish conditions for deregulation, competition and increased private investment in their telecommunications infrastructure so that they can share in the promise of the Information Age and become our trading partners.

A CHANGING FCC

As we move into the Information Age, the FCC is also changing. The top-down, command and control, regulatory model of the Industrial Age is as out of place in the New Economy as the rotary telephone. The FCC will continue to streamline its operations. This will be facilitated by buyout authority requested in the FY 2000 Budget. The FCC will also continue to work to eliminate unnecessary regulatory burdens and make it easier for the public to interact with the agency

so that licenses are issued faster, complaints are resolved more expeditiously, and inquiries of businesses and consumers are responded to more quickly.

THE FCC'S FY 2000 BUDGET

In order to complete this ambitious agenda, we estimate that the FCC will require a FY 2000 budget of \$230,887,000 and a staff of 1,930 funded full-time equivalents (FTEs). This reflects a total increase of \$38,887,000 or approximately 20 percent over the FY 1999 appropriation. Uncontrollable cost increases to fund proposed government-wide pay raises, Portals rent increases and other inflationary increases constitute 49 percent of the total increase. Programmatic increases to support the Commission's comprehensive information technology program comprise an additional 29 percent of the requested increases. The remaining 22 percent of the requested increase represents funds to begin to repay GSA for relocation and unfunded rent costs to consolidate headquarters staff at Portals II in FY 1999. The request assumes the agency will collect regulatory fees to offset the appropriation, as provided by statute.

COST RECOVERY FOR COMMISSION ACTIVITIES

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 was the Application Processing Fee program which was designed to recover a substantial portion of the costs of the Commission application processing functions, which account for the majority of the Authorization of Service activities costs. However, the FCC is not allowed to retain and/or utilize any of these funds deposited into the General Fund of Treasury.

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The second program implemented in FY 1994 is the Regulatory Fee program which collects fees to recover the costs attributable to the Commission's policy and rulemaking, enforcement and user 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. These fees offset or reduce the amount of appropriation funds required to be provided from the General Fund of Treasury.

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 collected and offset 81% of the total appropriation from regulatory fees. In FY 1998 the Commission offset 83% of the total appropriation from regulatory fees. The language contained in the FCC Appropriations for FY 1999 estimates that the FCC collect \$172,523,000 or 90% of its operating costs in regulatory fees. The FY 2000 gross revenue projected from both Application Processing Fees (which are not available for use by the FCC) and the Regulatory Fees would, in fact, offset or provide for 94% of the total appropriation dollars requested by the FCC in FY 2000.

OVERVIEW OF REQUEST

The Federal Communications Commission (FCC) proposes an FY 2000 appropriation of \$230,887,000 and 1,930 funded full-time equivalents (FTEs). The FCC has proposed an FTE ceiling of 1,975 FTEs, an additional 45 FTEs to address Auctions workload, should there be a requirement. This request represents a total increase of \$38,887,000 over the FY 1999 appropriation. This additional funding is necessary to provide for uncontrollable and inflationary cost increases to personnel and non-personnel operating costs, including GSA rents, contract services, etc. The increased funding will also provide for Information Technology life cycle replacement and mandatory upgrades, as well as provide maintenance of electronic filing systems activated in FY 1999, and allow the Commission to initiate additional productivity and public access enhancements in FY 2000. Also included are funds to begin repayment to the General Services Administration for the cost of relocating the FCC to the Portals.

The Commission is requesting \$11,300,000 (29% of the total requested increase) for Information Technology requirements critical to the operation of the Commission and the successful accomplishment of our mission. For FY 2000, the Commission is requesting \$11.3 million for critical Information Technology requirements. These critical requirements fall into one of three broad categories: Life-cycle replacement and mandatory upgrades; maintenance of electronic filing systems activated in FY 1999; and productivity/public access enhancements. The first category comprises about 50% of the total request and would simply support existing systems and services at current levels by implementing a prudent life-cycle replacement program. It would also allow us to move closer to accepted standard industry practices in terms of customer service levels and systems administration and would allow us to meet government-wide requirements for system security and accessibility. The second category would allow continued support of

major licensing and database systems that became operational in FY 1999. The third category would allow funding of system enhancements involving electronic filing, streamlining, consolidated databases, and paperless transactions.

Gains in productivity through ongoing information technology initiatives could be best utilized if we have the ability to reengineer the skills of our workforce. The Administration has proposed Buyout Authority for the FCC in the President's FY 2000 budget submission. The Commission is engaged in an evolution of its mission and a reengineering of its systems and processes. Regulation of the telecommunications market is slowly being replaced by competition, traditional authorization of service methods are giving way to auctions coupled with electronic licensing systems and the demand for public information and enforcement services is rapidly increasing in this newly competitive, deregulated marketplace.

As a result the Commission is confronting the issue of how it should look and operate in the Year 2000 and beyond. And as its reengineering and restructuring efforts yield increased efficiencies and streamlining opportunities, it is likely that the jobs being performed by many employees will change or no longer exist. To the extent possible, personnel resources previously devoted to authorization of service functions will be redeployed to the Commission's public information and enforcement activities but that will not always be possible given the very different knowledges and skills needed to review and authorize licenses as opposed to those needed to conduct auctions, educate the public on telecommunication in a competitive market, and investigate and resolve complaints arising from slamming, cramming and other carrier practices prevalent in a competitive marketplace.

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The Commission is still in the process of developing its strategic plan to redefine itself, its' mission and its' structure and has therefore not specifically identified the number and types of employees that may be displaced as a result nor the costs associated with such displacement. However, it is clear that the ability to offer buyouts to long term technical staff currently engaged primarily in its authorization of service functions would facilitate such restructuring and the cost of offering buyouts is significantly less than those associated with a reduction-in-force. The FCC has requested no additional funding in this document to support the administration proposal for Buyout Authority.

An additional 49% of the funds requested for FY 2000, or \$18,887,000, is required to fund uncontrollable cost increases for employee salaries and benefits, GSA rent for Portals including a substantial increase to the Federal Protective Service cost allocated to the Commission, and funds to provide for significant increase to the cost of providing guard services at Portals II, as well as inflationary cost increases for supplies, printing, postage and other contract services.

The FCC is requesting \$8,700,000, or 22% of the total funding increase, to provide the first installment payment to reimburse the General Services Administration (GSA) for all costs of relocating headquarters employees to a consolidated location at the Portals including unfunded rent for FY 1999. This same level of reimbursement would continue for nine fiscal years until all costs were reimbursed to GSA.

The Commission's limited resources will be utilized to accomplish changes in communication policy which encourage competition, protect consumers, promote access to existing and enhanced communications services, and foster innovation. Our funding request reflects the high priority the Commission places on programs

and activities which authorize service, enforce federal law 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 2000, 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 78% of the FY 1999 appropriation is earmarked to pay the salaries and benefits of our employees. Additionally, 17% will be spent for totally non-discretionary expenses such as GSA rent, mail and utilities. (This does not include the \$9.6 million rent increase for Portals II.) The remaining FY 1999 funds appropriated to the Commission (5%) will not fully address all program needs, investment in information technology and other reengineering initiatives needed to streamline Commission operations, or provide funds for resolution of ongoing issues such as cramming, slamming, universal service, etc.

Prior appropriations have furthered the Commission's effectiveness. The staffing and funding increases received in recent fiscal years have improved considerably the effectiveness of current Commission programs and initiatives. These increases permitted the FCC to achieve productivity gains through information technology (e.g., computer technology, internet, and electronic filing), to realign bureaus to parallel the Commission's evolving mission. However, these gains in productivity have been jeopardized as funding for FY 1998 and FY 1999 have not been sufficient to address the ever increasing workload and additional responsibilities facing the Commission.

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The FY 2000 funding increase is critical. For FY 2000 we assumed a base funding level or Budget Authority of \$192,000,000, the actual appropriation for FY 1999 for the Commission. This amount represents \$19,477,000 in net direct budget authority assuming we collect \$172,523,000 in offsetting collections from regulatory fees.

To the base funding level, we added funding for FY 2000 anticipated uncontrollable cost increases totaling \$18,887,000. These uncontrollable costs include 25% of the FY 1999 pay raise (3.6%) to be annualized in FY 2000, as well as a projected FY 2000 locality and pay raise totaling 4.4%. Also included are inflationary costs for various non-compensation accounts including miscellaneous rents, mail, service contracts, etc. However, the most significant increase results from the net rent cost increase of the Portals II building, (\$9,618,000) increased costs to the Federal Protective Services (\$527,000), and \$1,500,000 to annualize the costs of guard services for Portals II which were not funded in the FY 1999 appropriation. The increases necessary to provide for Portals rent and security operations amount to approximately 62% of the total uncontrollable costs. The total of all uncontrollable and inflationary cost increases, when added to the base appropriation, total a "current services" level of \$210,887,000 for FY 2000. The funding for these uncontrollable operating costs is critical if we are to maintain a Commission-wide level of effort equal to FY 1999, or a "current services" level of response to the universe of communications issues the FCC must address.

We are requesting \$11,300,000 in funds to provide essential funds to ensure that the FCC maintain the existing information technology infrastructure and continue electronic filing 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.

In order to maximize the efficiencies to be gained through automation and truly benefit from information technology initiatives we are requesting in this document, we would strongly support the Administration's request for Buyout Authority. This authority would provide the FCC with the ability to accomplish the workforce restructuring necessary to meet the goals of the Commission in FY 2000.

We are also requesting \$8,700,000 for the first of nine annual installment payments to reimburse GSA for advancing the funds to pay the cost of consolidating FCC Headquarters in one building, the Portals. This nine year plan for reimbursement covers expenditures by GSA for building space design and buildout, design of information systems architecture and installation, purchase of systems furniture, the amortized cost to fund the rent shortfall in FY 1999, and other requirements generally funded by the relocating agency.

Our FY 2000 budget request is summarized in Table 1. Details of this request and a justification for specific increases follow.

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	(\$000)	FUNDED FTEs
FY 1999 Appropriation ^{1/}	\$192,000	1,930
o Direct \$19,477		
o Regulatory Fees \$172,523		
FY 2000 Uncontrollable Cost Increases:		
o Compensation/Benefits Cost Increases	\$ 6,537	
o Inflationary Cost Increases	\$ 576	
o GSA/Portals Rent and FPS/Guard Service Increases	\$ 11,774	
FY 2000 Programmatic Increases:		
o Life Cycle Replacements and Mandatory Upgrades	\$ 5,500	
o Maintenance of Electronic Filing Systems	\$ 2,600	
o Productivity Enhancing Applications, Functionality, and Maintenance	\$ 3,200	
FY 2000 Request (Excluding Relocation Reimbursement):	\$222,187	1,930
o Reimburse GSA for Headquarters Relocation Costs	\$ 8,700	
Total FY 2000 Request (Including Relocation Costs)	\$230,887	1,930
o Direct \$45,133		
o Regulatory Fees \$185,754		

Table 1: Summary of FY 2000 Budget Request

^{1/} Does not include any reimbursements for the costs of conducting spectrum auctions activities or \$1,000,000 anticipated from interagency and/or other authorized reimbursable resources.

PROGRAM REQUIREMENTS AND UNCONTROLLABLE COST INCREASES

Program Requirements: Without adequate automation funding, the Commission will be unable to carry out our basic functions of awarding licenses to applicants for communications services, overseeing the implementation of new services for the public, and reviewing and updating existing rules and regulations. In view of the importance of these services to the economy of the United States, this investment in technology is critical.

AUTOMATION INITIATIVES (\$11,300,000)

- ▶ For FY 2000, the Commission is requesting \$11.3 million for critical Information Technology (IT) requirements. These critical requirements fall into one of three broad categories: (1) Life-cycle replacement and mandatory upgrades; (2) maintenance of electronic filing systems activated in FY 1999; (3) and productivity/public access enhancements. The first category comprises about 50% of the total request (i.e., \$5.5 million) and would simply support existing systems and services at current levels by implementing a prudent life-cycle replacement program. It would also allow us to move closer to accepted standard industry practices in terms of customer service levels and systems administration and would allow us to meet government-wide requirements for system security and accessibility. The second category (\$2.6 million) would allow continued support of major licensing and database systems that became operational in FY 1999. The third category (\$3.2 million) would allow funding of system enhancements involving electronic filing, streamlining, consolidated databases, and paperless transactions. Inadequate funding in the above areas will result in increased system failures and loss in productivity. It will also result in delayed authorization of service, slow public access to critical information, and will impede competition.

In FY 2000, 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. By FY 2000, vital components of the FCC's public access and specialized application infrastructure will become technologically obsolete and unsupported. In addition, approximately one-third of the agency's end-user productivity tools will have exceeded their useful life span and will not deliver acceptable performance. In FY 2000, the Commission also must convert database systems that were developed in the agency's former desktop database software. Maintaining these systems on the former software increases the potential for significant downtime as the Commission's and industry's collective knowledge of this obsolete software shrinks. In addition, the Commission needs to upgrade the level of support being provided to its critical network and telecommunication systems. In key areas, we have attempted to operate our systems with half the resources indicated by industry standards. At the same time, utilization of our systems has increased. This has resulted in system failures that affect both staff productivity and public access to critical Commission data. Therefore, life-cycle replacement and mandatory system and service upgrades are essential and comprise \$5.5 million of the Commission's FY 2000 IT request.

In FY 1999, the Commission will be activating and completing more than 15 new or significantly revised electronic filing and support systems. In FY 2000, these systems will have to be maintained by contract personnel to

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ensure their continued operation and to support mandatory system reprogramming resulting from regulatory changes. Among those systems being activated in FY 1999 are the Commission's Electronic Comment Filing System, Universal Licensing System, International Earth/Space Licensing System, and the revised Congressional Correspondence Tracking System. Therefore, for FY 2000, the Commission is requesting \$2.6 million to fund maintenance of electronic filing systems activated in FY 1999.

By FY 2000, the Commission will have a considerable inventory of established and newly activated telecommunications and electronic filing systems. Program managers have proposed system enhancements or new systems to further increase staff productivity, public access to information, and improve transaction processing with the telecommunications industry. These efforts would help the agency perform its mission within our staffing constraints. For example, enhancements to our International Earth/Space Licensing System internet interface would improve access to that system. Additionally, the integration of Common Carrier's informal complaints paperless office system with the Commission's National Call Center will enable consumers to file informal complaints and check on the status of their complaints via phone communications with trained Call Center staff. Other examples include a system that will permit the electronic filing and tracking of licensees' deployment of Digital Television and a system to permit the electronic filing of telephone network outages. To pursue these enhancement and new development efforts, the Commission is requesting \$3.2 million. Table 2 provides a summary of the funds requested for IT initiatives.

REIMBURSEMENT TO THE GENERAL SERVICES ADMINISTRATION (GSA) FOR PORTALS RELOCATION COSTS (\$8,700,000)

The FCC is requesting funding to reimburse the GSA incrementally over a nine year period for all costs of relocating the FCC to a consolidated location at the Portals. These costs will be requested at an annual rate of repayment of \$8,700,000 a year for a period of nine years. Therefore, beginning in FY 2000, the FCC is requesting \$8,700,000 in the Budget Request to Congress to reimburse GSA and continue to request approximately \$8.7 million a year in all future Budget request documents through FY 2008. The FCC is under no obligation to reimburse GSA for any of these costs unless specifically authorized and funded to do so under the Appropriation Act.

The proposal installment plan for requesting appropriations to reimburse GSA is identified in Table 3.

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FY 2000 Information Technology Funding Requirements:	(\$000)
Life-Cycle Replacements and Mandatory Upgrades:	
o Life-Cycle Replacement	\$ 4,000
o Mandatory System and Service Enhancements	1,500
Maintenance of Electronic Filing Systems Activated in FY 1999:	2,600
Enhanced and/or New Systems to Improve Productivity and Public Access:	3,200
Total Cost of Information Technology Requirements:	\$11,300

**Table 2: Information Technology Funding Requirements to Replace,
Maintain and Enhance FCC Information Technology Systems**

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Dollars in Millions

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Relocation Reimbursement Cost, Amortized for 9 Years	\$ 7.2	\$ 7.2	\$ 7.2	\$ 7.2	\$ 7.2	\$ 7.2	\$ 7.2	\$ 7.2	\$ 7.2
FY 1999 Unfunded Shortfall, Amortized for 9 Years	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Total Installment Payment, Requested In Appropriation	8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.7
Reimbursement to GSA - Start of Year	78.3	69.6	60.9	52.2	43.5	34.8	26.1	17.4	8.7
Reimbursement to GSA - End of Year	\$69.6	\$60.9	\$52.2	\$43.5	\$34.8	\$26.1	\$17.4	\$ 8.7	\$ 0

Table 3: Proposed Installment Plan for Requesting Appropriations to Reimburse GSA.

FY 2000 UNCONTROLLABLE COST INCREASES

FY 2000 UNCONTROLLABLE COST INCREASES

The Commission is requesting \$18,887,000 in funding to provide for inflationary and uncontrollable costs in FY 2000. The pay and locality cost increases and the inflationary increases have been based on assumptions provided by OMB. The costs have been identified as follows:

- **Personnel Compensation and Benefits (\$6,537,000):**
Provides funds to cover the cost of the FY 2000 payraise and locality pay (4.4%) for 75% of the fiscal year, funds to annualize 25% of the FY 1999 payraise and locality pay increases (3.6%), and agency matching increases for benefits payments to OPM.
- **Travel and Transportation of Persons and Things (\$31,000):**
Increase to cover travel and transportation costs, developed in accordance with Office of Management and Budget guidelines for projected inflationary cost (2.3%).
- **GSA Rent (\$9,747,000):**
Provides funds to cover the increase in rental costs for GSA to provide office space to the FCC in FY 2000 at the Portals Complex (\$9,618,000) and increased cost of field office space (\$129,000).
- **Other Rent, Communications and Utilities (\$208,000):**
Provides funds for GSA estimated rent increase (2.3%) including costs for utilities and cleaning services, non-GSA rentals, departmental and FTS telephone services, postage fees, equipment rentals.
- **Federal Protective Service (\$527,000):**
Provides funds for increased cost of Federal Protective Service in FY 1999 based on cost estimates issued by GSA. These costs will be built into the rent collected by GSA from the FCC.
- **Other Contractual Services (\$1,771,000):**
Provides estimated cost increases based on 2.3% inflationary assumptions provided by the Office of Management and Budget. In addition to inflationary increases for federal and non-federal contract services, security, training, health units, maintenance of vehicles, repair of ADP and office equipment, repair of interior space, maintenance of software, and ADP data acquisitions, this estimate includes the annualized cost of Guard Services to provide adequate security services at the Portals (\$1,500,000).
- **Printing and Reproduction/Supplies and Materials (\$66,000):**
Provides 2.3% inflationary cost increases for printing, binding, photocomposition services, energy related supplies, departmental, technical and ADP supplies, and subscriptions.

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FY 2000 Budget Estimates to Congress

FEE COLLECTIONS AND AUCTIONS

APPLICATION PROCESSING FEES

Since the implementation of this program in FY 1987, the Federal Communications Commission (FCC) has collected and deposited into the General Fund of the Treasury application processing fees, often referred to as Section (8) fees, more than \$482 million. It is estimated that an additional \$32 million will be generated from these fees annually in FY 1999 and FY 2000. The fees are designed to recover a substantial portion of the costs of the Commission's applications processing functions. However, the FCC does not have the authority to retain any of the revenue generated by these fees to offset operating costs. The program encompasses over 300 different feeble services with the vast majority of fees 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, and non-commercial broadcast 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, for the first time since August 7, 1996. Collections of processing fees at the new rates began on September 14, 1998. Total revenue from application processing decreased in FY 1998 below previously projected levels. This decrease is the result of multiple factors including a fluctuating in the number and types of services required to file and pay application fees; for example there was a significant decrease in the number of satellites licensed in FY 1998. Application Processing Fee Collections are summarized by Fiscal Year in Table 7.

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.

This request continues to assume that offsetting collections will be used in the year in which they are collected. 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, and nonprofit entities holding tax exempt status under section 501(c) of the Internal Revenue code, 26 U.S.C. 501. Non-commercial educational, Low Power TV licensees are also exempt.

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 authorizes the Commission to charge a 25% late payment penalty and to dismiss applications or revoke licenses for non-payment of the fees.

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The Commission implemented the Regulatory Fee collection program by rulemaking on July 18, 1994. The most recent fee schedule became effective on September 14, 1998, pursuant to an order adopted by the Commission on June 9, 1998. The FCC collected \$155.1 million offsetting regulatory fees in FY 1998. Since the total collected in regulatory fees for FY 1998 did not exceed appropriation language, there was no funding carried forward from FY 1998 collections.

In FY 1997, the FCC collected \$155.9 million in offsetting regulatory fees. This was \$3.4 million in excess of the required level established in the Appropriation Language. The \$3.4 million was combined with \$1.7 million in available no year excess funds carried forward from FY 1996 and FY 1997, respectively. 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. 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 the \$5.1 million in available funds to begin critical Y2K transition projects after receiving authorization from the House and Senate Appropriations Subcommittees. The remaining balance, \$1.2 million, of regulatory fees available for use, have been carried into FY 1999, to address critical Commission initiatives and will be utilized after obtaining the appropriate Congressional concurrence.

The FY 1999 Appropriation Language, authorizes the Commission to increase the fee schedule for regulatory fees so as to collect \$172.5 million in offsetting collections to be credited to the FCC Appropriation in FY 1999. The FY 2000 request proposes an additional increase for regulatory fees to a level of \$185.8 million.

Regulatory Fee Collections are summarized by Fiscal Year in Table 6.

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Section (9) Fees - Dollars in Millions	
FISCAL YEAR	TOTAL COLLECTIONS
1994 (Actual)	\$58.7
1995 (Actual)	\$119.3
1996 (Actual)	\$126.5
1997 (Actual)	\$155.9
1998 (Actual)	\$155.1
1999 (Estimate) ¹	\$172.5
2000 (Estimate) ²	\$185.8

Table 6: Regulatory Fee Collections

¹ Reflects the level of Regulatory Fees to be collected as established in the Appropriation Language for FY 1999.

² Reflects the level of Regulatory Fees for FY 2000 as proposed in the President's FY 2000 Budget Request to Congress.

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Section (8) Fees - Dollars in Millions	
FISCAL YEAR	TOTAL COLLECTIONS
1987 (Actual)	\$10.3
1988 (Actual)	\$41.2
1989 (Actual)	\$56.9
1990 (Actual)	\$27.6
1991 (Actual)	\$46.4
1992 (Actual)	\$50.6
1993 (Actual)	\$39.1
1994 (Actual)	\$42.8
1995 (Actual)	\$50.6
1996 (Actual)	\$42.8
1997 (Actual)	\$38.0
1998 (Actual)	\$32.0
1999 (Estimate)	\$32.0
2000 (Estimate)	\$32.0

Table 7: Application Processing Fee Collections

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 auction in the summer of 1994. The program continued during FY 1995 with auctions of Narrowband Regional PCS, and Broadband PCS. Between July 1994 and December 1998 total receipts from this program deposited in the General Fund of the Treasury have exceeded \$11.5 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 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, 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. The cost to provide for all auctions activities in FY 1998 including the increased costs of

bankruptcy litigation, auctions license system reengineering, operational redundancy and security requirements was \$36.2 million. The administrative costs (\$5.4 million) required to support the Installment Loan Program are also included in this total operating estimate. 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. The law required that the first such auctions report on obligations be included in the FY 1998 FCC Annual Report and reflect costs for auctions conducted 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.

Auctions expenditure reports for FY 1997 were distributed to the Congressional Appropriation and Oversight Committees responsible for FCC operations in August, 1998. The Commission's FY 1998 Annual Report references the information provided to the Committees.

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FY 2000 Budget Estimates to Congress

FY 2000 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. 5901-02; 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, \$230,887,000, of which not to exceed \$300,000 shall remain available until September 30, 2001, for research and policy studies: *Provided*, That \$185,754,000 of offsetting collections shall be assessed and collected pursuant to section 9 of title 1 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 so as to result in a final fiscal year 2000 appropriation estimated at \$45,133,000: *Provided further*, That any offsetting collections received in excess of \$185,754,000 in fiscal year 2000 shall remain available until expended, but shall not be available for obligation until October 1, 2000: *Provided further*, That section 309(j)(8) of the Communications Act of 1934 is amended by adding new paragraph (D) as follows:

(D) PROTECTION OF INTERESTS.--

"(i) Title 11, United States Code, or any otherwise applicable Federal or state law regarding insolvencies or receiverships, or any succeeding Federal law not expressly in derogation of this subsection, shall not apply to or be construed to apply to the Commission or limit the rights, powers, or duties of the Commission with respect to (a) a license or permit issued by the Commission under this subsection or a payment made to or a debt or other obligation owed to the Commission relating to or rising from such a license or permit, (b) an interest of the Commission in property securing such a debt or other obligation, or (c) an act by the Commission to issue, deny, cancel, or transfer control of such a license or permit.

"(ii) Notwithstanding otherwise applicable law, the Commission shall be deemed to have a perfected, first priority security interest in a license or construction permit issued by the Commission under this subsection and the proceeds of such a license or permit for which a debt or other obligation is owed to the Commission under this subsection.

"(iii) This paragraph shall apply retroactively, including to pending cases and proceedings whether on appeal or otherwise." (Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 1999, as included in Public Law 105-277, section 101(b).)

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LEGISLATIVE CHANGES PROPOSED IN THE APPROPRIATION LANGUAGE:

Provided further, That the Communications Act of 1934, as amended, is further amended in section 309(j)(8) by adding new paragraph (D) as follows:

(D) PROTECTION OF INTERESTS.—

"(i) Title 11, United States Code, or any otherwise applicable Federal or state law regarding insolvencies or receiverships, or any succeeding Federal law not expressly in derogation of this subsection, shall not apply to or be construed to apply to the Commission or limit the rights, powers, or duties of the Commission with respect to (a) a license or permit issued by the Commission under this subsection or a payment made to or a debt or other obligation owed to the Commission relating to or rising from such a license or permit, (b) an interest of the Commission in property securing such a debt or other obligation, or (c) an act by the Commission to issue, deny, cancel, or transfer control of such a license or permit.

"(ii) Notwithstanding otherwise applicable law, the Commission shall be deemed to have a perfected, first priority security interest in a license or construction permit issued by the Commission under this subsection and the proceeds of such a license or permit for which a debt or other obligation is owed to the Commission under this subsection.

"(iii) This paragraph shall apply retroactively, including to pending cases and proceedings whether on appeal or otherwise." (Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 1999, as included in Public Law 105-277, section 101(b).)

- o **EXPLANATION OF PROPOSED CHANGES:** The Commission in the past has recommended that Congress clarify that FCC licensees who default on their installment payments may not use bankruptcy litigation to refuse to relinquish their spectrum licenses for reauction. The proposed appropriations language does this.

Background: Section 309(j) of the Communications Act authorizes the FCC to grant licenses by auction and allows the Commission to provide rules for payment of the auction price by installment payments. A number of licensees have argued that even if they default on their installment payments, the licenses do not automatically cancel while bankruptcy litigation is ongoing. Licensees have even sought to use the Bankruptcy Code to reduce the total amount that they owe to the Commission for auctioned licenses. Although the FCC's rules and the licenses themselves clearly state that the licenses are granted on condition of payment in full of the auction price, there is need for clarifying legislation to avoid the risk that bankruptcy litigation will prevent the FCC from using its ordinary regulatory powers over defaulting licensees to recover and promptly reauction licenses in the public interest.

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The proposed legislation clarifies the statutory scheme by preventing licensees from using the Bankruptcy Code to avoid their payment obligations to the Commission for auctioned licenses or to delay the Commission's exercise of its regulatory powers. Specifically, the proposed legislation provides that the Bankruptcy Code or state or federal receivership laws do not limit the rights, powers and duties of the Commission with respect to licenses or permits issued by the Commission under Section 309(j), and allows the Commission to commence enforcement proceedings to revoke licenses of licensees that are in default on their payment obligations without interference by the automatic stay of the Bankruptcy Code.

The proposed legislation does not give new regulatory powers to the Commission, but only assures that existing regulations will be applied fairly to all licensees. The proposed legislation addresses only debts to the Commission arising from auctions under Section 309(j), and does not involve any other types of FCC licenses, nor does it involve any other debtor-creditor rights other than debts owed directly to the Commission for installment payment of auctioned licenses under Section 309(j).

Additional Legislative Proposals contained in the President's FY 2000 Budget Request to Congress

In addition to the legislative proposal contained within the FCC's Appropriation Language, there are two proposals by the Administration which impact the FCC:

1) -Voluntary Separation Incentives for Employees of the Federal Communications Commission, as proposed under the General Provisions of the Department of Commerce.

Explanation of Proposed Legislation:

The Commission is confronting the issue of how it should look and operate in the Year 2000 and beyond. And as its reengineering and restructuring efforts yield increased efficiencies and streamlining opportunities, it is likely that the jobs of many employees will change or no longer exist. To the extent possible, personnel resources previously devoted to authorization of service functions will be redeployed to the Commission's public information and enforcement activities but that will not always be possible given the very different knowledge and skills needed to review and authorize licenses as opposed to those needed to conduct auctions, educate the public on telecommunications in a competitive market and investigate and resolve complaints arising from slamming, cramming and other carrier practices prevalent in a competitive marketplace.

The Commission is in the process of developing its strategic plan to redefine itself, its mission and its structure and has therefore not specifically identified the number and types of employees that may be displaced as a result, nor the costs associated with such displacement. However, it is clear that the ability to offer buyouts to long term technical staff currently engaged primarily in its authorization of service functions would facilitate such restructuring. Although the cost of offering buyouts is significantly less than that associated with a reduction-in-force, the President's FY 2000 Budget does not include additional funding for the FCC to provide for the cost of buyout incentive payments.

2) Analog Spectrum Lease Fee, as proposed within the Federal Communications Commission budget exhibits under the Independent Agencies section of the President's FY 2000 Budget.

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 2000 Budget Estimates to Congress
ANALYSIS OF CHANGE
Summary of Adjustments
(Dollars in Thousands)**

<u>Summary of adjustments to base and built-in changes:</u>	<u>FTE</u> <u>Ceiling</u>	1/ <u>FTE</u> <u>Funded</u>	<u>\$</u> <u>AMOUNT</u>
- FY 2000 Base Funding Level Assumes the FY 1999 Appropriation	1,975	1,930	\$192,000
 Uncontrollable and Inflationary Increases to base:			
 <u>Compensation and Benefits</u>			
1. FY 1999 Annualized Payraise/ Locality Pay Adjustments @3.6% (25% of Fiscal Year)			\$ 1,355
2. FY 2000 Payraise and Locality Pay Adjustment (4.4%) (75% of Fiscal Year)			\$ 5,182
 <u>Non-Salary</u>			
1. FY 2000 amount required for inflationary increases to cover GSA field rent/non-GSA Rent/Mail/ADP production support and maintenance/misc.			\$ 705
2. FY 2000 net cost increase to provide security guard services at Portals II			\$ 1,500
3. FY2000 net increase for FCC payment to Federal Protective Service			\$ 527
4. FY 2000 net rent increase for Portals II			\$ 9,618
Subtotal Uncontrollable and Inflationary Increases:			\$ 18,887

1/ The FTE Ceiling is greater than the FTE levels funded in this budget document to allow for increases in the Auctions program workload, if necessary. Auction related FTE costs are provided from Auction funds, as authorized, should the need materialize.

**FY 2000 Budget Estimates to Congress
ANALYSIS OF CHANGE
Summary of Adjustments
(Dollars in Thousands)**

<u>Programmatic Increases to the Base:</u>	<u>FTE</u> 2/ <u>Ceiling</u>	<u>FTE</u> <u>Funded</u>	<u>\$</u> <u>AMOUNT</u>
1. Life Cycle Replacement, Maintenance of Electronic Filing Systems, Productivity Enhancements			\$ 11,300
Subtotal Programmatic Increases:			\$ 11,300
 Increases to Reimburse GSA:			
1. GSA Payback of Portals Relocation Funds			\$ 8,700
Subtotal GSA Payback:			\$ 8,700
Total Requested Increase to Base:			\$ 38,887
Total FY 2000 Commission Request:	1,975	1,930	\$ 230,887

2/ The FTE Ceiling is greater than the FTE levels funded in this budget document to allow for increases in the Auctions program workload, if necessary. Auction related FTE costs are provided from Auction funds, as authorized, should the need materialize.

FY 2000 Budget Estimates to Congress
ANALYSIS OF CHANGE
Summary of Proposed Budget Authority
[Dollars in Thousands]

	FY 1999			FY 2000			Requested Changes	
	FTE Requested Ceiling	FTE 1/ Funded	\$ B/A	FTE Requested Ceiling	FTE 1/ Funded	\$ B/A	FTE	\$ B/A
Y2K Supplemental Appropriation			\$8,516 2/					
Direct Appropriation	1,975	1,930	\$19,477	1,975	1,930	\$45,133		\$25,656
Budget Authority to use Offsetting Collections:								
1) Regulatory Fees			172,523			185,754		\$13,231
Subtotal Appropriated B/A		1,930	\$200,516		1,930	\$230,887		\$38,887
Authority to spend Other Offsetting Collections:								
2) Reg. Fees (Sec. 9) Carryover			1,276 3/					
3) Auction Reimbursable Carryover			4,118					
4) Economy Act/Misc. Other Reimbursables			1,304			1,000		
5) Auction Cost Recovery Reimbursements			46,076			46,076		
Total Gross Budget Authority		1,930	\$253,290		1,930	\$277,963		\$38,887

1/ The FTE Ceiling is greater than the FTE levels funded in this budget document to allow for increases in the Auctions program workload, if necessary. Auction related FTE costs are provided from Auction funds, as authorized, should the need materialize.

2/ Funding for Y2K development (\$8,516M) is available through FY 2001.

3/ The FCC will request permission for use of these funds as stipulated in the general provisions of the Appropriations Act.

FY 2000 Budget Estimates to Congress

FY 2000 UNCONTROLLABLE COST INCREASES

- o **Personnel Compensation and Benefits** \$ 6,537,000

Provides funds to cover the cost of the FY 2000 payraise and locality pay (4.4%) for 75% of the fiscal year, as well as funds to annualize 25% of the FY 1999 payraise and locality pay increases.
- o **Travel and Transportation of Persons and Things** \$ 31,000

Provides funds to cover increase in travel and transportation costs, developed in accordance with Office of Management and Budget guidelines for projected inflationary costs (2.3%).
- o **GSA Rent, (Headquarters and Field)** \$ 9,747,000

Provides funds to cover the increase in rental costs for GSA to provide office space to the FCC in FY 2000 at the Portals complex (\$9,618,000) and increased cost of field office space (\$129,000).
- o **Other Rent, Communications and Utilities** \$ 208,000

Provides funds to cover inflationary cost increases (2.3%) for utilities, cleaning services, non-GSA space rentals, departmental and FTS telephone services, postage fees, and miscellaneous equipment rentals
- o **Federal Protective Service** \$ 527,000

Provides funds for increased cost of Federal Protective Service in FY 2000 based on cost estimates issued by GSA.

FY 2000 Budget Estimate to Congress

Uncontrollable Cost Increases for FY 2000 (Con't):

o	<u>Other Contractual Services</u>	\$ 271,000
	Provides funds for estimated cost increases based on 2.3% inflationary assumptions provided by the Office of Management and Budget. Increase covers federal and non-federal contract services, security, training, health units, maintenance of vehicles, repair of ADP and office equipment, repair of interior space, maintenance of software, and ADP data acquisitions.	
o	Security Guard Service.	\$ 1,500,000
	Provides funding for additional guard services and garage operations at Portals.	
o	<u>Printing and Reproductions/Supplies and Material</u>	\$ 66,000
	Provides 2.3% inflationary cost increases for printing, binding, photocomposition services, energy- related supplies, departmental, technical and ADP supplies, and subscriptions.	
	Total Uncontrollable Cost Increases	\$18,887,000

FY 2000 Budget Estimates to Congress

FY 1999 NON-RECURRING COSTS IN FY 2000

o Total one-time non-recurring FY 1999 Programmatic Funding Requirements \$ 0

**FY 2000 Budget Estimates to Congress
ORGANIZATIONAL TABLE**

The distribution of Full Time Equivalents (FTEs) listed below by fiscal year reflects the planned allocation of Commission resources. These levels are based on a combination of assumptions regarding estimated workload and anticipated funding levels as presented throughout this document.

	<u>Actual FY1998 FTE</u>	<u>Estimate FY1999 FTE</u>	<u>Proposed FY2000 FTE</u>	<u>Proposed Change +/-</u>
Office of the Commissioners	37	42	42	0
Cable Services Bureau	123	99	99	0
Common Carrier Bureau	343	355	371	16
Compliance & Information Bureau.....	271	287	299	12
International Bureau	137	132	132	0
Mass Media Bureau	271	245	217	-28
Wireless Telecommunications Bureau.....	333	296	296	0
Office of Administrative Law Judges	10	9	9	0
Office of Commun. Business Opportunities.....	8	9	9	0
Office of Engineering & Technology	85	85	85	0
Office of the General Counsel	85	68	68	0
Office of Inspector General	7	8	8	0
Office of Legislative & Intergovernmental Affairs ..	14	14	14	0
Office of the Managing Director	194	194	194	0
Office of Plans & Policy	15	15	15	0
Office of Public Affairs	67	67	67	0
Office of Workplace Diversity	5	5	5	0
Commission FTE Totals	2,005	1,930 1/	1,930 1/	0

1/ This total reflects the level of FTE which can be funded from resource levels identified in this document.

FY 2000 Budget Estimates to Congress

Full-Time Equivalent (FTE) Detail Distribution by Activity

AUTHORIZATION OF SERVICE ACTIVITY				
This activity includes the authorization or licensing of radio stations, telecommunications equipment and radio operators, as well as the authorization of common carrier and other services and facilities. It includes direct organizational FTE and FTE workyear effort provided by staff offices to support policy direction, program development, legal services, and executive direction, as well as support services associated with authorization activities.				
	Actual FY 1998 FTE	Estimate FY 1999 FTE	Estimate FY 2000 FTE	Proposed Change (-/+)
Mass Media	209	189	172	-17
Common Carrier	0	0	0	0
Wireless Telecommunications	177	134	134	0
Engineering & Technology	28	28	28	0
Cable Services	8	7	7	0
International	63	61	61	0
Total FTEs - Authorization of Service	485	419	402	-17

FY 2000 Budget Estimates to Congress

Full-Time Equivalent (FTE) Detail Distribution by Activity

PUBLIC INFORMATION SERVICES ACTIVITY				
<p>This activity includes the publication and dissemination of Commission decisions and actions, and related activities; public reference and library services; the duplication of Commission records and databases; the receipt and disposition of public inquiries; consumer small business and public assistance; and public affairs and media relations. Includes direct organizational FTE and FTE workyear effort provided by staff offices to support policy direction, program development, legal services, and executive direction, as well as support services associated with public information activities.</p>				
	Actual FY 1998 FTE	Estimate FY 1999 FTE	Estimate FY 2000 FTE	Proposed Change (+/-)
Mass Media	12	11	10	-1
Common Carrier	17	15	15	0
Wireless Telecommunications	28	34	34	0
Engineering & Technology	15	15	15	0
Cable Services	39	25	25	0
International	2	1	1	0
Compliance & Information	67	88	100	12
Total FTEs - Public Info. Services	180	189	200	11

FY 2000 Budget Estimates to Congress

Full-Time Equivalent (FTE) Detail Distribution by Activity

The following table summarizes by organization the total number of FTEs available to conduct the four major activities. These totals include both direct organizational FTEs, as well as FTE workyear effort provided by staff offices to support policy direction, program support, legal services, and executive direction, as well as support services for all four major activities.				
	Actual FY 1998 FTE	Estimate FY 1999 FTE	Estimate FY 2000 FTE	Proposed Change. (+/-)
Mass Media	357	326	293	-33
Common Carrier	479	497	518	21
Wireless Telecommunications	401	364	364	0
Engineering & Technology	107	107	107	0
Cable Services	175	135	135	0
International	171	165	165	0
Compliance & Information	315	336	348	12
Commission FTE Totals	2,005	1,930 1/	1,930 1/	0 2/

1/ This total reflects the level of FTE which can be funded from resource levels identified in this document.

2/ Proposed changes to this table reflect both direct and support FTEs associated with the changes made.

FY 2000 Budget Estimates to Congress
Summary of Requested Resources
[Dollars in Thousands]

The Federal Communications Commission's budget estimates for Fiscal Year 2000 are summarized below:

Distribution of Budget Authority:	FY 1998 Actual	FY 1999 Estimate	FY 2000 Request	Change to Budget Authority
Y2K Supplemental Appropriation	--	\$8,516	--	--
Subtotal Supplemental Authority	--	\$8,516	--	--
Direct Appropriation				
Current: (P.L. 105-119)	\$31,461	\$19,477	\$45,133	\$25,656
Lapsed year end	(7)	--	--	--
Total Direct Appropriation	\$31,454	\$19,477	\$45,133	\$25,656
Authority to Spend Offsetting Collections				
1) Regulatory Fees	155,053	172,523	185,754	\$13,231
Subtotal Current Appropriated Authority	\$186,507	\$192,000	\$230,887	\$38,887 1/
Authority to spend				
Other Offsetting Collections:				
3) No-year Carryover Funds (SOY) . . .	9,576 2/	\$5,394	--	--
4) Economy Act/Misc.Other	850	1,304	1,000	--
5) Auctions Cost Recovery/ Reimbursements (P.L. 104-104) . .	30,451	46,076	46,076	--
6) No-year Carryover Funds (EOY) . .	(\$5,394)	--	--	--
Subtotal Other Offsetting Collections	\$35,483	\$52,774	\$47,076	--
Total Budget Authority - Available to incur obligations	\$221,990	\$253,290	\$277,963	\$38,887 1/
Unobligated Offsetting Collections				
Available to be carried forward	(\$5,394)	TBD	TBD	
Prior Year RegFees	1,276			
Auctions conduct	4,118			

1/ Includes uncontrollable costs \$18,887; program requirements (automation initiatives) \$11,300; and \$8,700 for GSA payback.

2/ FY-98 (SOY) incl. \$4,400 Auctions reimb. carryover and \$5,176 Reg. Fees (Sec.9), of which the House and Senate Appropriations Subcommittees approved \$3,900 for FY-98 funding requirements.

**FY 2000 Budget Estimates to Congress
Summary of Requested Resources
[Dollars in Thousands]**

Distribution of Obligations:	FY 1998 Actual	FY 1999 Estimate	FY 2000 Request	Change To Obligations
Y2K Supplemental				
Other Obligations	--	8,516	--	--
Subtotal Supplemental Obligations	--	\$8,516	--	--
Direct Appropriation				
Personnel Compensation	\$20,600	\$12,491	\$25,128	\$12,637
Personnel Benefits	4,169	2,725	5,475	2,750
Benefits to Former Employees	38	7	13	6
Other Obligations	6,647	4,254	14,517	10,263
Subtotal Direct Obligations	\$31,454	\$19,477	\$45,133	\$25,656
Offsetting Collections - Obligations				
1) Regulatory Fees	155,053	172,523	185,754	13,231
Subtotal Obligations	\$186,507	\$192,000	\$230,887	\$38,887 5/
from Appropriated Funds: 1/ (Includes Direct and Regulatory Fees)				
Obligations - Other Offsetting Collections				
3) No-year Carryover Funds	4,182 2/	5,394 4/	--	--
4) Economy Act/Misc.Other	850	1,304	1,000	--
5) Auctions Cost Recovery/ Reimbursements (P.L. 104-104)	30,451 3/	46,076	46,076	--
Subtotal Obligations	\$35,483	\$52,774	\$47,076	--
from Other Offsetting Collections				
TOTAL OBLIGATIONS	\$221,990	\$253,290	\$277,963	\$38,887 5/
(Includes Direct & All Offsetting Collections)				

1/ The distribution of obligations between Direct B/A and Regulatory Fees(Offsetting Collections) is based on a percentage ratio of direct and regulatory fee authority to the total Budget Authority for each fiscal year.

2/ Obligation derived from the start-of-year (SOY) unobligated carryover of \$9,576 into FY-98.

3/ An additional \$5.444 million was obligated for administrative costs in the Auctions Installment Credit Program account. These costs are not reflected under the S&E appropriation.

4/ FY-99 carryover funds derived from Reg.Fees (Sec.9) \$1,276 and from Auctions funds \$4,118.

5/ Includes uncontrollable costs \$18,887; program requirements (automation initiatives) \$11,300; and \$8,700 for GSA payback.

**FY 2000 Budget Estimates to Congress
Summary of Requested Resources
[Dollars in Thousands]**

Outlays:	FY 1998	FY 1999	FY 2000
	Actual	Estimate	Request
Direct Appropriation			
Subtotal - Y2K Supplemental Authority.	--	\$8,516	--
Subtotal - Current Appropriated Authority. . .	31,454	19,477	45,133
Net Outlays 1/	\$31,454	\$27,993	\$45,133
Offsetting Collections - All Sources			
Subtotal - Current Appropriated Authority. . .	\$155,053	\$172,523	\$185,754
Subtotal - Other Offsetting Collections.	35,483	52,774	47,076
Total Offsetting Collections	\$190,536	\$225,297	\$232,830
TOTAL OUTLAYS (Gross) 1/	\$221,990	\$253,290	\$277,963

	FY 1998	FY 1999	FY 2000
	Actual	Funded	Funded
Total Compensable Workyears:			
OMB Full-Time Equivalent (FTEs) Authorized Ceiling:	2,005	1,975	1,975
Funded Full-Time Equivalent employment [FTEs]	2,005	1,930	1,930
Proposed Distribution of Ceiling:			
Direct 2/	318	182	353
Reimbursables 2/	1,682	1,788	1,617
Auctions Program Account	5	5	5
Total FTE Ceiling(1,930Funded and45 Unfunded)	2,005	1,975	1,975

1/ The distribution of outlays between Direct B/A and Regulatory Fees(Offsetting Collections) is based on a percentage ratio of direct and regulatory fee authority to the total Budget Authority for each fiscal year.

2/ The distribution of FTEs between Direct and Reimbursable is estimated based on the prorata distribution of compensation funds available from Direct Appropriation and Offsetting Collections. Offsetting Collections include Regulatory Fees, Auction Receipts for Direct operating costs including the costs of maintaining Credit program accounts (5 FTEs), and certain Economy Act Reimbursables, plus ceiling for for 45 additional FTEs if required in FY 2000.

FY 2000 Budget Estimates to Congress
SUMMARY TABLES
DISTRIBUTION OF RESOURCES
(Dollars in Thousands)

Summary

	FY 1998 <u>Actual</u>	Y2K Funding <u>Estimate</u>	FY 1999 <u>Estimate</u>	FY 2000 <u>Request</u>	Chg. to Requested <u>Budget Auth.</u>
Direct Appropriations including Regulatory Fee Authority:	\$186,507 ^{1/}	\$8,516 ^{2/}	\$192,000	\$230,887	\$38,887
No Year-Carryover Authority:					
-- Regulatory Fees (Sec.9)	\$3,898		\$1,276 ^{3/}	\$- -	\$- -
-- Auctions Carryover ^{4/}	<u>4,368</u>		<u>4,118</u>	<u>- -</u>	<u>- -</u>
Subtotal--No Year-Carryover Authority . .	\$8,266		\$5,394	\$- -	\$- -
Other Authority:					
-- Auctions Costs Recovery					
Reimbursable Authority	\$26,367		\$46,076	\$46,076	\$- -
-- Government/Other					
Reimbursable Authority	<u>850</u>		<u>1,304</u>	<u>1,000</u>	<u>- -</u>
Subtotal--Other Authority	\$27,217		\$47,380	\$47,076	\$- -
TOTAL GROSS BUDGET AUTHORITY (Net)	\$221,990	\$8,516	\$244,774	\$277,963	\$- -

^{1/} \$7K lapsed; original appropriation was \$186,514,000.

^{2/} Y2K funds available in FY 1999; funds may be obligated through FY 2001. These funds are managed separately from FY 1999 and FY 2000 appropriated funds.

^{3/} Assumes no carryover into FY 2000 from FY 1999. The FCC will request permission for use of these funds as stipulated in the general provisions of the Appropriations Act.

^{4/} Funds carried forward from FY 1998 into FY 1999 for the Auctions program.

**FY 2000 Budget Estimates to Congress
SUMMARY TABLES**

CURRENT APPROPRIATIONS BUDGET AUTHORITY

DISTRIBUTION OF RESOURCES
(Dollars in Thousands)

-- The following tables depict the prorata distribution of personnel compensation and benefits and other obligations for Fiscal Years 1998-2000 based on a percentage ratio of direct and offsetting collections budget authority to the total Budget Authority for each fiscal year.

DIRECT AUTHORITY-CURRENT:	FY 1998 <u>Actual</u>	Y2K Funding <u>Estimate</u> ^{5/}	FY 1999 <u>Estimate</u>	FY 2000 <u>Request</u>	Req. Incr. to <u>Direct B.A.</u>
11 Personnel Compensation	\$20,600	\$ - -	\$12,491	\$25,128	\$12,637
12 Personnel Benefits	4,169	- -	2,725	5,475	2,750
13 Benefits for Former Personnel	38	- -	7	13	6
Other Obligations by Object Class					
21 Travel & Transportation of Persons	206	500	107	212	105
22 Transportation of Things	14	- -	8	16	8
23 Rents, Communications, Utilities ^{6/}	3,720	300	2,320	6,416	4,096
24 Printing	203	200	118	232	114
25 Other Services ^{7/}	1,960	4,916	1,458	6,342	4,884
26 Supplies & Materials	265	- -	142	280	138
31 Equipment	271	2,600	63	946	883
32 Land, Buildings, Structures	- -	- -	- -	- -	- -
42 Insurance Claims & Indemnities	<u>8</u>	<u>- -</u>	<u>38</u>	<u>73</u>	<u>35</u>
Total Direct Authority Obligations	\$31,454	\$8,516	\$19,477	\$45,133	\$25,656

^{5/} Y2K funding available in FY 1999; funds may be obligated through FY 2001. These funds are not included in FY 1999 and FY 2000 base funds.

^{6/} Includes funds for GSA Rent (OC 23.1) and Communications and Utilities (OC 23.3).

^{7/} Includes funds for Other Services (OC 25.2), Federal Contracts (OC 25.3) and Services Contracts (OC 25.7).

SUMMARY TABLES

CURRENT APPROPRIATIONS BUDGET AUTHORITY

DISTRIBUTION OF RESOURCES

(Dollars in Thousands)

The following tables depict the prorata distribution of personnel compensation and benefits and other obligations for Fiscal Years 1998-2000 based on a percentage ratio of direct and offsetting collections budget authority to the total Budget Authority for each fiscal year.

AUTHORITY TO USE OFFSETTING COLLECTIONS:	FY 1998 <u>Actual</u>	Y2K Funding <u>Estimate</u>	FY 1999 <u>Estimate</u>	FY 2000 <u>Request</u>	Increase to <u>Offset.Collect.</u>
REGULATORY FEES-CURRENT					
11 Personnel Compensation	\$101,551	\$- -	\$110,656	\$103,414	(\$7,242)
12 Personnel Benefits	20,558	--	24,141	22,533	(1,608)
13 Benefits for Former Personnel	185	--	60	54	(6)
Other Obligations by Object Class					
21 Travel & Transportation of Persons	1,018	--	951	875	(76)
22 Transportation of Things	68	--	72	66	(6)
23 Rents, Communications, Utilities	18,337	--	20,546	26,405	5,859
24 Printing	998	--	1,041	955	(86)
25 Other Services	9,660	--	12,912	26,102	13,190
26 Supplies & Materials	1,304	--	1,253	1,153	(100)
31 Equipment	1,334	--	554	3,895	3,341
32 Land, Buildings, Structures	--	--	--	--	--
42 Insurance Claims & Indemnities	<u>40</u>	<u>--</u>	<u>337</u>	<u>302</u>	<u>(35)</u>
Total Obligations from Regulatory Fees	\$155,053	\$- -	\$172,523	\$185,754	\$13,231
Total Obligations from Direct Appropriations	\$186,507	\$8,516	\$192,000	\$230,887	+\$38,887

**FY 2000 Budget Estimates to Congress
SUMMARY TABLES**

NO-YEAR/CARRYOVER BUDGET AUTHORITY

DISTRIBUTION OF RESOURCES

(Dollars in Thousands)

REGULATORY FEES CARRYOVER:

-- The following table depicts the distribution of obligations made against Regulatory Fees collected in excess of legislated levels for FY 1996 and FY 1997, which are available for obligation until expended, for FY 1998 and FY 1999. At the time of this submission, we assumed no carryover into FY 2000.

	FY 1998 <u>Actual</u>	FY 1999 <u>Estimate</u>	FY 2000 <u>Request</u>	Req. Incr. to <u>Direct B.A.</u>
11 Personnel Compensation	\$ -	\$ -	\$ -	\$ -
12 Personnel Benefits	-	-	-	-
13 Benefits for Former Personnel	-	-	-	-
Other Obligations by Object Class				
21 Travel & Transportation of Persons	-	-	-	-
22 Transportation of Things	-	-	-	-
23 Rents, Communications, Utilities	14	-	-	-
24 Printing	-	-	-	-
25 Other Services	2,227	900	-	-
26 Supplies & Materials	9	-	-	-
31 Equipment	1,648	376	-	-
32 Land, Buildings, Structures	-	-	-	-
42 Insurance Claims & Indemnities	-	-	-	-
Total Regulatory Fees	\$3,898	\$1,276 ^{8/}	\$ -	\$ -

^{8/} The FCC will request permission for use of these funds as stipulated in the general provisions of the Act.

**FY 2000 Budget Estimates to Congress
SUMMARY TABLES**

NO-YEAR/CARRYOVER BUDGET AUTHORITY

DISTRIBUTION OF RESOURCES

(Dollars in Thousands)

AUCTIONS CARRYOVER:

-- The following table depicts the distribution of obligations from Auctions funds brought forward from available unobligated balances in FY 1997 for the purpose of conducting auctions early in FY 1998, prior to the deposit of receipts which could be transferred for auctions operating costs. Assumes no carryover into FY 1999 and FY 2000.

	FY 1998 <u>Actual</u>	FY 1999 <u>Estimate</u>	FY 2000 <u>Request</u>	Req. Incr. to <u>Direct B.A.</u>
11 Personnel Compensation	\$552	\$878	\$- -	\$- -
12 Personnel Benefits	98	159	--	--
13 Benefits for Former Personnel	--	--	--	--
Other Obligations by Object Class				
21 Travel & Transportation of Persons	19	5	--	--
22 Transportation of Things	--	--	--	--
23 Rents, Communications, Utilities	183	592	--	--
24 Printing	1	--	--	--
25 Other Services	1,827	2,325	--	--
26 Supplies & Materials	26	20	--	--
31 Equipment	1,662	139	--	--
32 Land, Buildings, Structures	--	--	--	--
42 Insurance Claims & Indemnities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Auctions Carryover	\$4,368	\$4,118	\$- -	\$- -

**FY 2000 Budget Estimates to Congress
SUMMARY TABLES**

OTHER BUDGET AUTHORITY

DISTRIBUTION OF RESOURCES

(Dollars in Thousands)

AUCTIONS COST RECOVERY REIMBURSABLE AUTHORITY:

-- The following table depicts the distribution of potential obligations utilizing auctions costs recovery reimbursable authority for FY 1998, FY 1999 and FY 2000.

	FY 1998 <u>Actual</u>	FY 1999 <u>Estimate</u>	FY 2000 <u>Request</u>	Req. Incr. to <u>Direct B.A.</u>
11 Personnel Compensation	\$7,277	\$8,349	\$8,349	\$ -
12 Personnel Benefits	924	2,148	2,148	--
13 Benefits for Former Personnel	--	--	--	--
Other Obligations by Object Class				
21 Travel & Transportation of Persons	15	248	248	--
22 Transportation of Things	1	120	120	--
23 Rents, Communications, Utilities	2,915	2,475	2,475	--
24 Printing	170	468	468	--
25 Other Services	11,990	25,382	25,382	--
26 Supplies & Materials	168	179	179	--
31 Equipment	2,907	6,707	6,707	--
32 Land, Buildings, Structures	--	--	--	--
42 Insurance Claims & Indemnities	--	--	--	--
Total Auctions Costs Recovery Reimbursable Authority	\$26,367^{9/}	\$46,076	\$46,076	\$ -

^{9/} This does not include the \$5.444 million administrative costs required to maintain the Spectrum Auctions credit programs. Those costs are funded from auctions receipts and are reflected in the Spectrum Auction Program/Financing Accounts section of the President's Budget. Treasury does not include these funds under Direct Salaries and Expenses Appropriation for the FCC.

**FY 2000 Budget Estimates to Congress
SUMMARY TABLES**

OTHER BUDGET AUTHORITY

DISTRIBUTION OF RESOURCES
(Dollars in Thousands)

GOVERNMENT/OTHER REIMBURSABLE AUTHORITY:

-- The following table depicts the distribution of Economy Act/Other Reimbursable estimated obligations for FY 1998, FY 1999 and FY 2000.

	FY 1998 <u>Actual</u>	FY 1999 <u>Estimate</u>	FY 2000 <u>Request</u>	Req. Incr. to <u>Direct B.A.</u>
11 Personnel Compensation	\$358	\$425	\$350	\$-
12 Personnel Benefits	32	77	50	--
13 Benefits for Former Personnel	--	--	--	--
Other Obligations by Object Class				
21 Travel & Transportation of Persons	83	300	150	--
22 Transportation of Things	1	--	--	--
23 Rents, Communications, Utilities	3	--	--	--
24 Printing	--	--	--	--
25 Other Services	80	100	75	--
26 Supplies & Materials	160	100	175	--
31 Equipment	133	302	200	--
32 Land, Buildings, Structures	--	--	--	--
42 Insurance Claims & Indemnities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Govt./Other Reimbursable Authority	\$850	\$1,304	\$1,000	\$-

FY 2000 Budget Estimates to Congress

FY 2000 SUMMARY OF CHANGES

**Increased Funding Requested by Object Class Code
(Dollars in thousands)**

BOCC 11.00/12.00/13.00 - Salary Costs (net) . . .	\$6,537
(o Fixed Costs)	\$6,537)
BOCC 21-42 - Other Obligations	\$32,350
(o Fixed Costs)	\$12,350)
(o Programmatic Increases)	\$11,300)
(o GSA Payback)	\$8,700)
Total Increase	\$+38,887

This section provides a description of the increased funding requested for FY 2000 by budget object class code. These requested increments are to be funded from the Direct Budget Authority and Offsetting Collections (regulatory fees), available to the FCC.

Personnel Changes

<u>BOCC 11.00 Compensation</u>	\$+5,395
o Pay Raise for 75% of FY 2000	
Provides funds for uncontrollable cost increases resulting from the FY 2000 pay raise (4.4%) effective January 2000 (75% of FY 2000)	4,309
o Pay Raise annualized for FY 1999	
Provides funds for uncontrollable cost increases which are the result of the FY 1999 pay raise annualized for 25% of FY 2000	1,086
<u>BOCC 12.00 Benefits</u>	\$+1,142
o Benefits associated with compensation increases necessary to fund the pay raise for 75% of FY 2000	
Provides funds for uncontrollable increased benefits costs to the agency for 75% of FY 2000 for the pay raise	873
o Benefits annualized for FY 1999	
Provides funds for uncontrollable increased costs of agency benefits associated with FY 1999 pay raise annualized for 25% of FY 2000 including increases for CSRS contributions	269
<u>BOCC 13.00 Benefits for Former Personnel</u>	\$0

Other Obligations

<u>BOCC 21.00 Travel and Transportation of Persons</u>	\$+29
o Domestic/Joint Board/International Travel	
Provides additional funds for travel and transportation costs, developed in accordance with the Office of Management and Budget guidelines to cover inflationary cost (2.3%)	28
o Leased, Passenger Vehicles	
Provides inflationary cost increases (2.3%)	1
<u>BOCC 22.00 Transportation of Things</u>	\$+2
o Transportation of Things	
Provides inflationary cost increases (2.3%)	1
o Rent, Non-Passenger GSA and Commercial Vehicles	
Provides inflationary cost increases (2.3%)	1
<u>BOCC 23.00 Rents, Communications, Utilities</u>	\$+9,955
o GSA Space Rent	
Provides funds for proposed GSA rent increases at the Portals (\$9,618,000) as well as field office space (\$129,000)	9,747
o Non-GSA Space Rent	
Provides funds for inflationary cost increases (2.3%)	22
o GSA and Non-GSA Telephones	
Provides funds for inflationary cost increases (2.3%)	103
o Mail Service--Postage	
Provides funds for inflationary cost increases (2.3%)	26
o GSA, Electric, Other Utilities	
Provides funds for inflationary cost increases (2.3%)	22
o Telecommunications Service--Non-GSA	
Provides funds for inflationary cost increases (2.3%)	15

o ADP/Copier/Equipment Rental Provides funds for inflationary cost increases (2.3%)	20
<u>BOCC 24.00 Printing and Reproduction</u>	\$+28
o Printing/Reproduction/Binding Provides funds for inflationary cost increases (2.3%)	28
<u>BOCC 25.00 Other Contractual Services</u>	\$+18,074
o Commission-wide Information Technology Requirements Provides funds for contract services to support life-cycle replacement of obsolete public access and specialized application infrastructure, maintain new or upgraded tracking and electronic filing systems that will be upgraded in FY 1998 and FY 1999, and to enhance automation and electronic filing systems to improve functionality and/or increase productivity	7,076
o Contract Services--Non-Federal Provides funds for inflationary cost increases (2.3%)	69
o ADP Data Retrieval Services Provides funds for inflationary cost increases (2.3%)	10
o Training/Tuition/Fees Provides funds for inflationary cost increases (2.3%)	5
o Contract Purchases - Federal Provides funds for inflationary cost increases (2.3%) (\$17,000) for base funding for guard service, net increase to GSA for Federal Protective Services (\$527,000), and funds for additional guard services and garage operations at the Portals (\$1,500,000)	2,044
o Interagency Contracts Provides funds for inflationary cost increases (2.3%) and funds to begin repayment of relocation costs to the General Services Administration	8,723
o Space Repair Provides funds for inflationary cost increases (2.3%)	2
o Health Services Provides funds for inflationary cost increases (2.3%)	2
o Repair/Maintenance of Vehicles Provides funds for inflationary cost increases (2.3%)	1

o ADP Software/Equipment Maintenance Provides funds for inflationary cost increases (2.3%)	22
o Repair Office Equipment/Furniture Provides funds for inflationary cost increases (2.3%)	16
o ADP Service Contracts Provides funds for inflationary cost increases (2.3%)	103
o Telephone Maintenance Provides funds for inflationary cost increases (2.3%)	1
<u>BOCC 26.00 Supplies and Materials</u>	\$+38
o Field Fuel Supplies Provides funds for inflationary cost increases (2.3%)	2
o ADP Supplies Provides funds for inflationary cost increases (2.3%)	2
o Comm. Subscriptions/Periodicals Provides funds for inflationary cost increases (2.3%)	8
o General Supplies/Materials Provides funds for inflationary cost increases (2.3%)	26
<u>BOCC 31.00 Equipment</u>	\$+4,224
o Commission-wide Automation Requirements Provides funds for mandatory life-cycle equipment replacement, as well as infrastructure network equipment upgrades and additional equipment to enhance current automation and electronic filing systems to increase productivity	4,224
<u>BOCC 32.00 Lands and Structures</u>	\$0
<u>BOCC 42.00 Insurance Claims and Indemnities</u>	\$0

FY 2000 Budget Estimates to Congress

ALLOCATION OF OBLIGATIONS BY OBJECT CLASS CODE
(\$000)

OBJECT CLASS CODE	Actual FY 1998	Y2K Funding FY 1999	Estimated FY 1999	Uncontrollable Cost Increase FY 2000 Base	FY 1999 Current Services	Programmatic Increases/ GSA Payback	FY 2000 Total Request
11 Personnel Compensation	\$122,151	\$0	\$123,147	\$5,395	\$128,542	\$0	\$128,542
12 Personnel Benefits	24,727	0	26,866	1,142	28,008	0	28,008
13 Benefits for Former Personnel	223	0	67	0	67	0	67
21 Travel & Trans. of Persons	1,224	0	1,058	29	1,087	0	1,087
22 Transportation of Things	82	0	80	2	82	0	82
23.1 Rental Payments to GSA	15,508	800	15,662	9,747	25,409	0	25,409
23.3 Other Rents, Communications, Utilities	6,549	0	7,204	208	7,412	0	7,412
24 Printing	1,201	200	1,159	28	1,187	0	1,187
25.2 Other Services	3,264	4,916	4,602	89	4,691	0	4,691
25.3 Purchase of Goods and Services from Government Accounts	2,157	0	1,617	2,067	3,684	8,700	12,384
25.7 Operation and Maint. of Equip./ Software/Information Systems	6,199	0	8,151	142	8,293	7,076	15,369
26 Supplies & Materials	1,569	0	1,395	38	1,433	0	1,433
31 Equipment	1,605	2,600	617	0	617	4,224	4,841
32 Land, Buildings, Structures	0	0	0	0	0	0	0
42 Insur. Claims & Indemnities	48	0	375	0	375	0	375
SUB TOTAL OBLIGATIONS-APPROPRIATION AUTHORITY (Direct and Offsetting Collections)	\$186,507	\$8,516 1/	\$192,000	\$18,887	\$210,887	\$20,000	\$230,887
Reg. Fees (Sec. 9) Carryover	3,898		1,276 2/				
Auction Reimb. Carryover	4,368		4,118				
Reimbursables - Gov't/Other	850		1,304		1,000		1,000
Auctions Cost Recovery-Reimbursement	26,367		46,076		46,076		46,076
TOTAL REQUEST	\$221,990	\$8,516	\$244,774	\$18,887	\$257,963	\$20,000	\$277,963

1/ The Commission received \$8,516,000 in Y2K Emergency Supplemental funding in FY 1999.

2/ The FCC will request permission for use of these funds as stipulated in the general provision of the Appropriations Act.

FY 2000 Budget Estimates to Congress
PRORATA ALLOCATION OF OBLIGATIONS BY OBJECT CLASS CODE

-- The following tables depict the prorata distribution of personnel compensation and benefits and other obligations for Fiscal Years 1999-2000 based on a percentage ratio of direct and offsetting collections budget authority to the total Budget Authority for each fiscal year.

OBJECT CLASS CODE	FY 1999 Funding Source (\$000)				FY 2000 Funding Source (\$000)							
	Direct Authority	+	Y2K Funding	+	Offsetting Collections	=	FY 1999 Total OC Allocation	Direct Authority	+	Offsetting Collections	=	FY 2000 Total OC Allocation
11 Personnel Compensation	\$12,491		\$0		\$110,656		\$123,147	\$25,128		\$103,414		\$128,542
12 Personnel Benefits	2,725		0		24,141		26,866	5,475		22,533		28,008
13 Benefits for Former Personnel	7		0		60		67	13		54		67
21 Travel & Trans. of Persons	107		0		951		1,058	212		875		1,087
22 Transportation of Things	8		0		72		80	16		66		82
23 Rents, Communications, Utilities	2,320		800		20,546		23,666	6,416		26,405		32,821
24 Printing	118		200		1,041		1,359	232		955		1,187
25 Other Services	1,458		4,916		12,912		19,286	6,342		26,102		32,444
26 Supplies & Materials	142		0		1,253		1,395	280		1,153		1,433
31 Equipment	63		2,600		554		3,217	946		3,895		4,841
32 Land, Buildings, Structures	0		0		0		0	0		0		0
42 Insur. Claims & Indemnities	38		0		337		375	73		302		375
Appropriation-Direct B/A	\$19,477		\$8,516 1/				\$27,993 1/	\$45,133				\$45,133
Appropriation-Offsetting Collections B/A:												
Regulatory Fees					\$172,523		172,523			\$185,754		185,754
Subtotal-B/A in language							\$200,516					\$230,887
Reg. Fees (Sec. 9) Carryover					1,276		1,276 2/					
Auction Reimb. Carryover					4,118		4,118					
Reimbursables - Gov't/Other (Est.)					1,304		1,304			1,000		1,000
Auctions Cost Recovery-Reimbursement (Est.)					46,076		46,076			46,076		46,076
Total Gross Budget Authority							\$253,290					\$277,963

1/ The Commission received \$8,516,000 in Y2K Emergency Supplemental funding in FY 1999.

2/ The FCC will request permission for use of funds as stipulated in the general provisions of the Appropriations Act.

**FEDERAL COMMUNICATIONS COMMISSION
AUTHORIZATION OF SERVICE
Customer Service Goals**

Cable Services Bureau	Routine	Non-Routine
Must Carry	120 days	
Area of Dominant Influence	120 days	
Program Access	12 months	
Effective Competition	6 months	
Over the Air Reception Devices	6 months	
Open Video Systems Complaints	180 days	
Commercial Leased Access	12 months	
Appeals from Local Rate Orders	20 months	
Aeronautical Frequency Notification	60 days	
Registration Statements	30 days	
CARS Microwave Applications	80 days	
Pre-1996 Act Rate Complaints (Form 393)	20 months	
Pre-1996 Act Rate Complaints (Form 1200)	20 months	
1996 Act Rate Complaints	90 days	
Pole Attachments	12 months	
 Common Carrier Bureau		
Informal Complaints	6 months	
Formal Complaints	12-15 months	
FOIA Requests	20 days	
Tariff Filings	45 days	
Part 68 Equipment Authorization	15 days	
Section 214 filings	45 days	
Section 251-Network Change Notifications	15-45 days	
Section 225-TRS	240 days	
Section 271 Applications	90 days	
 Compliance and Information Bureau		
Investigations of Communications Problems	Various depending on type	
Enforcement Actions	As scheduled	
Ship Inspections	4 hours	
Direction-Finding	5 minutes	
Monetary Forfeitures	30 days	
Inquiries and Complaints		
Telephone	4 minutes	
e-mail	24 hours	
EAS State and Local Plans	2 weeks	

	Routine	Non-Routine
International Bureau		
Section 214 Streamlined Applications	60 days	
Section 214, Non-Streamlined/Opposed	156 days	
Satellite Earth Station Applications	60 days	
Satellite Space Station Applications	145 days	
Section 325-C Applications	60 days	
International HF-Broadcast Station-License	90 days	
International HF-Broadcast Station-Renewal	90 days	
International HF-Broadcast Station-CP	145 days	
Mass Media Bureau		
FM & Television Allotment Cases	8 months	24 months
FM & Television Allotment Appeals		24 months
AM & FM New and Major Changes	9 months	18 months
FM Translator New and Major Changes	9 months	18 months
AM, FM & FM Translator Facility Changes	5 months	18 months
AM, FM & FM Translator Licenses	3 months	18 months
AM, FM & FM Translator Ext. of Time	3 months	18 months
AM, FM & FM Translator Assign. & Transfers	2 months	6 months
AM, FM & FM Translator/Booster Renewals	4 months	18 months
AM, FM & FM Translator Appeals		6 months
TV New and Major Changes	6 months	12 months
TV License and Facility Changes	3 months	12 months
TV Extensions of Time to Construct	3 months	12 months
TV Assignments and Transfers	2 months	6 months
TV Renewals	5 months	9 months
TV Appeals		12 months
ITFS New and Major Changes	8 months	18 months
ITFS License and Facility Changes	2 months	12 months
ITFS Extensions of Time to Construct	2 months	12 months
LPTV Translator New and Major	18 months	36 months
LPTV Translator License & Facility Changes	6 months	18 months
LPTV Translator Extensions of Time	6 months	18 months
LPTV/TV Translator Assign. & Transfers	6 months	12 months
LPTV/TV Translator Renewals	5 months	9 months
LPTV/TV Translator Appeals		12 months
Broadcast EEO	4 months	42 months
Cable EEO	15 months	24 months
Cable & Broadcast EEO Appeals	24 months	36 months
Fairness/Political Programming		
Complaints and Inquiries	4 months	36 months
Complaints and Inquiries (Non-Fairness/Political)	2 months	24 months

Routine**Office of Engineering and Technology**

Equipment Authorization	90 days
Experimental Radio	90 days

Wireless Telecommunications Bureau**Land Mobile**

Broadcast Auxiliary	60 days
Business	90 days
General Mobile Radio	60 days
IG/YG Business Pool	90 days
Interactive Video Data	60 days
Land Transportation	60 days
Other Industrial	60 days
Public Safety	60 days
PW/YW Public Safety Pool	60 days
220 MHz	90 days
470-512 MHz	90 days
800/900 Base	90 days
800/900 Mobile	90 days

Amateur	60 days
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Antenna	60 days
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Aviation	60 days
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Cellular	
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Major Modification	90 days
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Minor Modification	60 days
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New Application	90 days
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Renewal	90 days
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CLM

Minor Modification	60 days
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New & Major Modifications	120 days
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Renewal	120 days
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Coast & Ground

Coast	90 days
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Ground	90 days
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FRC

Commercial	60 days
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Restricted	60 days
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Marine	60 days
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Microwave

Broadcast Auxiliary	60 days
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Multiple Address	90 days
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Common Carrier Fixed	90 days
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Private Operations Fixed	90 days
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	Digital Electronic Message	90 days
	Local Television Transmission	90 days
PCS		
	Broadband-Major Modifications	90 days
	Broadband-Minor Modifications	90 days
	Broadband-New Applications	90 days
	Broadband-Renewals	90 days
	Broadband-Transfers & Assignments	90 days
	Narrowband-Major Modifications	90 days
	Narrowband-Minor Modifications	90 days
	Narrowband-New Applications	90 days
	Narrowband-Renewals	90 days
	Narrowband-Transfers & Assignments	90 days



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

OCT 23 1998

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

Dear Chairman Burton:

On July 16, 1998, Ms. Judy A. England-Joseph, Director, Housing and Community Development Issues, Resources, Community, and Economic Development Division, General Accounting Office (GAO), delivered the following testimony to the U.S. Senate's Committee on Commerce, Science, and Transportation: Schools and Libraries Corporation - Actions Needed to Strengthen Program Integrity Operations Before Committing Funds (GAO/T-RCED-98-243). This testimony included recommendations to me as Chairman of the Commission.

This is to confirm that, in response to the GAO's recommendations conveyed in its testimony before the Senate Commerce Committee, I directed the Schools and Libraries Corporation to implement each of the recommendations made by the GAO. A copy of that letter is enclosed. The Schools and Libraries Corporation has been working closely with the GAO to implement each of the recommendations and is in the final stages of that implementation.

Thank you for the valuable input you have provided to both the Commission and the Schools and Libraries Corporation.

Sincerely,

William E. Kennard
Chairman

Enclosure

cc: Office of Management and Budget
General Accounting Office



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

July 16, 1998

Ira Fishman
Chief Executive Officer
Schools and Libraries Corporation
1023 - 15th Street, N.W.
Suite 200
Washington, D.C. 20005

Dear Mr. Fishman:

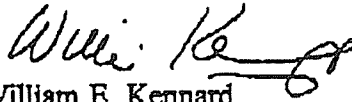
Consistent with the recommendations of the General Accounting Office, I request the Schools and Libraries Corporation (SLC) complete the following actions before issuing any funding commitment letters to applicants for the schools and libraries universal service support mechanism:

1. Conduct detailed reviews of a random sample of applications to assess not only the soundness of these applications but also the overall effectiveness of SLC's program integrity procedures for detecting ineligible applicants, ineligible services, and inappropriate discount levels as defined by Commission orders. Should these reviews reveal systemic weaknesses in program integrity procedures or their implementation, SLC should take corrective actions before committing any funds;
2. Finalize procedures, automated systems, and internal controls for the post-commitment phase of the program's funding cycle, including funds disbursement; and
3. Obtain a report from its independent auditor that finds that SLC has developed an appropriate set of internal controls to mitigate against waste, fraud, and abuse.

In addition, I request SLC, before issuing funding commitment letters to those applications identified as "high risk," conduct detailed reviews of the technology plans and related documents to determine whether the applicants have the resources to use effectively the services requested and whether the applications are in compliance with Commission rules regarding eligibility.

I am pleased, as reflected in your testimony to the Senate Commerce Committee, that SLC has agreed that it can and will undertake these steps. Thanks to you and the staff of SLC.

Sincerely,

A handwritten signature in cursive script, appearing to read "Will Kennard". The signature is written in dark ink and is positioned above the printed name.

William E. Kennard
Chairman



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

OCT 23 1998

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

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General Accounting Office



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WASHINGTON

OFFICE OF
CHAIRMAN

July 16, 1998

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Schools and Libraries Corporation
1023 - 15th Street, N.W.
Suite 200
Washington, D.C. 20005

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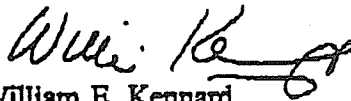
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Chairman