



Federal Communications Commission

Fiscal Year 2006 Budget Estimates

Submitted to Congress

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INTRODUCTION

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

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

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

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

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

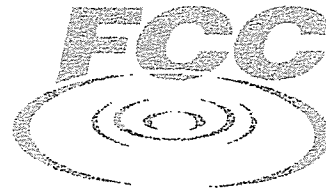
For these reasons, it can fairly be said that no independent agency has a more pervasive impact on our lives today, or on our potential for tomorrow, than the FCC. To successfully carry out the responsibilities imposed on it by Congress and by the exigencies of new technology, the FCC is



requesting a Fiscal Year 2006 budget of \$304,057,000. We project we will work 1,999 full-time equivalents (FTEs) from all available resources to carry out our mission for the American people.

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

- a. **Broadband** – Broadband, both wired and wireless, is the digital highway over which advanced Internet-based services are made available to homes, businesses, schools, and hospitals. As such, it has become an integral element of our Nation's economic stability and growth. The FCC will continue its efforts in FY 2006 to assure that competition, innovation, and investment in broadband services continues apace. It will also closely monitor and report to Congress and the American people on the Nation's progress toward the deployment of broadband services in the United States and abroad.
- b. **Competition** – In FY 2006 the FCC will continue its important work of supporting and enhancing the Nation's economy through implementing the investment and competition-enhancing provisions of national telecommunications law. This includes the licensing and authorization of several thousand communications products and services each year. It also includes vigorous enforcement and consumer education programs. By carrying out programs in this area the FCC will help ensure that the communications and video programming revolution continues and that all consumers will have the opportunity to make meaningful choices among and have access to communications services.
- c. **Spectrum** – Electromagnetic spectrum is the means by which most new advanced telecommunications services are transmitted. The explosion of new digital services has placed huge new demands on this traditionally scarce resource, and allocating its private-sector use has always been one of the FCC's fundamental responsibilities. The pioneering work of the FCC's Spectrum Management Task Force is producing new approaches to spectrum management, freeing up more of this valuable resource for innovative uses and shortening the time it takes to make spectrum available. These initiatives, as well as the FCC's ongoing efforts to encourage the highest and best use of spectrum domestically and internationally, will be even more essential in FY 2006 if the United States is to encourage the growth and rapid deployment of innovative and efficient communications technologies and services.
- d. **Media** – In FY 2006 the FCC will continue its management of the Digital TV transition process, pursuant to which over-the-air broadcasters will convert to digital transmission and relinquish their current channels, which can then be reallocated to commercial and public safety uses. The FCC will also continue to clarify and ensure compliance with general media regulations
- e. **Homeland Security** – The FCC is dedicated to providing the leadership and policy guidance necessary to promote the reliability, security, and survivability of our Nation's communications



infrastructure. The Commission will also continue to steward the spectrum resources of public safety's first responders and promote new life saving technologies like wireless E 911.

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



EXECUTIVE SUMMARY

In order to attain the goals set forth in our Strategic Plan and implement the FY 2006 Performance Budget, **the Federal Communications Commission ("FCC") is requesting an FY 2006 appropriation of \$304,057,000¹ We project the FCC will work 1,999 full-time equivalents (FTEs) in FY 2006 from these requested resources.**

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

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

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

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



FY 2005 Baseline Assumptions

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

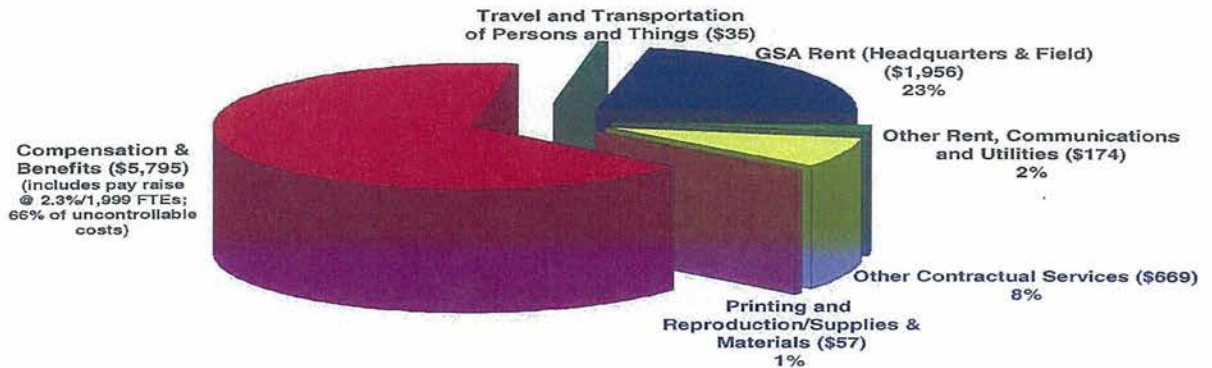
The FCC's success in meeting the future needs of both consumers and the communications industries is tied directly to the resources requested in this document.

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

FY 2006 Current Services

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

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



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

FY 2006 Programmatic Increases

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

The incremental details of the FY 2006 request include:

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



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

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

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

Cost Recovery Programs

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

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

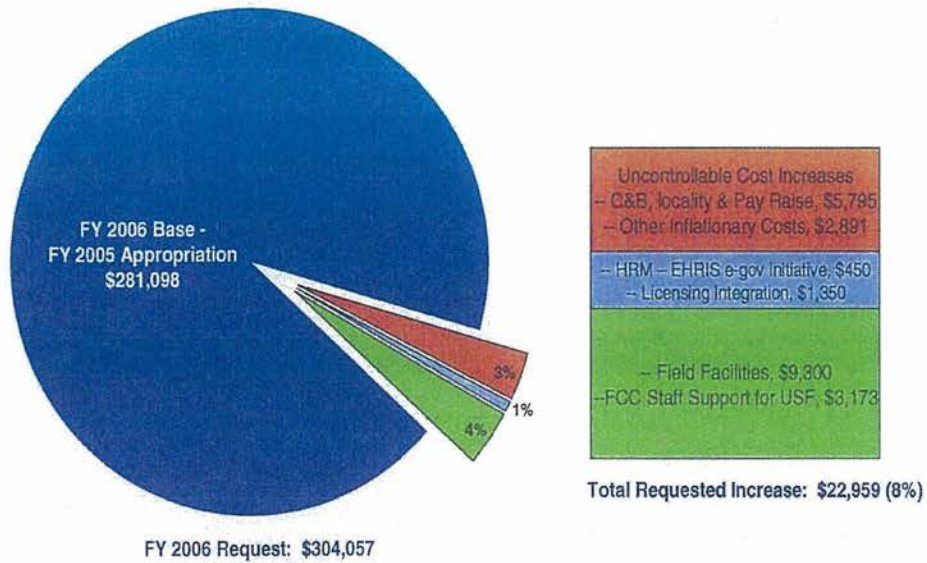


Since FY 1994, the fee offset to the FCC's appropriation has increased from 37% in the initial year of implementation to more than 99% of the agency's FY 2004 and FY 2005 appropriations. The FY 2006 proposal would offset approximately 98% of the total request.

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

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

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



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

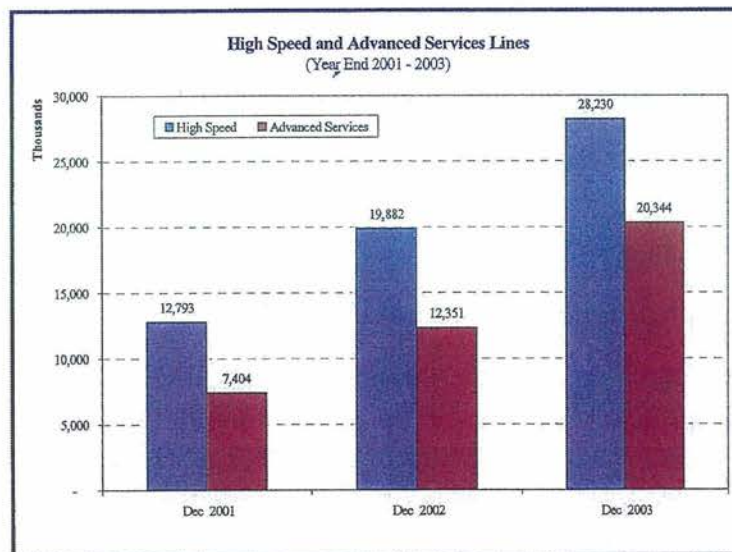
FISCAL YEAR 2006 PERFORMANCE PLAN¹

STRATEGIC GOAL #1: *BROADBAND*²

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

Progress Toward Goal:

A. Highlights:



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

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

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

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

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

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

B. Scorecard:

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

Future Performance (FY05 and FY06) Commitments:

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

Required Resources:

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

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

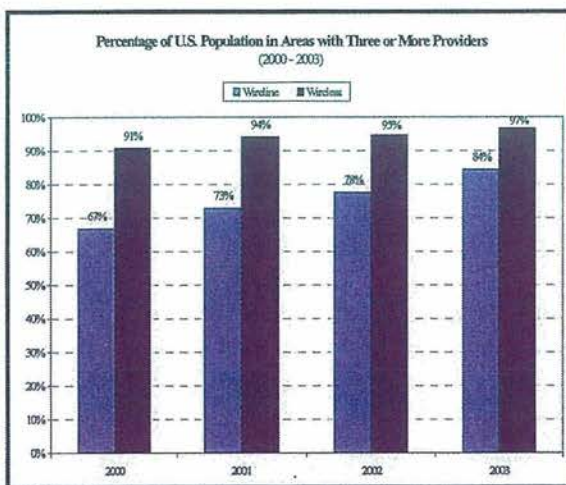
Funds and Staff					
FY 2004		FY 2005		FY 2006	
\$11,986,369	98 FTE's	\$17,848,875	134 FTE's	\$18,401,284	134 FTE's

STRATEGIC GOAL #2: COMPETITION³

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

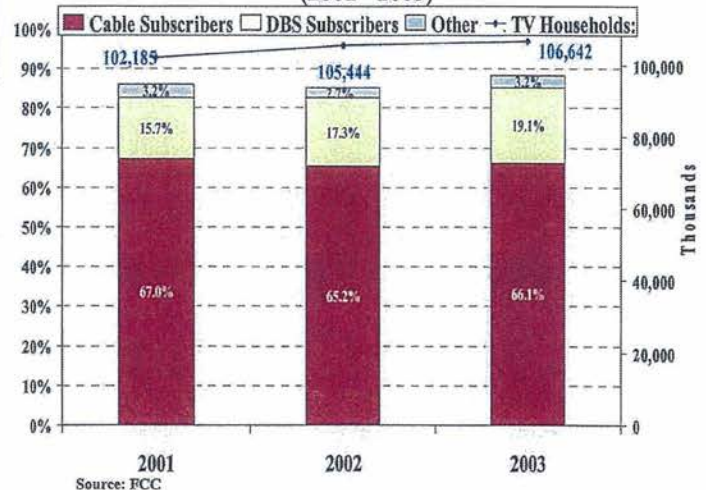
Progress Toward Goal:

A. Highlights



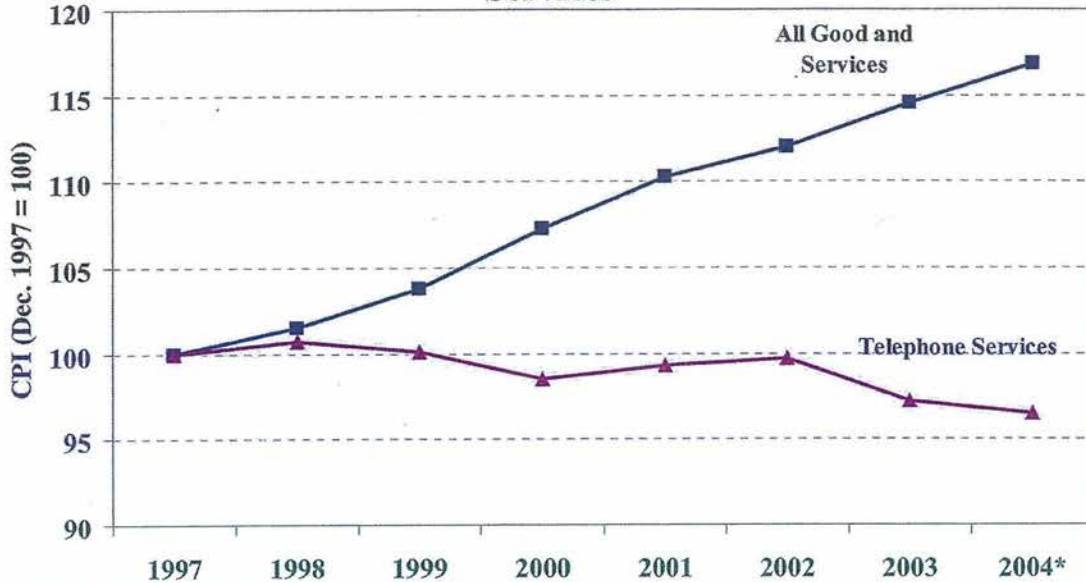
Sources: *Ninth Annual CMRS Competition Report*, FCC 04-216 (rel. September 28, 2004), Appendix D, Table 10; *Local Telephone Competition: Status as of December 31, 2003*, (rel. June 18, 2004), Table 15.

TV Households and MVPD Subscribers as a Percentage (2001 - 2003)



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

Consumer Price Indices Telephone Services Compared to All Goods and Services

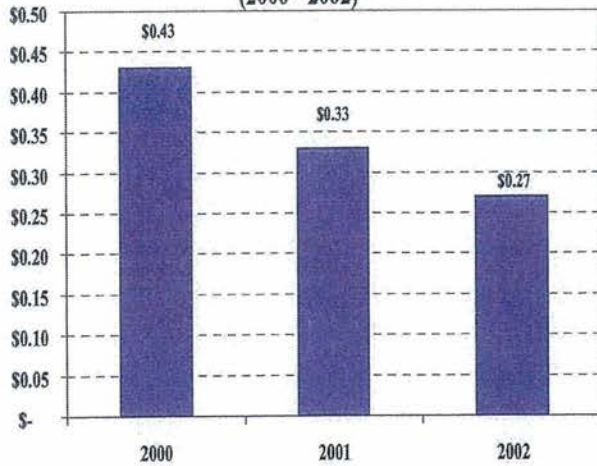


Source: Bureau of Labor Statistics.

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

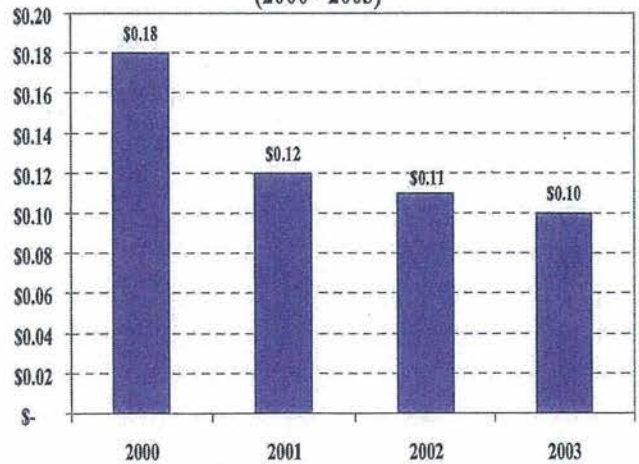
* Jan - June

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



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

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



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

B. Scorecard

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

Future Performance (FY05 and FY06) Commitments:

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

Required Resources:

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

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

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

STRATEGIC GOAL #3: *SPECTRUM*⁴

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

Progress Toward Goal:

A. Highlights

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

Source: OET Lab

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

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



Potential Long-term Outcomes for Spectrum

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

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

FCC 2004 Performance Measure Scorecard				
Activities	Exceeded Goal	Met Goal	Did Not Meet Goal	Data Not Available
1. Continue implementation of recommendations made by the Spectrum Policy Task Force and take steps to improve the efficient and effective use of spectrum such as promoting the use of spectrum for new efficient technologies and systems.		X		
2. Increase the number of new spectrum users.		X		
3. Negotiate and enforce satellite and other coordination treaties with affected countries.		X		
4. Develop rules to permit the licensing of innovative satellite technologies.		X		
5. Advance U.S. positions on spectrum through the International Telecommunications Union and other fora, including preparations for WRC-07.		X		
6. Enforce satellite milestones.		X		
7. Encourage the deployment of new spectrum efficient technologies, including spread spectrum systems, ultra-wideband systems and cognitive radio.		X		
8. Enforce regulations and investigate complaints affecting communications systems and infrastructure.		X		
9. Construct anechoic test facility for making sensitive measurements for advanced equipment and systems at the Columbia Engineering Laboratory.		X		
10. Increase reliance on market-driven transactions to promote and facilitate efficient spectrum usage.		X		

Future Performance (FY05 and FY06) Commitments:

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

Required Resources:

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

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

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

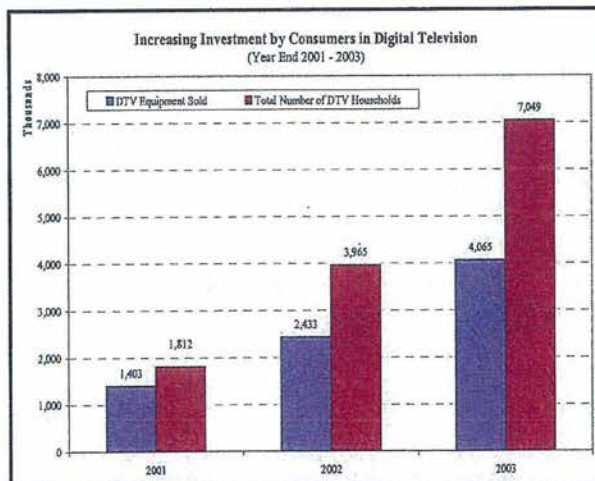
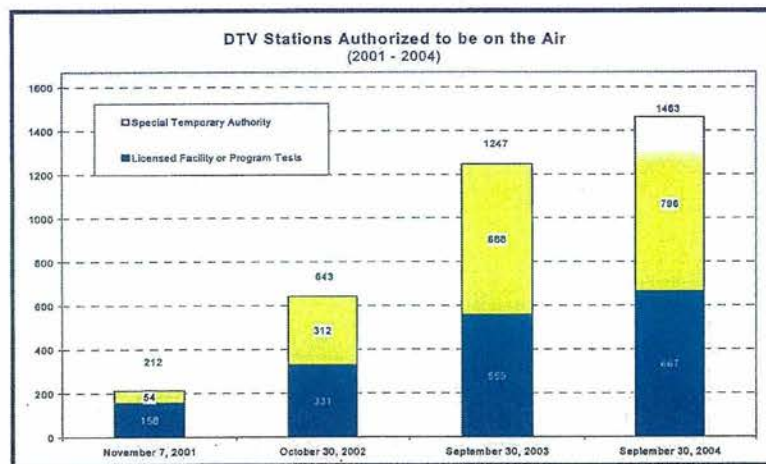
STRATEGIC GOAL #4: MEDIA⁵

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

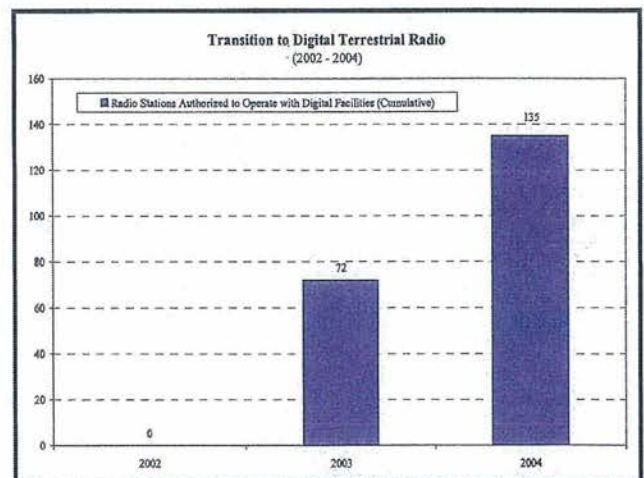
Progress Toward Goal:

A. Highlights

Source: Media Bureau Consolidated Database Systems (CDBS).



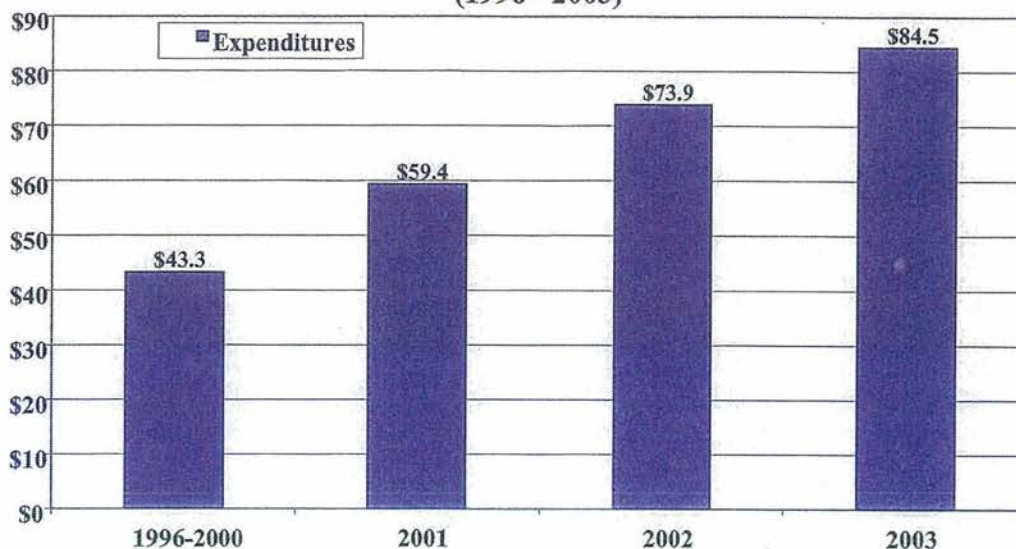
Source: Media Bureau Consolidated Database System (CDBS).



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

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

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



Source: National Cable & Telecommunications Association Cable Developments 2004.

B. Scorecard

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

Future Performance (FY05 and FY06) Commitments:

- Targets
 - 1) Increasing investment in and deployment of digital programming, equipment, and infrastructure by both industry and consumers.
 - 2) Promoting competition, diversity, and localism in the media marketplace.

- Planned Program Evaluations to be Released in:
 - FY 2007 budget – Universal Service Fund
 - FY 2008 budget – Spectrum Auction Program Account
 - FY 2009 budget – Spectrum Auction Direct Loan Financing Account
 - FY 2010 budget – FCC (General Salaries and Expenses)

Required Resources:

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

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

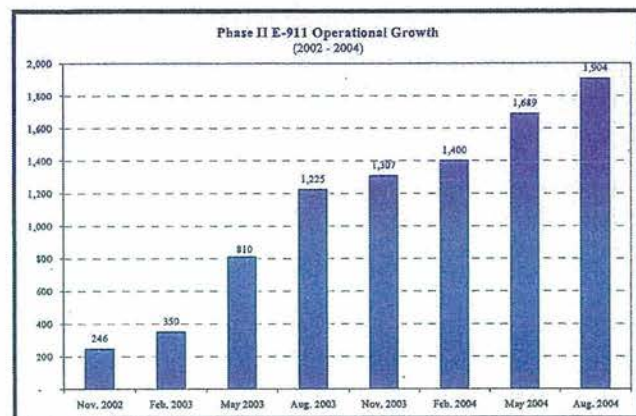
Funds and Staff					
FY 2004		FY 2005		FY 2006	
\$25,804,004	157 FTE’s	\$27,967,922	172 FTE’s	\$28,833,508	172 FTE’s

STRATEGIC GOAL #5: *HOMELAND SECURITY*⁶

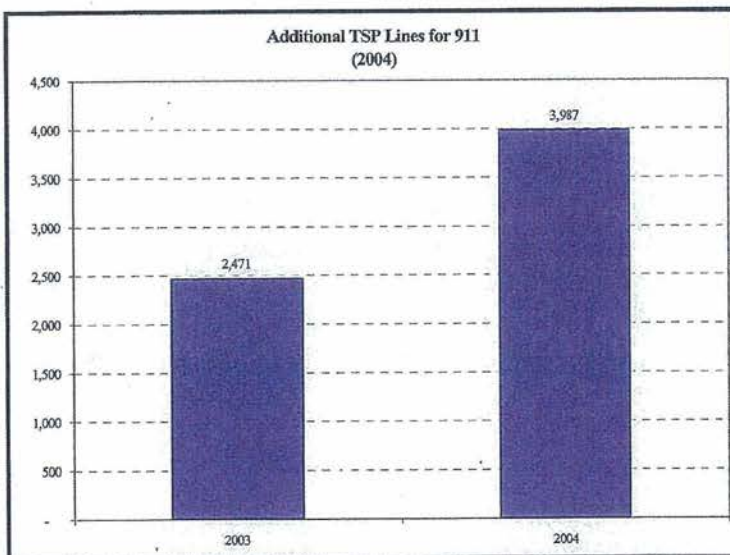
Provide leadership in evaluating and strengthening the Nation's communications infrastructure, in ensuring rapid restoration of that infrastructure in the event of disruption, and in ensuring that essential public health and safety personnel have effective communications services available to them in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

Progress Toward Goal:

A. Highlights

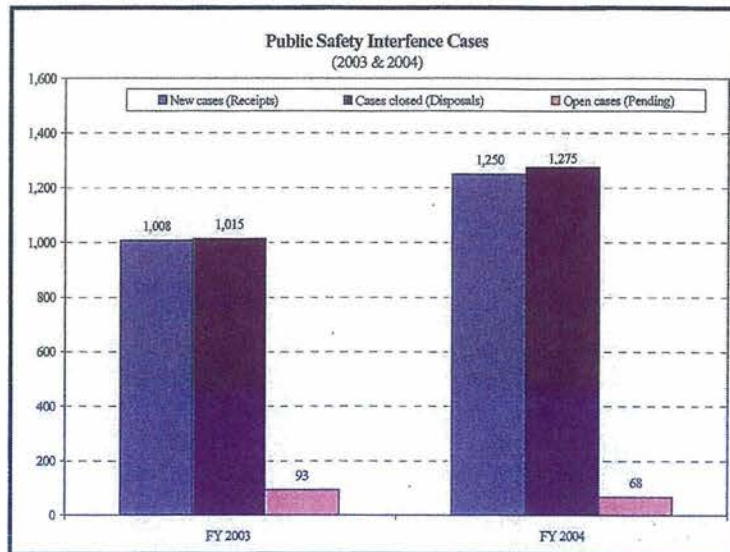


Source: E-911 Quarterly Reports filed by Carriers.



Source: DHS-NCS Active TSP Participation Reports.

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



Source: Enforcement Bureau Quarterly Workload Summary Report.

B. Scorecard

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

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

Future Performance (FY05 and FY06) Commitments:

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

Required Resources:

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

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

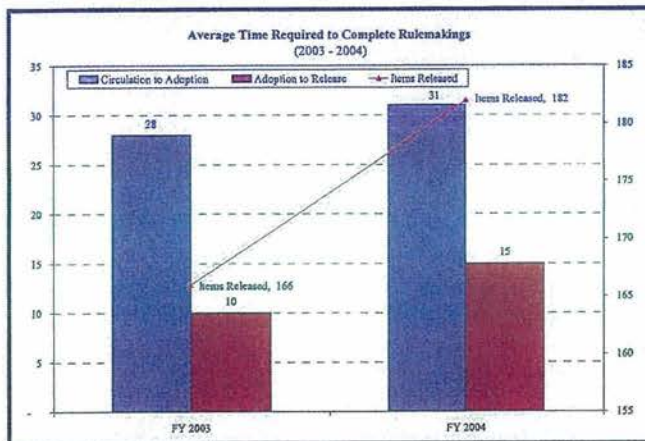
Funds and Staff					
FY 2004		FY 2005		FY 2006	
\$27,661,457	175 FTE's	\$27,096,560	173 FTE's	\$31,004,177	173 FTE's

STRATEGIC GOAL #6: *MODERNIZE THE FCC*⁷

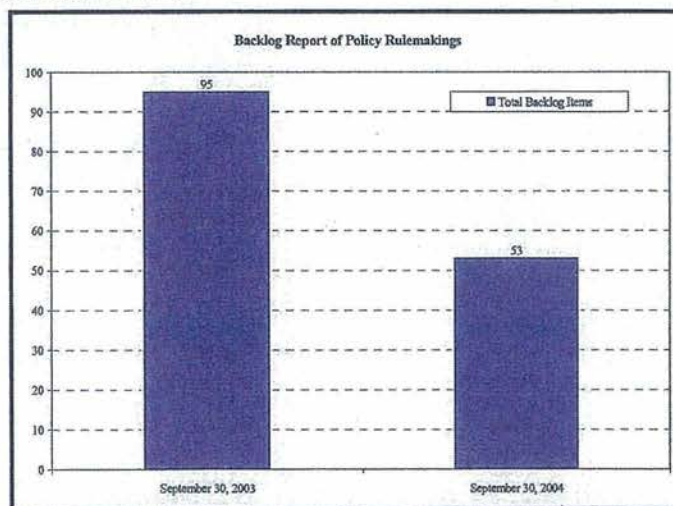
Emphasize performance and results through excellent management. Develop and retain independent mission-critical expertise and align the FCC with the dynamic communications markets.

Progress Toward Goal:

A. Highlights



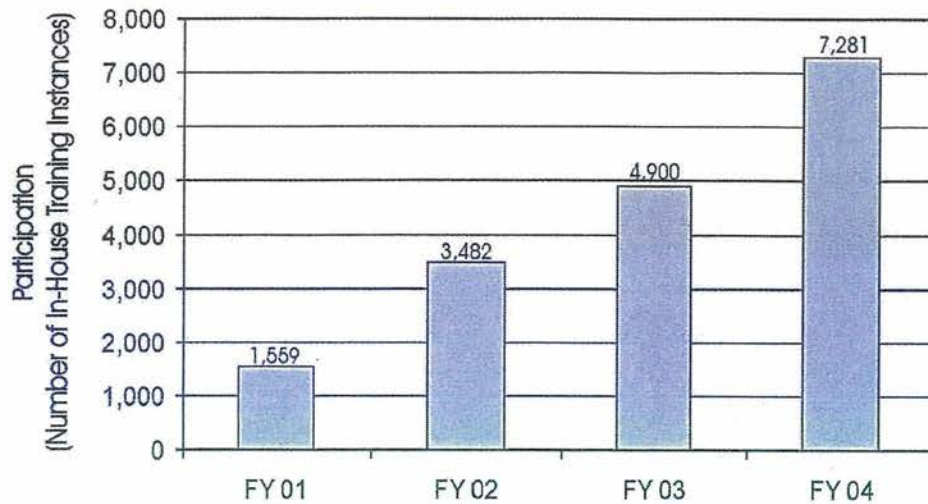
Source: Quarterly Performance and Results Review, FY 2004.



Source: Quarterly Performance and Results Review, FY 2004.

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

**FCC Training Accomplishments
FCC University Growth**



Source: FCC

B. Scorecard

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

Future Performance (FY05 and FY06) Commitments:

- Targets
 - 1) Reducing the average time required to complete rulemakings (improve workflow, document and knowledge management).
 - 2) Increasing efficiency in the processing of workload, e.g., reducing rulemaking backlog and response times to consumer complaints (measured by and reported in the Quarterly Performance and Results Review).
 - 3) Implementing Human Capital strategies to address skills and competencies required for accomplishment of strategic goals.
 - 4) Developing targeted skills and competencies for all FCC employees through appropriate career development aligned with strategic goals.
 - 5) Increasing rate of agency achievement of strategic objectives.

- Planned Program Evaluations to be Released in:
 - FY 2007 budget – Universal Service Fund
 - FY 2008 budget – Spectrum Auction Program Account
 - FY 2009 budget – Spectrum Auction Direct Loan Financing Account
 - FY 2010 budget – FCC (General Salaries and Expenses)

Required Resources:

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

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



FEE COLLECTIONS AND AUCTIONS

Regulatory Fees

P.L. 103-66, "The Omnibus Budget Reconciliation Act of 1993," requires that the FCC annually collect fees and retain them for FCC use in order to offset certain costs incurred by the Commission.

The fees collected are intended to recover the costs attributable to the Commission's Competition, Enforcement, Consumer Information, and Spectrum Management goals.

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

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

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

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

Authorization to Retain Fees

Regulatory fee collections in excess of levels specified in the appropriation language are available for obligation by the Commission and remain available until expended. These excess collections become available for obligation on October 1, following the year in which they are collected. These funds are not limited to the one-year spending rule established for the salaries and expenses appropriation and are carried forward as no-year funds indefinitely. The combined total of all prior year-carryover regulatory fees from FY 1997 – FY 2002 was \$18.9 million. A total of \$11.2 million in carryover funds were approved for use and obligated as of FY 2001. The remaining \$6.6 million in regulatory fees, from the FY 2001 appropriation became available for obligation in FY 2002. In FY 2002 Congress authorized the Commission's use of \$2.0 million of the \$6.6 million in excess funds to meet critical physical security needs following the events of September 11th. A total of \$5.7 million in carryover funds remained at the beginning of FY 2003, \$4.6 million in carryover funds from prior years plus \$1.1 million in regulatory fees collected in excess of the FY 2002 Appropriation required levels. In FY 2003 pursuant to

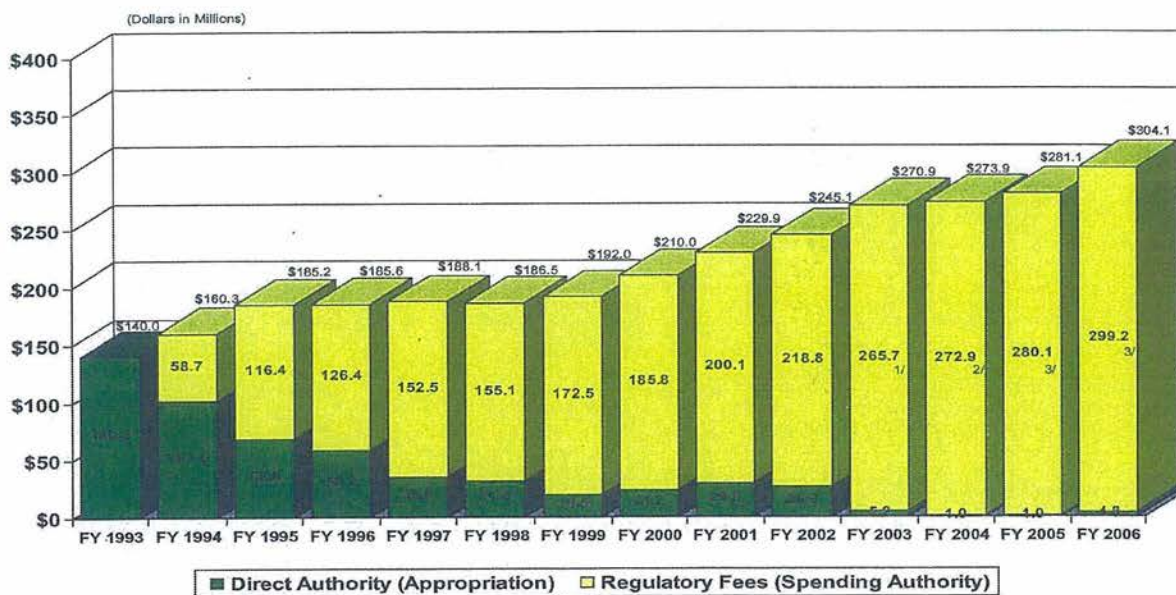


P.L. 108-7, the \$5.7 million in carryover funds was rescinded. There was no request to Congress to use any excess regulatory fees available through prior year recoveries in FY 2004. There was \$12.6 million in regulatory fee collections at the end of FY 2004 available for obligation carried forward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

FY 2006 Regulatory Fee Assumptions

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

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



1/ Reflects actual Regulatory Fees collected in FY 2003.

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

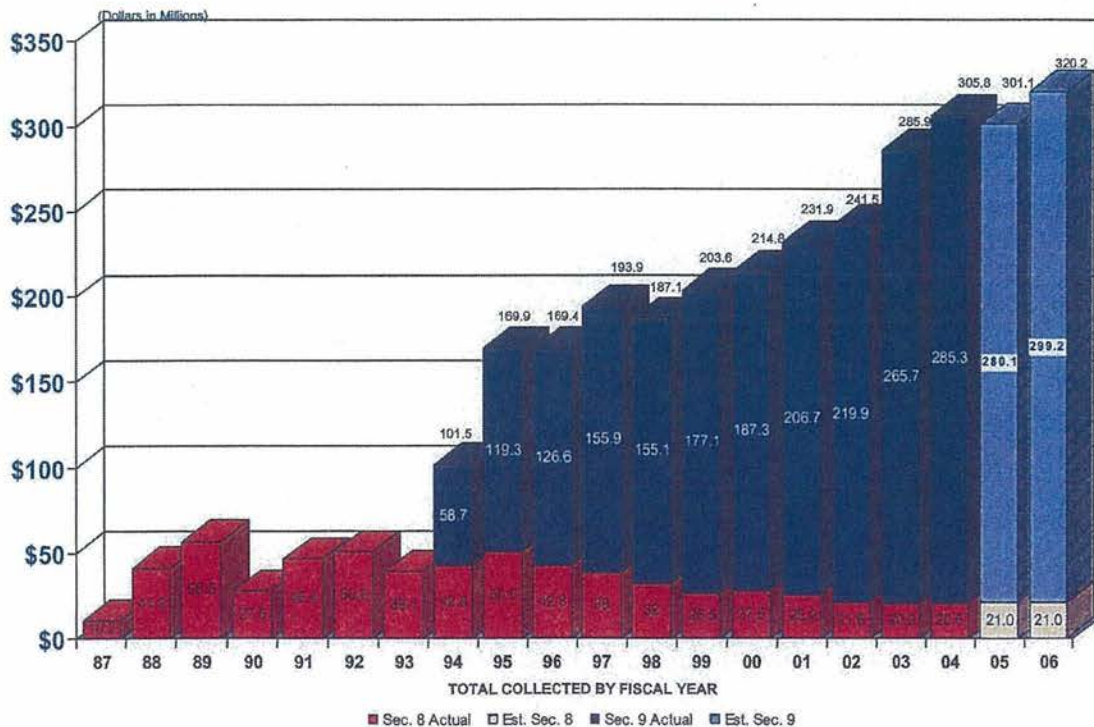
3/ Reflects the Regulatory Fee Schedule proposed for FY 2005 and FY 2006.



Application Processing Fees

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

FEE COLLECTIONS* FY 1987 – FY 2006



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



Spectrum Auctions

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

The Commission is authorized to retain from auction revenues those funds necessary to develop, implement and maintain the auction program. These funds cover the personnel and administrative costs required to plan and execute spectrum auctions; operational costs to manage installment payments and collections activities; development, implementation, and maintenance of all information technology systems necessary for Auctions operations including development of a combinatorial bidding system, and a proportional share of the general administrative costs of the commission based on the split of direct FTE hours charged to auctions in the previous year. This budget submission assumes the auctions program will continue to recover the costs of conducting all auctions activities from spectrum license receipts as the FCC continues to use auctions as a licensing mechanism for communications services spectrum.

The Balanced Budget Act of 1997, P.L. 105-33, required that the Commission provide to authorizing committees a detailed report of obligations in support of the auctions program for each fiscal year of operation, as a prerequisite to the continued use of auctions receipts for the costs of all auctions activities. The Commission is no longer required to submit an FCC Annual Report; however, the FY 2003 Auctions Report was provided to the appropriate oversight committees in September, 2004. The FY 2004 Auctions Report will be submitted in September, 2005.

FY 2006 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 therefore, as authorized by 5 U.S.C. 5901-5902; not to exceed \$4,000 for official reception and representation expenses; purchase and hire of motor vehicles; special counsel fees; and services as authorized by 5 U.S.C. 3109, **\$304,057,000: *Provided***, That, **\$299,234,000 of offsetting collections shall be assessed and collected** pursuant to section 9 of title I of the Communications Act of 1934, 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 2006 so as to result in a final fiscal year 2006 appropriation estimated at \$4,823,000: *Provided further*, That any offsetting collections received in excess of \$299,234,000 in fiscal year 2006 shall remain available until expended, but shall not be available for obligation until October 1, 2006.

FY 2006 Budget Estimates to Congress

Legislative Proposals to be transmitted separately by the Office of Management and Budget, explanations of proposed legislation follow:

Analog Spectrum Lease Fee (Legislative proposal, subject to PAYGO):

Explanation of proposed legislation:

To facilitate clearing of the analog television broadcast spectrum and provide taxpayers some compensation for use of this scarce resource, the Administration will propose legislation authorizing the Federal Communications Commission (FCC) to establish an annual \$500 million lease fee on the use of analog spectrum by commercial broadcasters as of 2007. The FCC will promulgate a rulemaking to apportion the aggregate fee amount among commercial broadcasters. Upon return of its analog spectrum license to the FCC, an individual broadcaster will be exempt from the fee.

Spectrum Auction Authority (legislative proposal subject to PAYGO):

Explanation of proposed legislation:

The Administration will propose legislation to extend indefinitely the FCC's auction authority, which expires in 2007 under current law.

Spectrum License User Fee (Legislative proposal, subject to PAYGO):

Explanation of proposed legislation:

To continue to promote efficient spectrum use, the Administration will propose legislation providing the FCC with new authority to use other economic mechanisms, such as fees, as a spectrum management tool. The FCC would be authorized to set user fees on unauctioned spectrum licenses based on public-interest and spectrum-management principles. Fees would be phased in over time as part of an ongoing rulemaking process to determine the appropriate application of and level for fees. Fee collections are estimated to begin in 2006.

**FY 2006 Budget Estimates to Congress
ANALYSIS OF CHANGE
Summary of Adjustments
(Dollars in Thousands)**

	<u>FTEs(Est.)^{1/}</u>	<u>\$ AMOUNT</u>
<u>Summary of adjustments to base and built-in changes:</u>		
o FY 2006 Base Funding Level Assumes the following as the starting point for development:		
FY 2005 Appropriation for the FCC:		\$ 281,098
Projected FTEs to be funded from FY2005 enacted Appropriations:	1,973	
<hr/>		
o <u>Adds Uncontrollable and Inflationary Increases to base (required to maintain support of agency initiatives at FY 2004 levels):</u>		
1. <u>Compensation and Benefits</u>		
a. FY 2005 Annualized Pay Raise/Locality Pay Adjustment		\$ 1,720
b. FY 2006 Pay Raise and Locality Pay Adjustment (2.3%) for 75% of Fiscal Year.		\$ 4,075
2. <u>Non-Salary</u>		
a. FY 2006 amount required for inflationary increases to cover space rentals (GSA and non-GSA)/Mail/ADP production support and maintenance/misc.		\$ <u>2,891</u>
Subtotal Uncontrollable and Inflationary Increases:		\$ 8,686

^{1/} Reflects projected FTEs to be funded from all sources of appropriated funds and offsetting collections.

**FY 2006 Budget Estimates to Congress
ANALYSIS OF CHANGE
Summary of Adjustments
(Dollars in Thousands)**

	<u>FTEs(Est.)</u>	<u>\$ AMOUNT</u>
o <u>Adds Programmatic Increases to the Base to Provide For:</u>		
1. Field Facilities Improvement Initiative - Provides funds for repair and replacement of FCC field facilities in Columbia, Maryland.		\$ 9,300
2. Funds FTE hired on term appointments to provide an adequate level of program oversight associated with increased USF audit activities.	26	\$ 3,173
3. Licensing Integration - Provides funding for critical enhancements to the FCC's major electronic filing systems.		\$ 1,350
4. Enterprise Human Resources Integration System - Provides funding for government-wide OPM initiative to support comprehensive personnel record keeping and analysis system.		\$ 450
Subtotal Programmatic Increases:		\$ 14,273
<hr/>		
Total Requested Funding Increase to Base:		\$ 22,959
<hr/>		
Total FY 2006 Commission Budget Request to Congress:	1,999 2/	\$ 304,057

2/ Reflects projected FTEs to be funded from all sources of appropriated funds and offsetting collections.

FY 2006 Budget Estimates to Congress
ANALYSIS OF CHANGE
Summary of Proposed Budget Authority
(Dollars in Thousands)

	FY 2005	FY 2006	Requested Changes	
	\$ B/A	\$ B/A	\$	B/A
Direct Funding	<u>1,000</u>	<u>4,823</u>		
Total Direct Appropriation (prior to rescission)	<u>1,000</u>	<u>4,823</u>	- -	\$3,823
Budget Authority to use				
Offsetting Collections:				
1) Total Regulatory Fees	<u>280,098</u>	<u>299,234</u>		\$19,136
Subtotal Appropriated B/A	<u>\$281,098</u>	<u>\$304,057</u>	- -	<u>\$22,959</u>
Authority to spend				
Other Offsetting Collections:				
2) Reg Fees (Sec. 9) Carryover	617 1/	- -		
3) Auctions Carryover	207 2/	1,700		
4) Economy Act/Misc. Other Reimbursables	1,700	1,700		
5) Auction Cost Recovery Reimbursements	85,000 3/	86,961		
Total Gross Budget Authority	<u>\$368,622</u>	<u>\$392,718</u>		

1/ Sec.9 carryover regulatory fees of \$2M in prior year and \$12.4M in FY 2004 excess regulatory fees were carried into FY 2005. P.L. 108-447 rescinded \$12M of excess regulatory fees available in FY 2005 leaving \$.6M which was authorized for obligation in support of specific homeland security issues.

2/ Funds are the result of recoveries from prior year obligations. No obligations are planned for FY 2005.

3/ P.L. 108-447 continues limits placed on Auctions Program obligation in FY 2004 at \$85M for FY 2005.

**FY 2006 Budget Estimates to Congress
Full-time Equivalent (FTE) Detail by Organization**

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

	<u>FY 2005 FTE as originally Requested by the FCC</u>	<u>FY 2005 Estimated FTE Funded from Enacted Appropriations</u>	<u>FY 2006 Estimated FTE as Requested by the FCC</u>	<u>FY 2006 FTE Increases</u>
Office of the Commissioners	42	42	42	
Consumer & Governmental Affairs Bureau	226	221	221	
Enforcement Bureau	320	330	330	
International Bureau	151	148	148	
Media Bureau	258	246	246	
Wireline Competition Bureau	201	195	205	10
Wireless Telecommunications Bureau	319	305	305	
Office of Administrative Law Judges	5	5	5	
Office of Commun. Business Opportunities	8	7	7	
Office of Engineering & Technology.....	120	122	122	
Office of the General Counsel	77	76	76	
Office of Inspector General	12	13	23	10
Office of Legislative Affairs	12	11	11	
Office of the Managing Director	220	210	216	6
Office of Media Relations	15	16	16	
Office of Strategic Planning & Policy Analysis....	23	21	21	
Office of Workplace Diversity	6	5	5	
Commission FTE Totals	2,015	1,973	1,999	26

FY 2006 Budget Estimates to Congress

GOAL DEFINITIONS

- **Broadband**: This goal includes efforts to establish regulatory policies that promote competition, innovation, and investment in broadband services and facilities while monitoring progress toward the deployment of broadband services in the United States and abroad. It also includes policy direction, program development, legal services, and executive direction, as well as support services associated with broadband goals.
- **Competition**: This goal includes efforts to support the Nation's economy by ensuring that there is a comprehensive and sound competitive framework for communications services and devices. Such a framework should foster innovation and offer businesses and consumers meaningful choice in services and devices. Such a pro-competitive framework should be promoted domestically and overseas. It also includes policy direction, program development, legal services, and executive direction, as well as support services associated with competition goals.
- **Spectrum**: This goal includes efforts to facilitate the highest and best use of spectrum domestically and internationally to promote the growth and rapid deployment of innovative and efficient communications technologies and services. It also includes policy direction, program development, legal services, and executive direction, as well as support services associated with spectrum goals.
- **Media**: This goal includes efforts to revise media regulations so that media ownership rules promote competition and diversity in a comprehensive, legally sustainable manner, facilitate the mandated migration to digital modes of delivery, and clarify and ensure compliance with general media obligations. It also includes policy direction, program development, legal services, and executive direction, as well as support services associated with media goals.
- **Homeland Security**: This goal includes efforts to provide leadership in evaluating and strengthening the Nation's communications infrastructure, in ensuring rapid restoration of that infrastructure in the event of disruption, and in ensuring that essential public health and safety personnel have effective communications services available to them in emergency situations. It also includes policy direction, program development, legal services, and executive direction, as well as support services associated with homeland security goals.
- **Modernize the FCC**: This goal includes efforts to emphasize performance and results through excellent management. Develop and retain independent mission-critical expertise and align the FCC with the dynamic communications markets. It also includes policy direction, program development, legal services, and executive direction, as well as support services associated with modernization goals.

FY 2006 Budget Estimates to Congress

Full-Time Equivalent (FTE) Detail Distribution by Goal

BROADBAND				
This goal includes efforts to establish regulatory policies that promote competition, innovation, and investment in broadband services and facilities while monitoring progress toward the deployment of broadband services in the United States and abroad. It also includes policy direction, program development, legal services, and executive direction, as well as support services associated with broadband goals.				
	Actual FY 2004 FTE	Estimate FY 2005 FTE	Estimate FY 2006 FTE	Net Activity (+/-)
Consumer & Governmental Affairs Bureau	7	10	10	0
Enforcement Bureau	4	4	4	0
International Bureau	15	31	31	0
Media Bureau	3	3	3	0
Office of Engineering & Technology	9	17	17	0
Wireline Competition Bureau	15	18	18	0
Wireless Telecommunications Bureau	45	51	51	0
Total FTEs – Broadband	98	134	134	0

FY 2006 Budget Estimates to Congress

Full-Time Equivalent (FTE) Detail Distribution by Goal

COMPETITION				
This goal includes efforts to support the Nation's economy by ensuring that there is a comprehensive and sound competitive framework for communications services and devices. Such a framework should foster innovation and offer businesses and consumers meaningful choice in services and devices. Such a pro-competitive framework should be promoted domestically and overseas. It also includes policy direction, program development, legal services, and executive direction, as well as support services associated with competition goals.				
	Actual FY 2004 FTE	Estimate FY 2005 FTE	Estimate FY 2006 FTE	Net Activity (+/-)
Consumer & Governmental Affairs Bureau	194	176	176	0
Enforcement Bureau	119	122	122	0
International Bureau	63	51	51	0
Media Bureau	40	38	38	0
Office of Engineering & Technology	7	3	3	0
Wireline Competition Bureau	191	179	205	26
Wireless Telecommunications Bureau	40	33	33	0
Total FTEs – Competition	654	602	628	26 1/

1/ Includes Executive Direction and Support dedicated solely to USF Program including OIG (10 FTE) and OMD (6 FTE).

FY 2006 Budget Estimates to Congress

Full-Time Equivalent (FTE) Detail Distribution by Goal

SPECTRUM				
This goal includes efforts to facilitate the highest and best use of spectrum domestically and internationally to promote the growth and rapid deployment of innovative and efficient communications technologies and services. It also includes policy direction, program development, legal services, and executive direction, as well as support services associated with spectrum goals.				
	Actual FY 2004 FTE	Estimate FY 2005 FTE	Estimate FY 2006 FTE	Net Activity (+/-)
Consumer & Governmental Affairs Bureau	16	16	16	0
Enforcement Bureau	94	106	106	0
International Bureau	91	83	83	0
Media Bureau	142	133	133	0
Office of Engineering & Technology	97	94	94	0
Wireline Competition Bureau	1	2	2	0
Wireless Telecommunications Bureau	194	176	176	0
Total FTEs – Spectrum	635	610	610	0

FY 2006 Budget Estimates to Congress

Full-Time Equivalent (FTE) Detail Distribution by Goal

MEDIA				
This goal includes efforts to revise media regulations so that media ownership rules promote competition and diversity in a comprehensive, legally sustainable manner, facilitate the mandated migration to digital modes of delivery, and clarify and ensure compliance with general media obligations. It also includes policy direction, program development, legal services, and executive direction, as well as support services associated with media goals.				
	Actual FY 2004 FTE	Estimate FY 2005 FTE	Estimate FY 2006 FTE	Net Activity (+/-)
Consumer & Governmental Affairs Bureau	13	20	20	0
Enforcement Bureau	39	44	44	0
International Bureau	4	4	4	0
Media Bureau	98	100	100	0
Office of Engineering & Technology	3	4	4	0
Wireline Competition Bureau	0	0	0	0
Wireless Telecommunications Bureau	0	0	0	0
Total FTEs – Media	157	172	172	0

FY 2006 Budget Estimates to Congress

Full-Time Equivalent (FTE) Detail Distribution by Goal

HOMELAND SECURITY				
This goal includes efforts to provide leadership in evaluating and strengthening the Nation's communications infrastructure, in ensuring rapid restoration of that infrastructure in the event of disruption, and in ensuring that essential public health and safety personnel have effective communications services available to them in emergency situations. It also includes policy direction, program development, legal services, and executive direction, as well as support services associated with homeland security goals.				
	Actual FY 2004 FTE	Estimate FY 2005 FTE	Estimate FY 2006 FTE	Net Activity (+/-)
Consumer & Governmental Affairs Bureau	5	6	6	0
Enforcement Bureau	118	114	114	0
International Bureau	4	6	6	0
Media Bureau	4	4	4	0
Office of Engineering & Technology	15	19	19	0
Wireline Competition Bureau	6	4	4	0
Wireless Telecommunications Bureau	23	20	20	0
Total FTEs – Homeland Security	175	173	173	0

FY 2006 Budget Estimates To Congress

Full-Time Equivalent (FTE) Detail Distribution by Goal

MODERNIZE				
This goal includes efforts to emphasize performance and results through excellent management. Develop and retain independent mission-critical expertise, and align the FCC with dynamic communications markets. It also includes policy direction, program development, legal services, and executive direction, as well as support services associated with modernization goals.				
	Actual FY 2004 FTE	Estimate FY 2005 FTE	Estimate FY 2006 FTE	Net Activity (+/-)
Consumer & Governmental Affairs Bureau	51	54	54	0
Enforcement Bureau	44	39	39	0
International Bureau	13	14	14	0
Media Bureau	25	28	28	0
Office of Engineering & Technology	9	7	7	0
Wireline Competition Bureau	20	18	18	0
Wireless Telecommunications Bureau	102	122	122	0
Total FTEs-Modernize	264	282	282	0

FY 2006 Budget Estimates to Congress

Full-Time Equivalent (FTE) Detail Distribution by Goal

The following table summarizes by organization the total number of FTEs available to conduct the six goals. 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 six goals.				
	Actual FY 2004 FTE	Estimate FY 2005 FTE	Estimate FY 2006 FTE	Net Activity (+/-)
Consumer & Governmental Affairs Bureau	286	282	282	0
Enforcement Bureau	418	429	429	0
International Bureau	190	189	189	0
Media Bureau	312	306	306	0
Office of Engineering & Technology	140	144	144	0
Wireline Competition Bureau	233	221	247	26
Wireless Telecommunications Bureau	404	402	402	0
Commission FTE Totals	1,983	1,973 1/	1,999	26

1/ FY 2005 FTE distribution reflects the planned allocation of Commission resources and does not reflect the FTE ceiling of 1,999 in the President's Budget.

FY 2006 Budget Estimates to Congress
Summary of Requested Resources
(Dollars in Thousands)

The Federal Communications Commission's budget estimates for Fiscal Year 2006 are summarized below:

DISTRIBUTION OF BUDGET AUTHORITY:	FY 2004 <u>Actual BA</u>	FY 2005 <u>Estimate BA</u>	FY 2006 <u>Request BA</u>	Change to Appropriated Budget Authority
<u>Direct Appropriation:</u>				
Current: (P.L. 108-447)	\$1,000	\$1,000	\$4,823	\$3,823
<u>Authority to Spend Offsetting Collections:</u>				
Regulatory Fees	272,958	280,098	299,234	19,136
Appropriation Total:	\$273,958	\$281,098	\$304,057	\$22,959
Rescission: (P.L. 108-447)	(\$11)	(\$13)	--	--
Authority to spend				
Other Offsetting Collections:				
1) No-year Carryover Regulatory Funds (SOY)	190 1/	12,617 4/	--	--
2) Rescinded Per P.L. 108-447	--	(12,000) 4/		
3) No-year Carryover Auctions Funds (SOY)	205 2/	207 2/		
4) Economy Act/Misc.Other	1,658	1,700	1,700	--
5) Auctions Cost Recovery				--
Reimbursements (P.L. 104-104) ...	85,000 3/	85,000 3/	86,961	
Subtotal Other Offsetting Collections:	\$87,053	\$87,524	\$88,661	--
Unobligated Offsetting Collections (EOY)				
RegFees (Sec 9) carryover (EOY Cumulative)	12,617 4/	--	--	--
Regulatory Fees precluded from obligation in FY 2004	(12,427) 4/			
Auctions carryover (EOY)	207 2/	--	--	--
Lapsed or unutilized BA	(4)	--	--	--
Total Budget Authority -				
Available to incur obligations:	\$361,011	\$368,622	\$392,718	--

1/ Funds are the result of recoveries from prior year obligations and were not obligated during FY 2004. Use of these funds requires Congressional approval.

2/ Funds are the result of recoveries from prior year obligations and were not obligated in FY 2004. No obligations are planned for FY 2005.

3/ P.L. 108-447 continues limits placed on Auctions Program obligations in FY 2004 at \$85M for FY 2005.

4/ Sec. 9 carryover regulatory fees of \$.2M in prior year and \$12.4M in FY 2004 excess regulatory fees were carried into FY 2005. P.L. 108-447 rescinded \$12M of excess regulatory fees available in FY 2005, leaving \$.6M which was authorized for obligation in support of specific homeland security issues.

FY 2006 Budget Estimates to Congress
Summary of Requested Resources
(Dollars in Thousands)

DISTRIBUTION OF OBLIGATIONS:

Note: 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 Appropriations B/A for each fiscal year.

	<u>FY 2004</u> <u>Actual</u>	<u>FY 2005</u> <u>Estimate</u>	<u>FY 2006</u> <u>Request</u>	<u>Change to</u> <u>Appropriated</u> <u>Obligations</u>
Direct Appropriation:				
Personnel Compensation	\$986	\$987	\$4,285	\$3,298
Personnel Benefits	0	0	538	538
Benefits to Former Employees	0	0	0	0
Other Obligations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sum - Direct Obligations	986	987	4,823	3,836
Offsetting Collections - Obligations:				
Regulatory Fees	272,958	280,098	299,234	19,136
<hr/>				
Subtotal - Obligations from Appropriated Funds:				
(Less Rescission/Lapsed):	\$273,944	5/ \$281,085	\$304,057	\$22,972
<hr/>				
Obligations - Other Offsetting Collections				
1) No-year Carryover Regulatory Funds	- - 6/	617 8/	TBD	- -
2) No-year Carryover Auctions Funds	- - 7/	- -	TBD	
3) Economy Act/Misc.Other	1,657	1,700	1,700	- -
4) Auctions Cost Recovery				
Reimbursements (P.L. 104-104)	85,000	85,000	86,961	- -
<hr/>				
Subtotal - Obligations				
from Other Offsetting Collections	\$86,657	\$87,317	\$88,661	- -
<hr/>				
TOTAL OBLIGATIONS	\$360,601	\$368,402	\$392,718	
TOTAL OUTLAYS (GROSS)	\$364,000	\$377,000	\$389,000	
<hr/>				
(Includes Direct & All Offsetting Collections)				

5/ In FY 2004 \$10,523 was rescinded per P.L. 108-199.

6/ Balances in carryover Regulatory Fee accounts were not utilized in FY 2004. Use of these funds requires Congressional approval.

7/ Balances in carryover auctions account from prior year recoveries were not utilized in FY 2004.

No new obligations will be incurred from these recoveries in FY 2005.

8/ \$.6M in carryover regulatory fees have been authorized for obligation in support of homeland security issues.

FY 2006 Budget Estimates to Congress
Summary of Requested Resources
[Dollars in Thousands]

	<u>FY 2004 Actual</u>	<u>FY 2005 Estimate</u>	<u>FY 2006 Request</u>
Total Workyears/FTE:			
Full-Time Equivalent employment [FTEs]	1,983	1,999	1,999
Proposed Distribution: 1/			
Direct	9	9	40
Offsetting Collections	1,965	1,978	1,947
Auctions Credit Program Account	9	12	12

1/ 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 Auctions Program operating costs including the costs of maintaining Credit program accounts (12 FTEs), and certain Economy Act Reimbursables.

FY 2006 Budget Estimates to Congress
SUMMARY TABLES
DISTRIBUTION OF RESOURCES
(Dollars in Thousands)

SUMMARY

	<u>FY 2004</u> <u>Actual</u>	<u>FY 2005</u> <u>Estimate</u>	<u>FY 2006</u> <u>Estimate</u>	<u>Chg. to Requested</u> <u>Budget Authority</u>
Gross Direct Appropriations including Regulatory Fee Authority:	\$273,958	\$281,098	\$304,057	\$22,959
Rescission (P.L. 108-199)	(11)	--	--	--
Rescission (P.L. 108-447)	--	(13)	--	--
Lapsed Year-End	(3)	--	--	--
Subtotal -- Gross Direct Appropriations as adjusted	<u>\$273,944</u>	<u>\$281,085</u>	<u>\$304,057</u>	<u>\$22,959</u>
No Year Carryover Authority:				
-- Regulatory Fees (Sec. 9)	\$-- 1/	\$617 3/	\$--	\$--
-- Auctions Carryover	-- 2/	207 2/	--	--
Subtotal -- No Year Carryover Authority	<u>\$--</u>	<u>\$824</u>	<u>\$--</u>	<u>\$--</u>
Other Authority:				
-- Auctions Costs Recovery Reimbursable Authority	\$85,000	\$85,000 4/	\$86,961	\$1,961
-- Government/Other Reimbursable Authority	1,657	1,700	1,700	--
Subtotal -- Other Authority	<u>\$86,657</u>	<u>\$86,700</u>	<u>\$88,661</u>	<u>\$1,961</u>
TOTAL GROSS BUDGET AUTHORITY (Net):	<u>\$360,601</u>	<u>\$368,609</u>	<u>\$392,718</u>	<u>\$24,920</u>

1/ Funds are the result of recoveries from prior year obligations and were not obligated during FY 2004. Use of these funds requires Congressional approval.

2/ Funds are the result of recoveries from prior year obligations and were not obligated during FY 2004. No obligations are planned for FY 2005.

3/ Sec. 9 carryover regulatory fees of \$.2M in prior year and \$12.4M in FY 2004 excess regulatory fees were carried into FY 2005. P.L. 108-447 rescinded \$12M of excess regulatory fees leaving \$.6M which was authorized for obligation in support of specific homeland security issues.

4/ P.L. 108-447 continues limits placed on Auctions Program obligations in FY 2004 at \$85M for FY 2005.

FY 2006 Budget Estimates to Congress
SUMMARY TABLES
DISTRIBUTION OF RESOURCES
(Dollars in Thousands)

-- The following tables depict the distribution of personnel compensation and benefits and other estimated obligations for Fiscal Years 2004-2006 based on actual and requested Budget Authority for each fiscal year.

DIRECT AUTHORITY - CURRENT:	FY 2004	FY 2005	FY 2006	Increase to
	<u>Actual</u>	<u>Estimate</u>	<u>Request</u>	<u>Direct B.A.</u>
11 Personnel Compensation	\$986	\$1,000	\$4,285	\$3,285
12 Personnel Benefits	--	--	538	538
13 Benefits for Former Personnel	--	--	--	--
Other Obligations by Object Class				
21 Travel & Transportation of Persons	--	--	--	--
22 Transportation of Things	--	--	--	--
23.1 GSA Rents	--	--	--	--
23.3 Other Rents, Communications, Utilities	--	--	--	--
24 Printing	--	--	--	--
25.2 Other Services	--	--	--	--
25.3 Federal Purchases, Goods, & Services	--	--	--	--
25.7 Operation/Maint. of Equip./Software/Information	--	--	--	--
26 Supplies & Materials	--	--	--	--
31 Equipment/Software	--	--	--	--
32 Land, Buildings, Structures	--	--	--	--
42 Insurance Claims & Indemnities	--	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal Direct Authority Obligations	\$986	\$1,000	\$4,823	\$3,823
Rescission: P.L. 108-447		(13)		
Direct Authority Obligations		\$987		

FY 2006 Budget Estimates to Congress
SUMMARY TABLES
DISTRIBUTION OF RESOURCES
(Dollars in Thousands)

-- The following tables depict the distribution of personnel compensation and benefits and other estimated obligations for Fiscal Years 2004-2006 based on actual and requested Budget Authority for each fiscal year.

AUTHORITY TO USE OFFSETTING COLLECTIONS:	FY 2004 <u>Actual</u>	FY 2005 <u>Estimate</u>	FY 2006 <u>Estimate</u>	Increase to <u>Offset. Collect.</u>
REGULATORY FEES - CURRENT:				
11 Personnel Compensation	\$156,213	\$160,163	\$164,072	\$3,909
12 Personnel Benefits	34,599	35,410	36,646	1,236
13 Benefits for Former Personnel	11	59	59	--
Other Obligations by Object Class				
21 Travel & Transportation of Persons	1,650	1,731	1,763	32
22 Transportation of Things	131	122	125	3
23.1 GSA Rents	31,587	35,194	37,150	1,956
23.3 Other Rents, Communications, Utilities	6,613	6,774	6,948	174
24 Printing	1,513	1,514	1,538	24
25.2 Other Services	14,193	15,360	17,251	1,891
25.3 Federal Purchases, Goods, & Services	2,350	2,720	3,232	512
25.7 Operation/Maint. of Equip./Software/Information	17,996	16,939	18,145	1,206
26 Supplies & Materials	1,851	1,727	1,760	33
31 Equipment/Software	3,531	2,310	2,810	500
32 Land, Buildings, Structures	645	--	7,660	7,660
42 Insurance Claims & Indemnities	75	75	75	--
Total Obligations from Regulatory Fees	\$272,958	\$280,098	\$299,234	\$19,136
Total Obligations from Direct Appropriations	\$273,944	\$281,085	\$304,057	\$22,972

**FY 2006 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 estimated FY 2004, FY 2005 and FY 2006 obligations utilizing auctions costs recovery reimbursable authority (P.L. 108-199).

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u> 1/
11 Personnel Compensation	\$24,584	\$27,450	\$28,230
12 Personnel Benefits	5,708	5,732	5,895
13 Benefits for Former Personnel	8	9	9
Other Obligations by Object Class			
21 Travel & Transportation of Persons	345	593	606
22 Transportation of Things	6	5	6
23.1 GSA Rents	5,537	5,704	5,781
23.3 Other Rents, Communications, Utilities	2,525	2,630	2,705
24 Printing	83	237	243
25.2 Other Services	29,700	25,981	26,545
25.3 Federal Purchases, Goods, & Services	1,377	1,927	1,978
25.7 Operation/Maint. of Equip./Software/Information	9,320	9,983	10,204
26 Supplies & Materials	295	439	449
31 Equipment/Software	5,512	4,310	4,310
32 Land, Buildings, Structures	--	--	--
42 Insurance Claims & Indemnities	--	--	--
Total Auctions Costs Recovery			
Reimbursable Authority 2/	\$85,000	\$85,000	\$86,961

1/ FY 2006 estimates include adjustments for uncontrolled cost increases to address pay raise and inflation.

2/ Does not include administrative costs of the Credit Program.

**FY 2006 Budget Estimates to Congress
SUMMARY TABLES**

**NO-YEAR/CARRYOVER BUDGET AUTHORITY
DISTRIBUTION OF RESOURCES
(Dollars in Thousands)**

CARRYOVER REGULATORY FEES (NO-YEAR):

-- The following table depicts the estimated distribution of cumulative Regulatory Fees resulting from recoveries of prior year obligations. The FCC does not anticipate obligation of these funds in FY 2004. Use of carryover Regulatory Fees requires consent of appropriation subcommittees.

	<u>FY 2004</u> <u>Actual</u>	<u>FY 2005</u> <u>Estimate</u>	<u>FY 2006</u> <u>Estimate</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	--	--	--
23.1 GSA Rents	--	--	--
23.3 Other Rents, Communications, Utilities	--	--	--
24 Printing	--	--	--
25.2 Other Services	--	--	--
25.3 Federal Purchases, Goods, & Services	--	--	--
25.7 Operation/Maint. of Equip./Software/Information	--	--	--
26 Supplies & Materials	--	--	--
31 Equipment/Software	--	--	--
32 Land, Buildings, Structures	--	617	--
42 Insurance Claims & Indemnities	--	--	--
	<hr/>	<hr/>	<hr/>
Total Regulatory Fees (No-Year) 3/	\$--	\$617	\$--

3/ Sec. 9 carryover regulatory fees of \$.2M in prior year and \$12.4M in FY 2004 excess regulator fees were carried into FY 2005. P.L. 108-447 rescinded \$12M of excess regulatory fees leaving \$.6M which was authorized for obligation in support of specific homeland security issues.

**FY 2006 Budget Estimates to Congress
SUMMARY TABLES**

**OTHER BUDGET AUTHORITY
DISTRIBUTION OF RESOURCES
(Dollars in Thousands)**

GOVERNMENT/OTHER REIMBURSABLE AUTHORITY:

-- The following table depicts the Economy Act/Other Reimbursable estimated FY 2004, FY 2005 and FY 2006 obligations.

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
11 Personnel Compensation	\$86	\$200	\$200
12 Personnel Benefits	17	40	40
13 Benefits for Former Personnel	--	--	--
Other Obligations by Object Class			
21 Travel & Transportation of Persons	63	100	100
22 Transportation of Things	25	25	25
23.1 GSA Rents	--	--	--
23.3 Other Rents, Communications, Utilities	17	20	20
24 Printing	--	--	--
25.2 Other Services	761	580	580
25.3 Federal Purchases, Goods, & Services	25	25	25
25.7 Operation/Maint. of Equip./Software/Information	4	10	10
26 Supplies & Materials	189	200	200
31 Equipment/Software	470	500	500
32 Land, Buildings, Structures	--	--	--
42 Insurance Claims & Indemnities	--	--	--
	<hr/>	<hr/>	<hr/>
Total Govt./Other Reimbursable Authority	\$1,657	\$1,700	\$1,700

**FY 2006 Budget Estimates to Congress
SUMMARY TABLES**

**OTHER BUDGET AUTHORITY
DISTRIBUTION OF RESOURCES
(Dollars in Thousands)**

CREDIT PROGRAM ACCOUNT:

-- The following table depicts the estimated distribution of obligations from the Credit Program account for FY 2004, FY 2005 and FY 2006. These obligations are presented in separate schedules apart from the Salaries & Expenses account and funded from Permanent Indefinite Authority.

	<u>FY 2004</u> <u>Actual</u>	<u>FY 2005</u> <u>Estimate</u>	<u>FY 2006</u> <u>Estimate</u>
11 Personnel Compensation	\$1,053	\$1,398	\$1,437
12 Personnel Benefits	241	268	271
13 Benefits for Former Personnel	--	--	--
Other Obligations by Object Class			
21 Travel & Transportation of Persons	6	19	20
22 Transportation of Things	--	--	--
23 Misc. Rents/Commun./Utilities	--	--	--
24 Printing	--	--	--
25.2 Other Services	6,933	7,212	7,370
25.3 Federal Purchases, Goods, & Services	23,284	16,440	4,538
25.7 Operation/Maint. of Equip./Software/Information	166	174	178
26 Supplies & Materials	--	9	9
31 Equipment/Software	--	--	--
32 Land, Buildings, Structures	--	--	--
42 Insurance Claims & Indemnities	--	--	--
Total Credit Program 4/	\$31,683	\$25,520	\$13,823

4/ FY 2006 estimates include adjustments for uncontrolled cost increases to address pay raise and inflation.

FY 2006 Budget Estimates to Congress
Distribution of Resources by Goal

Goals:	Broadband	Competition	Spectrum	Media	Homeland	Modernize	Resource Request
Estimated FY 2005 Resources by Goal: 1/	\$17,849,723	\$96,669,602	\$79,382,075	\$27,969,251	\$27,097,847	\$32,129,502	\$281,098,000
Incremental Distribution:							
Fixed Cost Increases 2/	551,561	2,987,115	2,452,926	864,257	837,330	992,811	8,686,000
Programmatic Increases: 3/							
- Field Facilities Improvement Initiative	0	0	6,231,000	0	3,069,000	0	9,300,000
- HRM - EHRIS e-gov initiative						450,000	450,000
- Universal Service Audit Initiative	\$0	\$3,173,000	0	\$0	0	\$0	3,173,000
- ITC - Licensing Integration	\$0	\$0	0	\$0	0	\$1,350,000	1,350,000
Total 2006 Request by Goal:	\$18,401,284	\$102,829,717	\$88,066,001	\$28,833,508	\$31,004,177	\$34,922,313	\$304,057,000

- 1/ The estimated distribution of FY 2005 resources by goal are based on FY 2005 YTD cost reports prorated to FY 2005 base appropriation prior to rescissions.
2/ Uncontrollable pay and inflationary increases requested have been prorated across all goals based on FY 2005 percentages.
3/ Programmatic increases requested have been identified and distributed to the goal and/or goals for which the resources will provide enhanced capabilities in FY 2006.

FY 2006 Budget Estimates to Congress
FY 2006 SUMMARY OF INCREASES
BY BUDGET OBJECT CLASS CODE
(Dollars in thousands)

OC Description	Pay and Locality Proposed Increase	Inflationary Increase @ 2.2%	Universal Service/ FCC Audit Oversight	Program Performance Enhancements
11.00 Compensation				
-- FY 2006 Pay Raise @2.3% for 75% of FY 2006	\$3,180			
-- FY 2005 Pay Raise annualized for 25% of FY 2006	1,379			
-- 26 FTEs to review USF audits, provide for planning, quality review, and financial reporting				2,635
12.00 Benefits				
-- Benefits associated with FY 2006 Pay Raise	787			
-- Benefits associated with FY 2005 Pay Raise	341			
-- Health Benefits above FY 2005 levels	108			
-- Workers' Compensation	0			
-- Associated benefits for 26 FTEs to review USF audits, provide for planning, quality review, and financial reporting				538
13.00 Benefits for Former Personnel	0			
21.00 Travel and Transportation of Persons				
-- Domestic/International/Joint Board Travel			31	
-- Leased, Passenger Vehicles			1	
22.00 Transportation of Things				
-- Parcel Post			1	
-- Rent, Non-Passenger GSA and Commercial Vehicles			2	
23.00 Rents, Communications, Utilities				
-- GSA Rent and Fees Increase: Portals I & II, field office space, warehouse			1,956	
-- Non-GSA Space Rent			46	
-- GSA and Non-GSA Telephones			67	
-- Mail Service--Postage			14	
-- GSA, Electric, Other Utilities			12	
-- Telecommunications Service-Non-GSA/Messenger Service			6	
-- Other Equipment Rental/Copier Rental			29	
24.00 Printing and Reproduction				
-- Printing/Reproduction/Binding			24	

FY 2006 Budget Estimates to Congress
FY 2006 SUMMARY OF INCREASES
BY BUDGET OBJECT CLASS CODE
(Dollars in thousands)

OC Description	Pay and Locality Proposed Increase	Inflationary Increase @ 2.2%	Universal Service/ FCC Audit Oversight	Program Performance Enhancements
25.00 Other Contractual Services				
-- Contract Services - Non-Federal		220		
-- ADP Data Retrieval Services		13		
-- Training/Tuition/Fees		18		
-- Contract Purchases - Federal		7		
-- Interagency Contracts		55		
-- Field Office Buildings/Grounds/Space Repair		9		
-- Health Services		2		
-- Repair/Maintenance of Vehicles		2		
-- ADP Software/Equipment Maintenance		20		
-- Repair of Office Equipment/Furniture		4		
-- ADP Service Contracts		319		
-- EHRIS e-government initiative				450
-- ITC - Licensing Integration				850
-- Columbia Field Facility Improvement--Contract Services				1,640
26.00 Supplies and Materials				
-- Field Fuel Supplies		1		
-- ADP Supplies		1		
-- Commercial Subscriptions/Periodicals		10		
-- General Supplies/Materials		21		
31.00 Equipment				
-- ITC - Licensing Integration				500
32.00 Lands and Structures				
-- Columbia, MD Field Office improvement: building construction and infrastructure costs				7,660
42.00 Insurance Claims and Indemnities				
		0		
TOTAL	\$5,795	\$2,891	\$3,173	\$11,100
TOTAL INCREASE	\$22,959			

FY 2006 Budget Estimates to Congress
ALLOCATION OF OBLIGATIONS BY OBJECT CLASS CODE
(Dollars in thousands)

OBJECT CLASS CODE	Actual FY 2004	Estimate FY 2005	Adjustments To Establish FY 2006 Base	FY 2006 Base	Programmatic Changes (+/-)	FY 2006 Total Request
11 Personnel Compensation	\$157,199	\$161,163	\$4,559	\$165,722	\$2,635	\$168,357
12 Personnel Benefits	34,599	35,410	1,236	36,646	538	37,184
13 Benefits for Former Personnel	11	59	0	59	0	59
21 Travel & Trans. of Persons	1,650	1,731	32	1,763	0	1,763
22 Transportation of Things	131	122	3	125	0	125
23.1 GSA Rent	31,587	35,194	1,956	37,150	0	37,150
23.3 Other Rents, Communications, Utilities	6,613	6,774	174	6,948	0	6,948
24 Printing	1,513	1,514	24	1,538	0	1,538
25.2 Other Services	14,193	15,360	251	15,611	1,640	17,251
25.3 Fed. Purchase, Goods & Services	2,350	2,720	62	2,782	450	3,232
25.7 Op/Maint. of Equip./Software/ Info Sys	17,996	16,939	356	17,295	850	18,145
26 Supplies & Materials	1,851	1,727	33	1,760	0	1,760
31 Equipment/Software	3,531	2,310	0	2,310	500	2,810
32 Land, Buildings, Structures	645	0	0	0	7,660	7,660
42 Insur. Claims & Indemnities	75	75	0	75	0	75
SUB TOTAL APPROPRIATION AUTHORITY	\$273,944 1/	\$281,098	\$8,686	\$289,784	\$14,273	\$304,057
Rescission		(13) 3/				
(Direct and Offsetting Collections)						
Reg. Fees (Sec. 9) Carryover	0 2/	617 4/		0		0
Auction Reimb. Carryover	0 2/	0 5/		0		0
Reimbursables - Gov't/Other	1,657	1,700		1,700		1,700
Auctions Cost Recovery-Reimbursement	85,000	85,000		86,961 6/		86,961
TOTAL REQUEST	\$360,601	\$368,402	\$8,686	\$378,445	\$14,273	\$392,718

1/ Reflects rescission of \$10,523; P.L. 108-199, and lapse of approx. \$3,000 in unobligated funds.

2/ Carryover Reg. Fees (XR) and Auction Reimbursable (XA) balances are the result of recoveries of prior year obligations and were not obligated during FY 2004.

3/ Reflects rescission of \$13,357; P.L. 108-447.

4/ P.L. 108-447 rescinded \$12M of excess regulatory fees leaving \$.6m which was authorized for obligation in support of specific homeland security issues.

5/ Auctions carryover funds of \$207 were carried forward into FY 2005 no obligations are planned.

6/ OMB agreed to 2.3% pay and 2.2% fixed cost increases to FY 2006 base of \$85M.

FY 2006 Budget Estimates to Congress
PRORATA ALLOCATION OF OBLIGATIONS BY OBJECT CLASS CODE
(Dollars in thousands)

OBJECT CLASS CODE	FY 2005 Funding Source			FY 2006 Funding Source		
	Direct Authority	+ Offsetting Collections	= Total OC Allocation	Direct Authority	+ Offsetting Collections	= Total OC Allocation
11 Personnel Compensation	\$987	\$160,163	\$161,150	\$4,285	\$164,072	\$168,357
12 Personnel Benefits	0	35,410	35,410	538	36,646	37,184
13 Benefits for Former Personnel	0	59	59	0	59	59
21 Travel & Trans. of Persons	0	1,731	1,731	0	1,763	1,763
22 Transportation of Things	0	122	122	0	125	125
23.1 GSA Rent	0	35,194	35,194	0	37,150	37,150
23.3 Other Rents, Communications, Utilities	0	6,774	6,774	0	6,948	6,948
24 Printing	0	1,514	1,514	0	1,538	1,538
25.2 Other Services	0	15,360	15,360	0	17,251	17,251
25.3 Fed. Purchases, Goods & Services	0	2,720	2,720	0	3,232	3,232
25.7 Op/Maint. of Equip./Software/Info Sys	0	16,939	16,939	0	18,145	18,145
26 Supplies & Materials	0	1,727	1,727	0	1,760	1,760
31 Equipment/Software	0	2,310	2,310	0	2,810	2,810
32 Land, Buildings, Structures	0	0	0	0	7,660	7,660
42 Insur. Claims & Indemnities	0	75	75	0	75	75
Appropriation-Direct B/A	\$987		\$987	\$4,823		\$4,823
Appropriation-Offsetting Collections Reg. Fees B/A:		280,098	280,098		299,234	299,234
Subtotal-B/A in Language	\$987	\$280,098	\$281,085	\$4,823	\$299,234	\$304,057
Reg. Fees (Sec. 9) Carryover		617 7/	617		0	0
Auction Reimb. Carryover		0 7/	0		0	0
Reimbursable Program - Gov't/Other (Est.)		1,700	1,700		1,700	1,700
Auctions Cost Recovery-Reimbursement		85,000	85,000		86,961	86,961
Total Obligations			\$368,402			\$392,718

7/ See footnotes 4 and 5 on prior page.



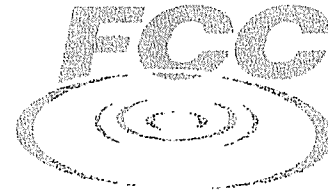
Reconstruction and Consolidation of FCC-owned Facilities in Columbia, MD

We are requesting \$9.3 million to reconstruct and consolidate our laboratory, district office, and High Frequency Direction Finding Center (HFDFC) in Columbia, MD. Collectively, these facilities support an array of security and safety issues, ranging from providing engineering analyses to resolve public-safety related policy issues to investigating and resolving instances of interference to homeland security communications. Our enforcement and engineering personnel work in inadequate facilities that range in age from 30 to over 100 years. The condition of these facilities threatens to undermine our ability to perform these vital functions.

For example, the HFDFC—which is responsible for investigating and resolving interference to homeland security communications, including public safety, search and rescue, and aviation—is housed in temporary trailers. The HFDFC remotely controls 14 monitoring stations providing global coverage and annually responds to 1,000 public safety interference complaints and 5,000 requests for radio signal analysis or radio location assistance from the Drug Enforcement Administration, the Departments of Defense and Homeland Security, Radio Free Asia, Radio Marti, and the Voice of America.

At the Commission's 30-year old lab, there are significant structural issues, an outdated heating and air conditioning system, and electrical feeds that date to the 1940s. In addition, there is no sprinkler system and no automatic fire detection system. The Commission's lab performs critical technical functions and evaluates new equipment and spectrum bands; however, the lab also performs engineering analyses to support FCC decisions on National Security and Emergency Preparedness issues, such as the recent decision to eliminate interference to public safety systems in the 800 MHz band. In its degraded surroundings, the lab performs tests to assist various Federal agencies in analyzing national security concerns for various types of radio equipment.

To address these numerous deficiencies, we have completed a requirements study which concludes that consolidating and rebuilding the HFDFC, the district office, and the lab will cost \$3 million less than renovating the existing structures. To let the problems languish will require significant incremental expenditures and even more costly operational disruptions as the environmental, electrical, and other systems fail and life-safety issues remain.



The following chart reflects the estimated costs planned over a three year period (FY 2005 – FY 2007) and a schedule of the primary goals necessary to complete the project.

Description of Milestone	Schedule			Planned Cost
	Start Date	End Date	Duration (in days)	
1.A/E Concept Design, Phase 1	Jul 05	Sep 05	90	\$200,000
2.A/E Concept Design, Phase 2	Oct 05	Mar 06	180	\$600,000
3. Project Mgmt Contract	Apr 06	Mar 07	360	\$400,000
4. Building Construction and Contingency at 5%	Apr 06	Mar 07	360	\$8,300,000
5. Furnishing, Fixtures Equip	Feb 07	Apr 07	90	\$600,000
6. Telephone, Data Systems Basic infrastructure, no testing equip. or antennas	Feb 07	Apr 07	90	\$200,000
Completion date: May 2007			Total cost estimate at completion:	\$10,300,000

UNIVERSAL SERVICE FUND

Under the Telecommunications Act of 1996, carriers that provide interstate and international telecommunications services are required to contribute funds for the preservation and advancement of universal service. The contributions are used to provide services eligible for universal service support as prescribed by the FCC. Eligible carriers receive support from the universal service funds if they (1) provide service to high cost areas, (2) provide eligible services at a discount rate to schools, libraries, or rural health care providers, or (3) provide subsidized telephone installation to low income consumers. Interest income on these funds is utilized to offset carrier contributions. Administrative costs of the program are provided from carrier contributions.

The FCC directed USAC to liquidate non-Federal investments in September 2004 and move balances into Federal securities. Program activity in 2004 and 2005 reflects accounting for these transactions.

Publis Law 108-494 temporarily suspended the application of the Antideficiency Act to the Federal universal service fund programs authorized under section 254 of the Communications Act of 1934, through December 31, 2005. The Antideficiency Act requires that funds be available before incurring an obligation on behalf of the Federal Government. Suspension of this requirement allows the Universal Service Administrative Company (USAC) to issue funding commitments to schools and libraries prior to collecting the funding to support these commitments. Based on data provided by USAC and the FCC, the Fund will likely incur obligations in excess of available resources by an estimated \$200 million in fiscal year 2005.

Unavailable Collections (in millions of dollars)

		2004 Actual	2005 Est.	2006 Est.
Receipts:				
02.00	Universal service fund	6,550	7,191	7,806
02.01	Return of capital from sale of non-Fed. investments	9,458	197	--
02.20	Universal service fund (interest)	40	40	55
02.99	Total receipts and collections	16,048	7,428	7,861
Appropriations:				
05.00	Universal service fund	(6,550)	(7,191)	(7,806)
05.01	Universal service fund	(40)	(40)	(55)
05.02	Universal service fund	(9,458)	(197)	--
05.99	Total appropriations	(16,048)	(7,428)	(7,861)
07.99	Balance, end of year	--	--	--

Program and Financing (in millions of dollars)

Obligation by program activity:				
00.01	Direct Program Activity	15,615	7,825	7,674
00.02	Program support	66	112	140
10.00	Total new obligations (object class 41.0)	15,681	7,937	7,814

UNIVERSAL SERVICE FUND (Cont'd)

Budgetary resources available for obligation:

21.40	Unobligated balance carried forward, start of year	(56)	311	(198)
22.00	New budget authority (gross)	16,048	7,428	7,861
23.90	Total budgetary resources available for obligation	<u>15,992</u>	<u>7,739</u>	<u>7,663</u>
23.95	Total new obligations	(15,681)	(7,937)	(7,814)
24.40	Unobligated balance carried forward, end of year	311	(198)	(151)

Program and Financing (in millions of dollars)

		2004 Actual	2005 Est.	2006 Est.
New budget authority (gross), detail:				
Mandatory:				
60.20	Appropriations (special fund)	6,550	7,191	7,806
60.20	Appropriations (special fund)	40	40	55
60.20	Appropriations (special fund)	9,458	197	--
62.50	Appropriations (total mandatory)	<u>16,048</u>	<u>7,428</u>	<u>7,861</u>
Change in obligated balances:				
72.40	Obligated balance, start of year	56	2,947	3,326
73.10	Total new obligations	15,681	7,937	7,814
73.20	Total outlays (gross)	(12,790)	(7,558)	(7,963)
74.40	Obligated balance, end of year	<u>2,947</u>	<u>3,326</u>	<u>3,177</u>
Outlays (gross), details:				
86.97	Outlays from new mandatory authority	12,790	6,421	6,768
86.98	Outlays from mandatory balances	--	1,137	1,195
87.00	Total outlays (gross)	<u>12,790</u>	<u>7,558</u>	<u>7,963</u>
Net budget authority and outlays:				
89.00	Budget authority	16,048	7,428	7,861
90.00	Outlays	12,790	7,558	7,963
Memorandum (non-add) entries:				
92.01	Total investments, start of year: Federal securities: Par value	--	3,257	3,254
92.02	Total investments, end of year: Federal securities: Par value	3,257	3,254	3,152

SPECTRUM AUCTION PROGRAM ACCOUNT

This program provides for direct loans for the purpose of purchasing spectrum licenses at the Federal Communications Commission's auctions. The licenses are being purchased on an installment basis, which constitutes an extension of credit. The first year of activity for this program was 1996.

As required by the Federal Credit Reform Act of 1990, this account records, for this program, the subsidy costs associated with the direct loans obligated in 1992 and beyond (including modifications of direct loans and loan guarantees that resulted from obligations or commitments in any year), as well as administrative expenses of this program. The subsidy amounts are estimated on a present value basis and administrative expenses are estimated on a cash basis.

Program and Financing (in millions of dollars)			
	2004 actual	2005 est.	2006 est.
Obligations by program activity:			
00.05 Reestimates of direct loan subsidy	382	754	0
00.06 Interest on reestimates of direct loan subsidy	228	520	0
00.09 Administrative Expenses	<u>32</u>	<u>26</u>	<u>14</u>
10.00 Total new obligations	642	1,300	14
Budgetary resources available for obligation:			
21.40 Unobligated balance carried forward, start of year	4	2	0
22.00 New budget authority (gross)	<u>640</u>	<u>1,298</u>	<u>14</u>
23.90 Total budgetary resources available for obligation	644	1,300	14
23.95 Total new obligations	-642	-1,300	-14
24.40 Unobligated balance carried forward, end of year	2	0	0
New budget authority (gross), detail:			
Mandatory:			
60.00 Appropriation	638	1,298	14
69.00 Offsetting collections (cash)	2	37	0
69.27 Capital transfer to general fund	0	-37	0
69.90 Spending authority from offsetting collections	<u>2</u>	<u>0</u>	<u>0</u>
70.00 Total new budget authority (gross)	640	1,298	14

Program and Financing (in millions of dollars)

	2004 actual	2005 est.	2006 est.
Change in obligated balances:			
72.40 Obligated balance, start of year	18	16	0
73.10 Total new obligations	642	1,300	14
73.20 Total outlays (gross)	<u>-644</u>	<u>-1,316</u>	<u>-14</u>
74.40 Obligated balance, end of year	16	0	0
Outlays (gross), detail:			
86.97 Outlays from new mandatory authority	622	1,298	14
86.98 Outlays from mandatory balances	<u>22</u>	<u>18</u>	<u>0</u>
87.00 Total outlays (gross)	644	1,316	14
Offsets:			
Against budget authority and outlays:			
88.00 Offsetting collections (cash) from: Federal sources	2	37	0
Net budget authority and outlays:			
89.00 Budget authority	638	1,261	14
90.00 Outlays	641	1,279	14

Summary of Loan levels, Subsidy Budget Authority and Outlays by Program (in millions of dollars)

	2004 actual	2005 est.	2006 est.
Direct loan upward reestimate subsidy budget authority			
1350 Spectrum auction	610	1,274	0
1359 Total upward reestimate budget authority	610	1,274	0
Direct loan downward reestimate subsidy budget authority			
1370 Spectrum auction	-3	-37	0
1379 Total downward reestimate budget authority	-3	-37	0
Administrative expense data:			
3510 Budget authority	32	26	14
3580 Outlays from balances	0	0	0
3590 Outlays from new authority	32	26	14

Object Classification (in millions of dollars)			
	2004 actual	2005 est.	2006 est.
11.11 Personnel compensation: Full-time permanent	1	1	1
12.52 Other services	31	25	13
14.10 Grants, subsidies, and contributions	<u>610</u>	<u>1,274</u>	<u>0</u>
99.99 Total new obligations	642	1,300	14
Personnel Summary			
1001 Total compensable workyears: Full-time equivalent emplc	9	12	12

SPECTRUM AUCTION DIRECT LOAN FINANCING ACCOUNT

As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from direct loans obligated in 1992 and beyond (including modifications of direct loans that resulted from obligations in any year). The amounts in this account are a means of financing and are not included in the budget totals.

Program and Financing (in millions of dollars)			
	2004 actual	2005 est.	2006 est.
Operating Expenses:			
00.01 Direct Loans	0	0	0
00.02 Interest Paid to Treasury	343	269	157
00.91 Direct Program by Activities - Subtotal (1 level)	<u>343</u>	<u>269</u>	<u>157</u>
08.02 Downward subsidy reestimate	2	22	0
08.04 Interest on downward reestimate	1	15	0
08.91 Direct Program by Activities - Subtotal (1 level)	<u>3</u>	<u>37</u>	<u>0</u>
10.00 Total new obligations	<u>346</u>	<u>306</u>	<u>157</u>
Budgetary resources available for obligation:			
21.40 Unobligated balance carried forward, start of year	46	60	0
22.00 New financing authority (gross)	360	246	157
23.90 Total budgetary resources available for obligation	<u>406</u>	<u>306</u>	<u>157</u>
23.95 Total new obligations	-346	-306	-157
24.40 Unobligated balance carried forward, end of year	60	0	0
New budget authority (gross), detail:			
Mandatory:			
67.10 Authority to borrow:	3	37	0
Offsetting collections			
69.00 Offsetting collections	1,484	1,872	2,368

Program and Financing (in millions of dollars)

	2004 actual	2005 est.	2006 est.
69.47 Portion applied to repay debt	-1,127	-1,663	-2,211
69.90 Spending authority from offsetting collections (total mandatory)	<u>357</u>	<u>209</u>	<u>157</u>
70.00 Total new financing authority (gross)	360	246	157
Change in obligated balances:			
73.10 Total new obligations	346	306	157
73.20 Total financing disbursements (gross)	-346	-306	-157
Outlays (gross), detail:			
87.00 Total financing disbursements (gross)	346	306	157
Offsets:			
Against gross budget authority and outlays:			
Offsetting collections (cash) from:			
88.00 Program account: total revised subsidy	610	1,274	0
88.25 Interest on uninvested funds	52	65	0
Non-Federal sources:			
88.40 Interest received on loans	46	8	4
88.40 Principal received on loans	62	61	54
88.40 Recoveries	714	464	2,310
88.40 Non-Federal sources	<u>0</u>	<u>0</u>	<u>0</u>
88.90 Total offsetting collections (cash)	1,484	1,872	2,368
Net budget authority and outlays:			
89.00 Financing authority	-1,124	-1,626	-2,211
90.00 Financing disbursements	-1,138	-1,566	-2,211

Status of Direct Loans (in millions of dollars)

	2004 actual	2005 est.	2006 est.
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year	5,112	4,314	3,855
1231 Disbursements: Direct loan disbursements	0	0	0
1251 Repayments: Repayments and prepayments	-62	-61	-54
1263 Write-offs for default: Direct loans	-50	0	-3,422
1264 Other adjustments, net(adjust to princ recoveries)	-686	-398	0
1290 Outstanding, end of year	4,314	3,855	379

6300 Net financing disbursements	0	-1,138	-1,566	-2,211
Federal Credit Data - Baseline (Y)				
	2003 actual	2004 actual	2005 est.	2006 est.
6300 Net financing disbursements	0	-360	-1,566	-2,211

Balance Sheet (in millions of dollars)

	2003 actual	2004 actual	2005 est.	2006 est.
ASSETS:				
1101 Federal assets: Fund balance with Treasury	46	60	0	0
Net value of assets related to post-1991 direct loan receivable:				
1401 Direct loans receivable, gross	5,112	4,314	0	0
1402 Interest receivable	285	2,210	0	0
1405 Allowance for subsidy cost (-)	-968	-3,832	0	0
1499 Net present value of assets related to direct loans	4,429	2,692	0	0
1901 Other Federal assets: Other assets	599	1,233	0	0
1999 Total assets	5,074	3,985	0	0
LIABILITIES:				
Federal liabilities				
2103 Resources payable to Treasury	5,065	3,941	0	0
2105 Other (liability to prog. acct.)	2	36	0	0
2105 Other Debt	7	8	0	0
2999 Total liabilities	5,074	3,985	0	0
4999 Total liabilities and net position	5,074	3,985	0	0



CHAIRMAN

Federal Communications Commission

Washington, D.C.

July 27, 2004

The Honorable Susan M. Collins
Chairwoman
Committee on Governmental Affairs
United States Senate
340 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairwoman Collins:

On May 28, 2004, the U.S. General Accounting Office ("GAO") submitted a report entitled Spectrum Management: Better Knowledge Needed to Take Advantage of Technologies That May Improve Spectrum Efficiency (GAO-04-666). This letter and its enclosure are to inform you of the actions the Commission has taken, and will continue to take, on the recommendations made by the GAO.

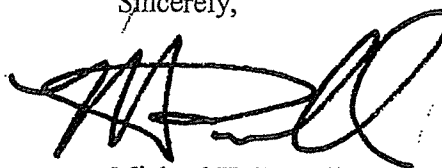
The report sets out three recommendations for joint consideration by the Administrator of the Department of Commerce's National Telecommunications and Information Administration ("NTIA") and the Chairman of the Federal Communications Commission. The Commission recommendations focus on flexibility in the spectrum allocation system, knowledge about spectrum use and new and emerging technologies, and models and methodologies to assess new and emerging spectrum-efficient technologies. Under Titles I and II of the Communications Act, as amended ("Act"), both the Commission and NTIA have spectrum management responsibilities. The Commission is charged, among other things, with adopting policies for non-Federal Government spectrum use that make wireless communication services available to all Americans, that provide for national defense, and that promote the safety of life and property. The Act specifically provides that the Commission license non-Federal Government radio stations. By contrast, radio stations owned and operated by the Federal Government obtain their frequency designations from the President, or his designee – NTIA. The Commission has worked, and will continue to work, with NTIA within this statutory regime to explore approaches for facilitating the use of new spectrum-efficient technologies to permit non-Federal Government users to employ spectrum formally allocated to Federal Government use, as well as Federal Government users to employ spectrum formally allocated to non-Federal Government use.

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Page 2—The Honorable Susan M. Collins—July 27, 2004

effort to continue to improve our policies in this area, and will work with our colleagues at NTIA to assess how best to incorporate the report's findings and recommendations in our future work.

Sincerely,

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Michael K. Powell

Enclosure

cc: Office of Management and Budget

Managing Director
Acquisition and Sourcing Management
U.S. General Accounting Office

GAO Report 04-666- "Spectrum Management: Better Knowledge Needed to Take Advantage of Technologies That May Improve Spectrum Efficiency."

GAO Recommendation 1: Assess and determine the feasibility of redefining the spectrum allocation system to build in greater flexibility where appropriate to facilitate emerging technologies.

FCC Response: In fulfilling its responsibilities under the Act, the Commission has undertaken various groundbreaking steps to encourage the use of new, more spectrum-efficient technologies. As the GAO report recognizes, in 2002 the Commission established a Spectrum Policy Task Force ("SPTF") staffed by senior agency personnel to identify outmoded procedures and policies, and evaluate changes in spectrum policy that could increase the public benefits derived from the use of the radiofrequency ("RF") spectrum. The SPTF's work resulted in a report published in November 2002 setting out many new recommendations for spectrum policy reform. In the ensuing months, the Commission has opened several proceedings that evaluate ways to build more flexibility into the spectrum allocation system to facilitate emerging spectrum-efficient technologies.

The allocation system provides spectrum bands for services, and an authorization mechanism to permit particular systems to operate in those bands. To better facilitate emerging technologies, we continue to evaluate ways to build flexibility into the regulatory and technical components of the allocation system. The Commission has taken steps to move away, where possible, from the "command and control model" for spectrum allocations used for several decades. The command and control model rigidly defines the technical parameters for use of particular spectrum. One new approach to spectrum allocations is to allow new services to utilize already assigned spectrum. Under this approach, for example, in reliance on the availability of new spectrum-efficient technologies, the Commission has allowed a terrestrial Multichannel Video Data Distribution Service ("MVDDS") to share the 12.2 – 12.7 GHz spectrum band with incumbent Direct Broadcast Satellite ("DBS") services. As another example, because of the spectrum-efficient nature of Digital TV and digital Broadcast Auxiliary Service ("BAS") technologies, the Commission is in the process of reclaiming nearly 140 MHz of broadcast spectrum which the Commission can reallocate to other services. Under another Commission proposal, spectrum users operating low power, unlicensed devices would have the flexibility to operate in "white spaces" in the TV frequency bands where certain channels are unused in a given geographic area. Another approach the Commission is considering is to facilitate the use of "smart radio" features by licensees to enable more opportunities for part-time leasing of spectrum. Under this "secondary markets" approach, licensed users of the spectrum would have additional flexibility to lease underutilized spectrum to additional users.

As the GAO report notes, the concept of "interference temperature" is another approach that could encourage the development of new and emerging technologies. "Cognitive" or "smart" radios would sense frequency usage in a particular location and the radio then would utilize the "gray spaces" in the band only to the extent possible without exceeding the interference temperature limit prescribed for that band.

Under each of these more flexible approaches to the allocation system, emerging technologies potentially could use spectrum that would otherwise lie fallow. The regulatory approaches described above are at various stages of development within the Commission and NTIA. Since the issuance of the SPTF Report, the Commission has adopted Notices of Proposed Rulemaking on unlicensed operation in the TV broadcast bands,¹ cognitive radios generally,² and the “interference temperature” concept,³ and continues to work with NTIA on the concepts that may affect mutual use of the spectrum.

GAO Recommendation 2: Develop and implement plans to gain a more thorough and ongoing understanding of the current spectrum environment.

FCC Response: All frequency bands within the useable radio spectrum have been allocated, and most have licensees operating in them. Nevertheless, the RF environment is quite dynamic. The state of the RF environment changes as a function of frequency band, geographic location, and time. The dynamic nature of the RF environment makes it difficult to capture the true state of a given frequency band for all geographic locations at any particular time. It is clear, however, that significant spectrum bands are not being fully utilized for significant periods of time. Based on informal occupancy studies conducted by the SPTF, we know that there is spectrum that is not used, or is underutilized, and that could be more efficiently used if new spectrum-efficient technologies were deployed. The Commission has been aggressively adopting and considering changes to its rules that encourage more efficient spectrum use. “Software-defined radios” and “cognitive radios,” for instance, are technologies that hold great promise in this regard. Currently, we have several ongoing rulemakings that address where these new technologies may be employed.

As one example, the Commission adopted rules that allow the more efficient use of spectrum in the 5 GHz band by unlicensed devices with cognitive features. These devices sense their environment in real time and use frequencies that are not in use. The Commission is also seeking comment on a proposal that would allow radios with certain cognitive features to use currently unused or underutilized spectrum in rural areas in the 3650-3700 MHz band.⁴ Building smart radios and networks is an effective way to use spectrum more efficiently absent an exhaustive understanding of the temporal changes in the RF environment.

¹ Unlicensed Operation in the TV Broadcast Bands, ET Docket No. 04-186, *Notice of Proposed Rulemaking*, 19 FCC Rcd 10,018 (May 25, 2004).

² Facilitating Opportunities for Flexible, Efficient, and Reliable Spectrum Use Employing Cognitive Radio Technologies, ET Docket 03-108, *Notice of Proposed Rulemaking and Order*, 18 FCC Rcd 26,859 (December 30, 2003).

³ Establishment of an Interference Temperature Metric to Quantify and Manage Interference and to Expand Available Unlicensed Operation in Certain Fixed, Mobile and Satellite Frequency Bands, ET Docket No. 03-237, *Notice of Inquiry and Notice of Proposed Rulemaking*, 18 FCC Rcd 25,309 (November 28, 2003).

⁴ Unlicensed Operation in the Band 3650 – 3700 MHz, ET Docket No. 04-151, *Notice of Proposed Rulemaking*, 19 FCC Rcd 7545 (April 23, 2004).

GAO Recommendation 3: Strengthen efforts to develop jointly accepted models and methodologies to assess the impact of new technologies on overall spectrum use and increase opportunities to permit testing of those technologies.

FCC Response: As noted previously, because all of the useable radio spectrum is allocated and most of it is licensed, it is often very challenging to provide for new and novel services. To do so requires striking a balance between incumbents and new entrants protecting incumbent licensees from interference while providing incentives and opportunities to deploy new technologies and services. With this as an underlying goal, we have provided for new technologies such as Multichannel Video Distribution and Data Service, and reclaimed broadcast and BAS spectrum for other new services, including public safety. In shared Federal Government and non-Federal Government spectrum, we will continue to work with NTIA to develop jointly accepted models and methodologies to assess the impact of new technologies. Increased coordination between the Commission and NTIA can only expedite the consideration and approval of new spectrum-efficient technologies. If the emerging technology proposes to operate in spectrum used by Federal Government users, such as for ultra-wideband (“UWB”) or broadband over power line (“BPL”), then it is appropriate for the Commission and the NTIA to develop these models and methodologies jointly.

The GAO report recognizes that the Commission has worked closely with NTIA in the Commission’s consideration and reform of its rules to allow the use of UWB unlicensed devices. UWB devices are able to use sophisticated processing capabilities to provide communications at very low power across wide swaths of spectrum without causing interference to current spectrum licensees – Federal Government and non-Federal Government – that are authorized to use those spectrum bands at much higher power levels. The Commission and NTIA are working in similar fashion to develop rules to implement BPL technology. The collaborative effort does not end after the Commission releases rules for an emerging technology. The Commission continues to work with NTIA and share data on tests and measurements conducted in our Lab, and the Commission continues to work with industry, manufacturers, and users to monitor the development of new equipment. It is then that we can assess the effectiveness of our rules and make any necessary refinements to our rules and underlying methodologies.



CHAIRMAN

Federal Communications Commission

Washington, D.C.

July 27, 2004

The Honorable Tom Davis
Chairman
Committee on Governmental Reform
U.S. House of Representatives
2157 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Davis:

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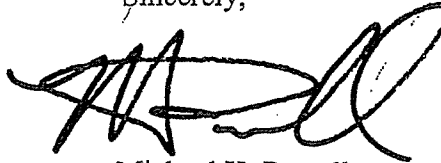
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Page 2—The Honorable Tom Davis—July 27, 2004

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Michael K. Powell

Enclosure

cc: Office of Management and Budget
Managing Director
Acquisition and Sourcing Management
U.S. General Accounting Office



CHAIRMAN

Federal Communications Commission

Washington, D.C.

July 27, 2004

The Honorable Joseph I. Lieberman
Ranking Member
Committee on Governmental Affairs
United States Senate
340 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Congressman Lieberman:

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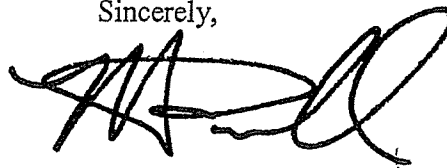
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CHAIRMAN

Federal Communications Commission

Washington, D.C.

July 27, 2004

The Honorable Henry A. Waxman
Ranking Member
Committee on Governmental Reform
U. S. House of Representatives
B-350A Rayburn House Office Building
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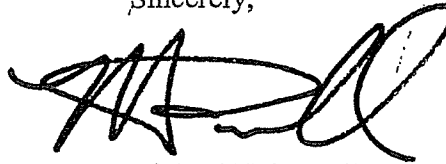
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