

Federal Communications Commission



FY 2008 Budget Estimates
Submitted to Congress
February, 2007

Table of Contents

	Page
Introduction:	1
FY 2008 Request:	
• Summary of Request.....	3
• Proposed Appropriation Language.....	4
• Legislative Proposals	5
• Summary of FY 2006-FY 2008 FTE's and Funding Comparison.....	6
• Full-time Equivalent (FTE) Distribution by Goal and Organization.....	7
• Summary of Changes – FY 2007-FY 2008.....	8
• Narrative Explanation of Changes.....	9
Performance Plan:	
• Overview	13
• What the FCC Commits to Accomplish in FY 2008.....	14
• What the FCC Has Accomplished	18
• Means and Strategies	27
Fee Collections and Auctions:	30

B/O FY 2008 Requirements:

- Statement of Information provided – list of Bureaus/Offices..... 34
- Office of Chairman and Commissioners..... 35
- Consumer and Governmental Affairs Bureau..... 36
- Enforcement Bureau..... 38
- International Bureau..... 40
- Media Bureau..... 42
- Public Safety & Homeland Security..... 43
- Wireless Telecommunications Bureau..... 46
- Wireline Competition Bureau..... 48

Agency Offices:

- Office of Administrative Law Judges..... 50
- Office of Communications Business Opportunities..... 52
- Office of Engineering and Technology..... 54
- Office of General Counsel..... 56

- Office of Inspector General.....58
- Office of Legislative Affairs.....60
- Office of Managing Director62
- Office of Media Relations.....64
- Office of Strategic Planning and Policy Analysis.....65
- Office of Workplace Diversity.....67

Appendices:

- Summary of Requested Resources.....69
- Summary Tables – Distribution of Resources.....72
- Distribution of Resources by Goal.....82
- Summary of Increases by Budget Object Class Code.....83
- Allocation of Obligations by Object Class Code Table.....84
- Prorata Object Class Allocation Chart.....85

Exhibits and Reports:

- Universal Service Exhibit.....86
- Auctions Loan Program and Financing Exhibit.....88
- Responses to Congressional Inquiries concerning GAO Recommendations.....94

Introduction

The Federal Communications Commission (FCC) is pleased to present its fiscal year (FY) 2008 budget request. The FCC is requesting a budget of \$313,000,000 to successfully carry out the FCC's functions and meet the expectations of Congress. As detailed in this submission, the requested budget includes funding for initiatives to: (1) Educate consumers about the Digital TV transition; (2) Bolster oversight of the Universal Service Fund; (3) Continue to modernize the fleet of public safety vehicles; and (4) Strengthen management and oversight of the Commission's financial and accounting processes. We project we will work 1,919 full-time equivalents (FTEs) from all available resources to carry out our mission for the American people.

With these resources, we will work hard to promote the deployment of broadband services, deregulate where competition exists, enhance public safety and homeland security, ensure the viability of the Universal Service Fund, promote the efficient use of spectrum, and review media regulation to enhance competition and diversity. We are also developing plans to ensure the Commission has the tools and training necessary to accomplish our goals and mission. The FCC's FY 2008 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, and the FCC will continue to vigorously promote its deployment in FY 2008 by helping to assure that competition, innovation, and investment in broadband services continue apace. The Commission 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 2008, the FCC will continue its important work of supporting and enhancing the Nation's economy by implementing the investment and competition-enhancing provisions of national telecommunications laws, and will deregulate where competition exists. A continuing priority will be ensuring the viability of the Universal Service Fund to ensure access for consumers in rural and high cost areas and to promote access to advanced services for schools, libraries, and healthcare service providers in rural areas. To support this goal, the FCC is requesting additional funds to combat waste, fraud and abuse of the Fund. Further, the FCC's efforts will include the licensing and authorization of several thousand communications products and services each year, 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 many 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 effort to encourage the highest and best use of spectrum domestically and internationally, will be even more essential in FY 2008 if the

United States is to encourage the growth and rapid deployment of innovative and efficient communications technologies and services.

- d. **Media** – In FY 2008, the FCC will review media regulation to foster competition and diversity, and 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. To support this goal and facilitate the Digital TV transition, the FCC is seeking additional resources to develop a consumer outreach campaign to help educate the public about the impact and benefits of Digital TV.
- e. **Public Safety and Homeland Security** – The FCC is dedicated to providing the leadership and policy guidance necessary to promote the reliability, operability and interoperability, redundancy, and rapid recoverability of our Nation’s critical communications infrastructure. The FCC will also continue to steward the spectrum resources of public safety’s first responders and promote new lifesaving technologies like wireless E911. To support this goal, the Commission is seeking additional resources to modernize its aging fleet of Mobile Digital Direction Finding (MDDF) vehicles that support public safety entities, such as local emergency responders, in the resolution of harmful interference to their communications systems. In addition, the FY 2008 budget request reflects establishment of the FCC’s Public Safety and Homeland Security Bureau in FY 2006.
- f. **Modernize the FCC** – To achieve the goals and programs in the FY 2008 performance budget, the FCC will strive to be a highly productive, adaptive, and innovative organization that maximizes the benefit to stakeholders, staff, and management from effective systems, processes, resources, and organizational culture. The Commission will continue to fulfill its statutory responsibility emphasizing efficient and effective performance and results, as well as compliance with laws and regulations, 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. To support this goal, the FCC is requesting additional funds to strengthen its finance and accounting processes by transitioning to a modern core financial information system beginning in FY 2008.

The FCC is submitting its FY 2008 budget request information at the organizational level to show the proposed use of resources. In addition, the FCC’s budget request shows the proposed use of funds by key account within each bureau or office. This format provides a detailed view of the FCC’s proposed use of budgetary resources. We welcome the budgetary process and stand ready to provide Congress with the information needed to ensure effective oversight over the FCC.

SUMMARY OF REQUEST

The Federal Communications Commission (“FCC”) is requesting an FY 2008 appropriation of \$313,000,000. We project the FCC will work 1,919 full-time equivalents (FTEs) in FY 2008 from requested resources.

The Commission will use the FY 2008 funds to carry out its fundamental mission to ensure that the American people have available - at reasonable costs and without discrimination - rapid, efficient, Nation- and world-wide communications services whether by radio, television, wire, satellite, or cable.

Dollars in Thousands (\$000)	FY 2007 NTE Rate		FY 2007 Cong. Request		FY 2008 Request		Requested Changes	
	FTE		FTE	\$ B/A	FTE	\$ B/A	FTE	\$ B/A
Direct Funding		\$1,000		\$1,042		\$1,000		-\$42
Transfer from USF			26	\$20,480	3/	\$20,480	5/	\$0
Total Direct Funding		\$1,000		\$21,522		\$21,480		-\$42
Budget Authority to use								
Offsetting Collections:		\$288,771		\$301,500		\$312,000		
1) Total Regulatory Fees		\$288,771		\$301,500		\$312,000		\$10,500
Subtotal Discretionary B/A		\$289,771		\$323,022		\$333,480		\$10,458
Authority to spend								
Other Offsetting Collections:								
2) No-Year Carryover		\$2,359	1/	\$16,164	4/	\$6,773	6/	
3) Economy Act/Misc. Other Reimb.		\$1,741		\$1,741		\$1,741		
4) Auction Cost Recovery Reimb.		\$85,000		\$85,000		\$85,000		
Total Proposed Gross Budget Authority		\$378,871		\$425,927		\$426,994		
Transfer from USF to S&E (negative discretionary)				-\$20,480		-\$20,480	5/	
Total Net BA FCC-Wide Discretionary		\$378,871		\$405,447		\$406,514		
Other Budget Authority								
No-Year Carryover		\$7,083	2/			\$195		
Salaries & Exp. Budgetary Resources		\$385,954		\$425,927		\$427,189	7/	
Credit Program Account		\$14,160		\$14,160		\$6,574		
Total Proposed Budgetary Resources	1,900	\$400,114	1,926	\$440,087		1,919		\$433,763

1/ Additional budget authority per not-to-exceed rate (see below) using excess regulatory fees of \$9M less FY 2006 SOY-EOY balances of \$6.6M.

2/ Reflects \$6.9M in remaining excess regulatory fees and \$195k in auctions carryover funds. Although shown as resources, per NTE calculation these funds are not available for obligation in FY 2007. Legislative language precludes excess regulatory fees from obligation in FY 2008.

3/ Transfer of \$20.5M from the Universal Service Fund was requested in the FY 2007 Congressional request. House language granted transfer of \$3M for audits and investigation by the FCC Office of the Inspector General.

4/ Adjusted FY 2007 Congressional reflects funds carried into FY 2007: \$9.2M in excess regulatory fees; \$6.8M in unobligated balances and \$195k in auctions carryover funds.

5/ Reflects transfer of \$20.5M from the Universal Service Fund to monitor program per proposed legislative language. That account has an offsetting negative discretionary amount.

6/ Reflects EOFY 2006 unobligated balances from prior year deobligations, precluded from use in FY 2007 per NTE rate, available in FY 2008.

7/ The S&E budgetary resources includes the transfer in from USF.

FY 2007 Not-to-Exceed Rate Calculation (in millions)	
\$1.0	Direct Approp
2.0	Economy Act Reimbursables
85.0	Auctions Program
288.8	Regulatory fee offsetting collections (FY 2006)
9.0	Excess regulatory fee collections (FY 2006)
0.6	FY 2006 SOY unobligated balances
(7.2)	FY 2006 EOY unobligated balances
\$379.2	FY 2007 NTE rate

FY 2008 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, **\$313,000,000**: *Provided*, That, offsetting collections shall be assessed and collected pursuant to section 9 of title I of the Communications Act of 1934, of which **\$312,000,000** 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 **2008** so as to result in a final fiscal year **2008** appropriation of **\$1,000,000**: *Provided further*, That any offsetting collections received in excess of **\$312,000,000** in fiscal year **2008** shall not be available for obligation: *Provided further*, That remaining offsetting collections from prior years collected in excess of the amount specified for collection in each such year and otherwise becoming available on October 1, 2007, shall not be available for obligation: *Provided further*, That notwithstanding 47 U.S.C. 309(j)(8)(B), proceeds from the use of a competitive bidding system that may be retained and made available for obligation shall not exceed \$85,000,000 for fiscal year **2008**: *Provided further*, That, in addition, not to exceed **\$20,480,000** may be transferred from the Universal Service Fund in fiscal year **2008** to remain available until expended, to monitor the Universal Service Fund program to prevent and remedy waste, fraud and abuse, and to conduct audits and investigations by the Office of Inspector General.

Legislative Proposals

Legislative Proposals to be proposed separately by the Administration, explanation of proposed legislation follows:

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

To continue to promote efficient spectrum use, the Administration proposes legislation to provide the Federal Communications Commission with new authority to use other economic mechanisms, such as fees, as a spectrum management tool. The Commission 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 and level for fees. Fee collections are estimated to begin in 2008, and total \$3.6 billion over ten years.

Spectrum Auction Authority (legislative proposal, subject to PAYGO):

The Administration will propose legislation to extend indefinitely the authority of the Federal Communications Commission to auction spectrum licenses, which expires on September 30, 2011.

Domestic Satellite Service Spectrum License Auctions (legislative proposal, subject to PAYGO):

The Administration will propose legislation to ensure that spectrum licenses for predominantly domestic satellite services are assigned efficiently and effectively through competitive bidding. Services such as Direct Broadcast Satellite and Satellite Digital Audio Radio Services were assigned by auction prior to a 2005 court decision that questioned this practice on technical grounds. The Administration estimates that auction receipts associated with this clarification will begin in 2008, and total \$690 million over ten years.

Prospective Ancillary Terrestrial Component Spectrum License Auctions (legislative proposal, subject to PAYGO):

The Administration will propose legislation to bring greater competition to the assignment of the land-based component of hybrid terrestrial-satellite communications networks, such as the Ancillary Terrestrial Component to Mobile Satellite Services, subject to technical feasibility as determined by the Federal Communications Commission. The Administration believes that the use of auctions to assign the land-based component for any future satellite licenses for these hybrid networks will help to ensure that the radio spectrum is assigned efficiently and effectively, and is put to its most highly valued use. The Administration estimates auctions receipts associated with this policy will begin in 2008, and total \$1.5 billion over ten years.

SUMMARY OF FY 2006 - FY 2008 FULL-TIME EQUIVALENTS (FTE'S) AND FUNDING
(\$ in thousands)

	FY 06		FY 07		FY 08	
	FTE's	Appropriation Funding	FTE's	Appropriation Funding	FTE's	Appropriation Funding
Chairman and Commissioners.....	27	\$4,779	37	\$6,503	37	\$6,624
Consumer & Governmental Affairs Bureau	198	23,598	203	24,266	203	26,293
Enforcement Bureau	327	44,534	300	44,476	300	46,400
International Bureau.....	140	20,280	142	20,505	142	20,957
Media Bureau	229	27,530	231	27,569	231	28,182
Public Safety & Homeland Security Bureau	1	274	100	12,879	100	13,163
Wireless Telecommunications Bureau	274	15,263	257	11,817	257	12,091
Wireline Competition Bureau	176	25,599	171	24,409	171	24,953
Office of Administrative Law Judges	5	602	5	568	5	581
Office of Commun. Business Opportunities	8	1,038	7	1,007	7	1,029
Office of Engineering & Technology.....	107	14,715	94	13,741	94	14,031
Office of the General Counsel	77	11,560	85	12,342	85	12,619
Office of Inspector General	12	2,664	20	4,465	39	5,566
Office of Legislative Affairs	8	1,116	9	1,096	9	1,120
Office of the Managing Director.....	185	86,534	199	90,234	199	92,577
Office of Media Relations	17	2,152	16	2,152	16	2,200
Office of Strategic Planning & Policy Analysis...	20	3,312	21	4,011	21	4,102
Office of Workplace Diversity	4	455	3	503	3	514
FCC TOTAL	1,816	\$286,004	1,900	\$302,542	1,919	\$313,000

Note: The FY 2008 Congressional request includes an additional 19 term FTEs, which represents USF audit oversight for the Office of Inspector General.

FY 2006 - FY 2008 Full-Time Equivalent (FTE) Distribution by Goal and Organization

	Broadband			Competition			Spectrum			Media			Public Safety/ Homeland Sec			Modernize			Total		
	06	07	08	06	07	08	06	07	08	06	07	08	06	07	08	06	07	08	06	07	08
Commissioners	2	2	2	9	12	12	8	10	10	3	5	5	3	4	4	3	4	4	27	37	37
Bureaus																					
Consumer & Governmental Affairs	7	6	6	137	142	142	9	8	8	14	19	19	5	5	5	25	23	23	198	203	203
Enforcement	5	3	3	81	77	77	88	93	93	35	43	43	100	64	64	18	20	20	327	300	300
International	21	21	21	45	46	46	62	63	63	3	4	4	5	4	4	5	4	4	140	142	142
Media	3	2	2	31	18	18	110	113	113	68	79	79	5	4	4	13	15	15	229	231	231
Public Safety & Homeland Security	0	4	4	0	2	2	0	24	24	0	0	0	1	68	68	0	2	2	1	100	100
Wireless Telecomm.	41	39	39	20	19	19	140	137	137	0	0	0	17	6	6	56	56	56	274	257	257
Wireline Competition	<u>19</u>	<u>13</u>	<u>13</u>	<u>134</u>	<u>133</u>	<u>133</u>	<u>4</u>	<u>5</u>	<u>5</u>	<u>1</u>	<u>3</u>	<u>3</u>	<u>5</u>	<u>2</u>	<u>2</u>	<u>13</u>	<u>15</u>	<u>15</u>	<u>176</u>	<u>171</u>	<u>171</u>
Subtotal Bureaus	96	88	88	448	437	437	413	443	443	121	148	148	137	153	153	131	135	135	1346	1404	1404
Offices																					
Admin. Law Judges	0	0	0	0	1	1	5	4	4	0	0	0	0	0	0	0	0	0	5	5	5
Comm. Business Opportunities	0	0	0	2	4	4	0	0	0	2	2	2	0	0	0	3	1	1	8	7	7
Engineering and Technology	8	4	4	2	1	1	79	80	80	4	4	4	9	2	2	5	3	3	107	94	94
General Counsel	8	9	9	28	29	29	19	20	20	9	14	14	7	6	6	6	7	7	77	85	85
Inspector General	0	0	0	6	12	31	1	2	2	0	1	1	0	1	1	4	4	4	12	20	39
Legislative Affairs	1	1	1	2	2	2	2	1	1	1	2	2	1	1	1	1	2	2	8	9	9
Managing Director	8	8	8	34	35	35	46	53	53	10	13	13	12	12	12	74	78	78	185	199	199
Media Relations	1	0	0	3	3	3	3	3	3	1	1	1	2	1	1	7	8	8	17	16	16
Strategic Planning & Policy Analysis	6	3	3	4	3	3	3	3	3	4	8	8	2	2	2	2	2	2	20	21	21
Workplace Diversity	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>	<u>3</u>	<u>3</u>	<u>4</u>	<u>3</u>	<u>3</u>
Subtotal Offices	32	25	25	82	90	109	159	166	166	32	45	45	33	25	25	105	108	108	443	459	478
Totals	130	115	115	539	539	558	580	619	619	156	198	198	173	182	182	239	247	247	1816	1900	1919

Note: The FY 2008 Congressional request includes an additional 19 term FTEs, which represents USF audit oversight for the Office of Inspector General.

Note: FY 2007 and 2008 FTE estimates represent the authorized level for the Bureaus and Offices and do not reflect actual FTEs.

SUMMARY OF CHANGES

(\$ in thousands)

	FY 2007 NTE Rate	FY 2007 Cong Request	FY 2008 Request	Net Change From 2007 Cong
Direct BA	\$1,000	\$1,042	\$1,000	(\$42)
Offsetting Collections	<u>\$288,771</u>	<u>\$301,500</u>	<u>\$312,000</u>	\$10,500
Spending Authority	\$289,771	\$302,542	\$313,000	
Full-time Equivalents	1,900	1,926 1/	1,919 2/	(7)

Explanation of Increases from FY 2007 NTE Rate to FY 2007 Cong:

	Amount
Inflationary Increases to Base:	
Annualization FY 2006 Pay Raise; FY 2007 Pay Raise	\$7,186
Non Salary Increases	<u>\$1,319</u>
Subtotal	\$8,505
Programmatic Increases to Base:	
EB - Direction Finding Vehicles	\$1,080
OET VOIP/Lifecycle Replacement Equipment	\$809
CGB - DTV Outreach	\$500
FCC-Wide Travel	\$235
FCC-Wide Financial Operations Support	\$900
FCC-Wide Information Technology Initiative	\$700
Government-Wide Training Initiative (adjusted)	<u>\$42</u>
Subtotal	\$4,266
Total Change to FY 2007 Congressional	\$12,771
Reduction to Direct BA (Govt-Wide Training Initiative)	(\$42)
Adjusted changes to FY 2007 Congressional	\$12,729

Explanation of FY 2008 Changes:

	FTE	Amount
Inflationary Increases to Base:		
Annualization FY 2007 Pay Raise and portion of FY 2008 Pay Raise (3%)	--	\$5,000
Portion of Non Salary Increases	--	<u>\$1,000</u>
Subtotal	--	\$6,000
Programmatic Increases to Base:		
FCC-Wide Financial Accounting System	--	\$1,000
CGB - DTV Outreach	--	\$1,500
EB - Public Safety Direction Finding Vehicles	--	\$1,000
OIG - USF Audit Support	--	<u>\$1,000</u>
Subtotal	--	\$4,500
Total Change to Offsetting Collections:	--	\$10,500

1/ 26 FTE were proposed to be funded from USF in FY 2007 Congressional Submission

2/ 19 FTE are assumed to be funded from USF in FY 2008 per proposed legislative language

Narrative Explanation of FY 2008 Increases

Inflationary Increases to FY 2007 Congressional Base

\$6,000,000

1. Annualization of FY 2007 pay raise/ FY 2008 pay raise. The requested \$5.0M provides for annualization of the FY 2007 pay raise that became effective in January 2007 and partial funding of an estimated 3% pay raise, effective January 2008 and developed in accordance with Office of Management and Budget economic assumptions.
2. Non salary increases. The requested \$1.0M provides partial inflationary increases for contractual services. The requested increase does not included inflationary increases for travel, utilities, printing and copy services and supplies. These increases are developed in accordance with Office of Management and Budget (OMB) guidelines for projected inflationary costs (2.6%).

Programmatic Increases to Base

\$4,500,000

1. Consumer and Governmental Affairs Bureau: \$1,500,000

DTV Outreach \$1,500,000:

The proposed 2008 Digital TV (DTV) outreach initiative builds on activities planned and conducted in 2007 to prepare consumers for the February 2009 transition to DTV deadline through production and distribution of consumer information materials, public service announcements (PSAs), and Web materials. The purpose of the FCC's DTV outreach initiative is to prepare the public for the transition from analog to digital in concert with stakeholders that include the National Telecommunications and Information Administration (NTIA), broadcasters and cable operators. The FCC will help to ensure a smooth transition to digital television through a coordinated consumer education and advocacy campaign. This campaign will provide consumers with the information necessary to continue to view their TVs after transition is complete. Moreover, these unbiased and technologically and competitively neutral information initiatives will enable consumers to knowledgeably evaluate and purchase DTV products and services that are best for them.

The FCC's DTV Outreach initiative would primarily use the media, Internet, publications, and participation in forums, public events, and community education programs to disseminate DTV information. We would also work with broadcasters and broadcasting industry associations (including the National Association of Broadcasters and the Association of Public Television Stations) to maximize the distribution of DTV information through production and airing of PSAs and support of broadcasters' community outreach activities. Other media projects include multimedia public service announcements and features, news and feature article production and placement, and radio and TV satellite media tours. Internet projects would include the further expansion of the national DTV Web portal, www.dtv.gov, more interactive activities, more and better reference information, and expansion of our referral pages for obtaining DTV information locally. We will also identify and utilize existing Internet-based information outlets for the wider dissemination of topical DTV consumer information.

DTV publications would be printed and distributed to consumers who learn about them through our media activities and event participation. Event participation includes exhibiting and making presentations at major consumer-oriented conferences and such as the annual AARP "Life@50+" event and National Council of La Raza conferences. Working relationships with state and local

entities, educational institutions, and community organizations are being strengthened and will be expanded to plan and conduct joint DTV outreach programs at the local level. Additional exhibit materials may be needed in order to participate in multiple and overlapping DTV-related events. We envision an increasing demand for DTV exhibitions and participation in local DTV education projects as the transition deadline approaches.

Multimedia DTV Transition information packages would be developed and distributed to government agencies, community organizations, and stakeholders for use in conducting DTV educational programs independent of FCC participation in localities we are unable to reach directly. Our innovative “DTV Deputy” program for children would be expanded to teach kids about DTV and encourage them to take transition information to their parents and caregivers. Educators would be provided with materials for expanding the DTV Deputy program. DTV outreach in 2008 will include enhanced components for producing and distributing transition information to low-income and minority consumers, as well as those who speak languages other than English, including Spanish, Chinese, Korean, Vietnamese and other languages. To maximize DTV outreach effectiveness and efficiency, programs will be coordinated with the NTIA and other government agencies with DTV transition involvement.

2. Office of Inspector General Audit Support: \$1,000,000

The FCC’s Office of Inspector General (OIG) is responsible for the oversight of the Universal Service Fund (USF) and performs audits and investigations to determine the extent to which there is fraud, waste and/or abuse in the USF program. These funds will enable the Commission to fight waste, fraud and abuse in the Universal Service Fund. In addition, OIG investigations and audits of the Universal Service Administration Company (USAC) are performed to detect instances of waste, fraud, abuse and mismanagement that may exist within USAC and/or its contractors.

In FY 2007, the FCC’s OIG stepped up its audit and oversight efforts to ensure that USF monies are used for their intended purpose. These FY 2008 funds will provide personnel to be used to manage the USF audit program, purchase software required to process USF audits, and for investigative personnel to support USF criminal investigations.

3. Public Safety Support Vehicles: \$1,000,000

Replace 12 MDDF Vehicles:

Funding of \$1.0M would provide twelve Mobile Digital Direction Finding (MDDF) vehicles and associated radio receivers and direction-finding equipment. The Commission’s Enforcement Bureau uses these vehicles to support public safety entities to investigate and resolve harmful interference to public safety communications systems. For example, the Commission has used its MDDF vehicles to resolve harmful interference to police, fire department, and emergency medical response communications systems. In response to Hurricane Katrina, for example, the Commission used its MDDF vehicles to resolve interference affecting the communications systems of disaster relief personnel. The Commission has also used these MDDF vehicles to provide assistance to Public Safety Answering Points (PSAPs) that experience interference to wireless 911/E911 calls. In addition to supporting state and local public safety entities, the Commission uses these MDDF vehicles to investigate and resolve cases of harmful interference affecting other U.S. Government agencies, including Department of Homeland Security’s Border Patrol and Coast Guard and the Federal Aviation Administration (*e.g.*, air traffic control systems).

Properly-equipped MDDF vehicles are the tool the FCC uses to perform these public safety and homeland security support functions. To support the nation-wide demands on the FCC's capabilities for direction-finding and interference resolution, the FCC's Enforcement Bureau requires a fleet of 76 specialized MDDF vehicles. The MDDF vehicle is a sport utility vehicle (SUV) equipped with a computerized spectrum analysis system that includes antennas, a receiver, display screens and controls. Because of the specialized nature of the mission and the equipment, the FCC installs the technical equipment itself at an FCC facility.

The FCC's current fleet of vehicles has two main problems. First, because the FCC did not maintain a lifecycle replacement program, many vehicles have deteriorated due to wear and tear from regular use. Twenty-eight vehicles, or 36% of the FCC's MDDF fleet, are more than seven years old and eleven vehicles, or approximately 15% of the FCC's MDDF fleet, are more than ten years old. As a result, the FCC is incurring increased maintenance costs associated with the MDDF vehicles. Second, many vehicles contain older, less-effective monitoring equipment. Modern monitoring equipment using advanced communications systems would enhance support to public safety entities since it would perform direction-finding functions in the upper spectrum ranges.

4. Commission-Wide Financial Management Initiatives: \$1,000,000

Improve and Strengthen Oversight of Financial and Accounting processes (\$1.0M): These funds will enable the Commission to manage its finance, accounting, and budget activities in a more efficient, effective manner. During FY 2007, the Commission plans to solicit bids to migrate the agency from its existing financial system – Federal Financial System (FFS), which is hosted by the Department of Interior's (DOI's) National Business Center - to a new core financial system. In FY 2008 the Commission will begin its migration to the replacement system while consolidating key financial management functions (such as general ledger, accounts payable, accounts receivable, budget formulation and execution) into the new core financial system. FY 2008 funding is required to host the Commission's consolidated core financial management system at one of the approved Shared Service Centers. The agency must complete the migration of its core accounting system before October 1, 2010 when the DOI intends to discontinue support for FFS.

Other Budgetary Authority

\$20,480,000

1. Strengthened Oversight of the Universal Service Fund: \$20,480,000

The Commission's Inspector General has requested \$20,480,000 in budgetary authority to strengthen the oversight of the USF. The Government Accountability Office (GAO) recommended that the FCC establish meaningful USF performance goals and measures; increase the number of USF program audits and response time to audit findings; accurately assess the level of fraud, waste, and abuse occurring in the program; and develop internal controls designed to ensure compliance with applicable laws.

In FY 2006, the USF disbursed approximately \$7.3 billion. In FY 2006, the OIG ramped up its audit and investigative efforts pertaining to the USF. These increased oversight efforts will result in performing hundreds of audits across all USF programs. In addition, the FCC OIG continues to work closely with law enforcement agencies on cases involving potential misconduct. These activities have stretched the FCC's oversight resources.

If funded with USF funds, the FCC OIG will contract with professional commercial audit firms to perform USF program audits. The FCC OIG believes that an external audit program, managed by the FCC OIG, is the best way to accurately assess the level of fraud, waste, and abuse occurring in the program. Without USF funds, the FCC OIG is unable to contract directly with professional audit firms and provide the quality of assurance necessary to protect the USF from waste, fraud and abuse. The FCC OIG also needs USF funds to properly investigate audit issues and audit findings for identifying fraudulent activity with the USF.

FCC PERFORMANCE PLAN

OVERVIEW: FCC STRATEGIC GOALS - 2006 THROUGH 2011

The FCC, in accordance with its statutory authority and in support of its mission, has established six strategic goals. They are:

BROADBAND

All Americans should have affordable access to robust and reliable broadband products and services. Regulatory policies must promote technological neutrality, competition, investment, and innovation to ensure that broadband service providers have sufficient incentive to develop and offer such products and services.

COMPETITION

Competition in the provision of communications services, both domestically and overseas, supports the Nation's economy. The competitive framework for communications services should foster innovation and offer consumers reliable, meaningful choice in affordable services.

SPECTRUM

Efficient and effective use of non-federal spectrum domestically and internationally promotes the growth and rapid deployment of innovative and efficient communications technologies and services.

MEDIA

The Nation's media regulations must promote competition and diversity and facilitate the transition to digital modes of delivery.

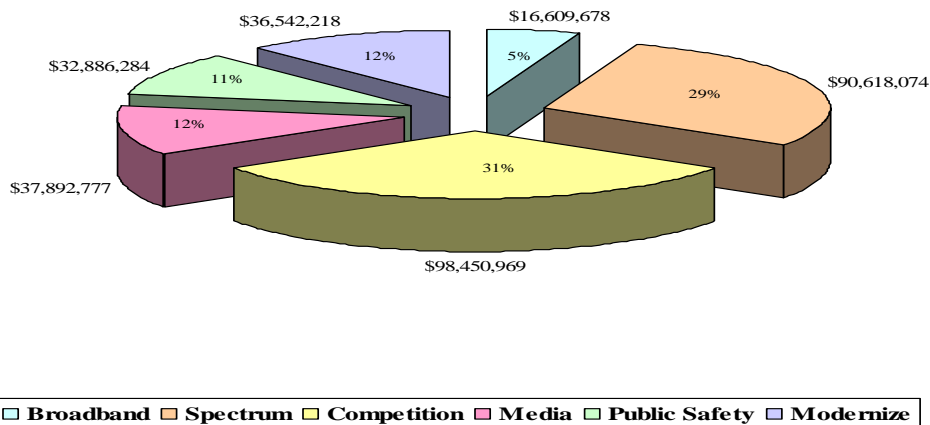
PUBLIC SAFETY AND HOMELAND SECURITY

Communications during emergencies and crises must be available for public safety, health, defense, and emergency personnel, as well as all consumers in need. The Nation's critical communications infrastructure must be reliable, interoperable, redundant, and rapidly restorable.

MODERNIZE THE FCC

The FCC shall strive to be a highly productive, adaptive, and innovative organization that maximizes the benefit to stakeholders, staff, and management from effective systems, processes, resources, and organizational culture.

Budget Request by Strategic Goal
\$313,000,000



WHAT THE FCC COMMITS TO ACCOMPLISH IN FY 2008

In carrying out its six strategic goals, the FCC has identified the following outcomes it will strive to accomplish in FY 2008. Each outcome is stated as a performance goal and each of the 19 outcome-focused performance goals has multiple associated performance targets.

BROADBAND

Outcome-oriented Performance Goal 1: Promote the availability of broadband to all Americans.

Targets:

- (1) Support and facilitate the development and deployment of broadband services across multiple platforms.
- (2) Support and defend the adoption of policies and regulations to increase the availability of unlicensed and licensed terrestrial wireless broadband devices and licensed satellite broadband devices.
- (3) Work in partnership with state, local, and tribal governments, consumer groups and industry to promote broadband availability to all Americans, including consumers in rural and high cost areas.
- (4) Measure and report on the number of consumers that have adopted various broadband technologies.
- (5) Measure and report on the number and category of consumer inquiries and complaints received regarding broadband availability and deployment.

Outcome-oriented Performance Goal 2: Define broadband to include any platform capable of transmitting high-bandwidth intensive services, applications, and content.

Target:

- (1) Continue to evaluate and refine, as necessary, what constitutes broadband to ensure that it encompasses future, next-generation offerings that may not be in use today.

Outcome-oriented Performance Goal 3: Ensure harmonized regulatory treatment of competing broadband services.

Targets:

- (1) Support and encourage policies and regulations to ensure harmonized regulatory treatment among broadband technologies, platforms and service providers.
- (2) Support and address regulatory requirements that affect broadband service providers, including universal service, 911 and E911, the Communications Assistance for Law Enforcement Act (CALEA), and consumer protection.

Outcome-oriented Performance Goal 4: Encourage and facilitate an environment that stimulates investment and innovation in broadband technologies and services.

Targets:

- (1) Employ appropriate strategies (including deregulation, forbearance, and waiver of regulatory requirements) to encourage new entrants and providers of nascent technologies to participate in broadband markets.
- (2) Vigorously enforce and defend against legal challenge policies and regulations that promote the deployment and adoption of all broadband technologies.
- (3) Maintain efficient licensing and facilities siting processes to encourage and facilitate rapid deployment of broadband infrastructure.

COMPETITION

Outcome-oriented Performance Goal 5: Promote access to telecommunications services for all Americans.

Targets:

- (1) Increase awareness of available programs and services for low income consumers, persons with disabilities, and Spanish-speaking consumers.
- (2) Combat waste, fraud, and abuse in the Universal Service Fund, and enhance program efficiency.
- (3) Combat waste, fraud, abuse in the Telecommunications Relay Service fund, and enhance program efficiency.
- (4) Adopt, enforce and defend against legal challenge policies and rules that enhance access to communications services for persons with disabilities.
- (5) Work with industry, other U.S. government agencies, state governments, and others to ensure that telecommunications services and technologies are accessible to persons with disabilities in conformance with existing laws and policies.

Outcome-oriented Performance Goal 6: Ensure that American consumers can choose among multiple reliable and affordable communications services.

Targets:

- (1) Promote competitive choices for wireless, satellite, wireline voice and data service providers, for domestic and international services and for multichannel video programming.
- (2) Promote policies that lower relative prices for domestic and international wireline and wireless services.
- (3) Promote policies that lower prices for multichannel video programming services.
- (4) Evaluate and report on the competitive environment for communications services.
- (5) Authorize services promptly.
- (6) Review and resolve transfer of control requests.

Outcome-oriented Performance Goal 7: Promote pro-competitive and universal access policies worldwide.

Targets:

- (1) Actively participate in bilateral and multilateral global discussions and debate on issues in coordination with other U.S. governmental agencies related to competition and universal access, including access for people with disabilities.
- (2) Work with other U.S. government agencies to participate in international studies that track the status of global communications.

Outcome-oriented Performance Goal 8: Work to inform consumers about their rights and responsibilities in the competitive communications marketplace.

Targets:

- (1) Engage consumers through outreach and education initiatives to facilitate informed choice in the competitive telecommunications marketplace.
- (2) Evaluate and report on consumer complaints regarding communications services and improve customer experience with the Communication's call centers and website.

Outcome-oriented Performance Goal 9: Enforce the Commission's rules for the benefit of consumers.

Targets:

- (1) Enforce and defend against legal challenges the Commission's policies that promote lower international calling rates.
- (2) Ensure, including litigation where necessary, that consumers are protected from anticompetitive practices.
- (3) Share information about the Commission's enforcement policies and practices with foreign regulatory agencies and encourage cooperation, when appropriate.

SPECTRUM

Outcome-oriented Performance Goal 10: Ensure that the Nation's spectrum is used efficiently and effectively.

Targets:

- (1) Facilitate the deployment of new or existing services and devices that use spectrum efficiently and effectively.
- (2) Provide flexible, market-oriented spectrum allocation policies.
- (3) Conduct effective and timely licensing activities.
- (4) Provide policies that delineate the rights and responsibilities of both licensed and unlicensed spectrum users, particularly with respect to harmful interference.
- (5) Enforce and defend against legal challenges to spectrum regulations and policies.
- (6) Enforce regulations, investigate complaints and litigate cases affecting communications systems and infrastructure and the use and availability of spectrum.

Outcome-oriented Performance Goal 11: Advocate U.S. spectrum interests in the international arena.

Targets:

- (1) Secure international spectrum allocations that allow for new services and protect incumbent services from interference.
- (2) Secure and enforce bi-lateral spectrum treaties and agreements working with appropriate U.S. and international government agencies.

MEDIA

Outcome-oriented Performance Goal 12: Facilitate the transition to digital television and further the transition to digital radio.

Targets:

- (1) Adopt the final DTV Table of Allotments.
- (2) Conduct outreach campaign to educate and inform consumers about the transition to digital television (DTV).
- (3) Continue to negotiate and implement agreements with Canada and Mexico for the deployment of digital services in border regions.
- (4) Maintain dialogue with policy makers, regulators, research communities, and industry on emerging technologies and services in the media marketplace.
- (5) Adopt, enforce and defend against legal challenge policies and regulations to facilitate the transition to DTV and Digital Radio.

Outcome-oriented Performance Goal 13: Reevaluate media ownership rules in light of a changing marketplace and judicial review.

Target:

- (1) Support the development of and defend against legal challenge to broadcast ownership rules that comply with judicial directives and statutory requirements.

Outcome-oriented Performance Goal 14: Enforce compliance with media rules.

Targets:

- (1) Timely resolve and defend against legal challenge adjudicatory proceedings involving cable television, broadcast television and radio, and satellite services.
- (2) Balance the protection of children and freedom of speech through firm and fair action on indecency, including enforcing and defending the Commission's indecency-related actions in litigation.
- (3) Timely resolve cross-border interference issues with Canada and Mexico.

- (4) Participate in international organizations such as ITU, CITELE, APEC and OECD to establish pro-competitive regulatory frameworks for the advancement and deployment of new media technologies.

PUBLIC SAFETY AND HOMELAND SECURITY

Outcome-oriented Performance Goal 15: Promote the reliability, security, and survivability of the communications infrastructure.

Targets:

- (1) Increase participation of 911 Centers in the Telecommunications Service Priority (TSP) program.
- (2) Increase participation by first responders, and state, tribal, and local governmental agencies in the TSP Program.
- (3) Increase participation by federal agencies in the TSP Program.
- (4) Facilitate participation in the Wireless Priority Service (WPS) Program.
- (5) Ensure effective use of spectrum available for public safety communications.
- (6) Implement and defend in litigation the requirements of Communications Assistance for Law Enforcement Act (CALEA).
- (7) Provide support for coordination with other agencies regarding public safety and homeland security.
- (8) Participate in international organization and conferences to coordinate protection of the global communications infrastructure.
- (9) Enhance communications and media network reliability, including emergency preparedness and disaster management practices.
- (10) Increase awareness of best practices among carriers and service providers.
- (11) Improve and provide guidance as necessary to implement the Commission's COOP and emergency preparedness.

Outcome-oriented Performance Goal 16: Facilitate deployment of public safety technology.

Targets:

- (1) Increase deployment of E-911 by telecommunications providers.
- (2) Increase deployment of E-911 by interconnected VoIP providers.
- (3) Take appropriate enforcement action for non-compliance with 911 and E911 requirements, including defending the Commission's VoIP and 911 and E911 rules in litigation.
- (4) Improve the effectiveness of an Emergency Alert System (EAS).

MODERNIZE THE FCC

Outcome-oriented Performance Goal 17: Become an easier organization to do business with by integrating systems, processes, and interfaces.

Targets:

- (1) Upgrade and enhance technology and tools used to process and resolve complaints.
- (2) Begin implementation of the electronic licensing system modernization plan.
- (3) Acquire a new financial management system that includes automated interfaces with Commission licensing systems and integrates FRN's into all appropriate actions.
- (4) Introduce enhanced electronic filing and tracking capabilities.
- (5) Review, identify, and analyze outdated, outmoded and unnecessary FCC rules, regulations and/or requirements in light of competitive marketplace and the requirements contained in 47 U.S.C. § 161 and 5 U.S.C. § 610.

Outcome-oriented Performance Goal 18: Create and sustain an organizational culture that encourages innovation, accountability, and continual improvement.

Targets:

- (1) Implement Strategic Human Capital plan.
- (2) Review Human Capital survey results and take action to address low areas of employee satisfaction.
- (3) Meet statutory and regulatory deadlines for conducting and responding to audits and assessments.
- (4) Ensure compliance with all general administrative laws and regulations, including fiscal, procurement, ethics, employment, environmental, and appropriations.
- (5) Establish, implement, and comply with internal customer service standards intended to improve responsiveness and service quality throughout the FCC.
- (6) Promote greater fiscal accountability by strengthening cost and performance management controls.

Outcome-oriented Performance Goal 19: Ensure effective communications with consumers, Congress, the communications industry, and fellow federal, state, tribal, and local agencies.

Targets:

- (1) Meet external customer service standards 95% or more of the time.
- (2) Reduce the time it takes to process complaints filed with the FCC.

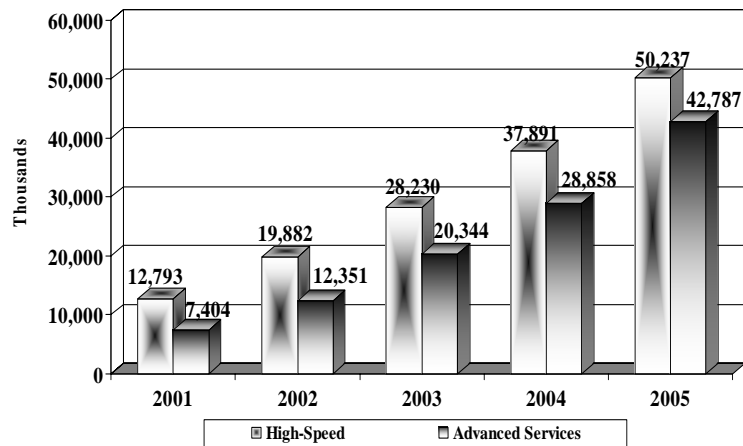
WHAT THE FCC HAS ACCOMPLISHED

BROADBAND

Broadband, also known as advanced telecommunications capability and advanced services, currently refers to services and facilities with a transmission speed greater than 200 kilobits per second (kbps). High-speed lines deliver services at speeds exceeding 200 kbps in at least one direction, while advanced services lines deliver services at speeds exceeding 200 kbps in both directions.

As of December 2005,¹ subscribers to high-speed services were present in 99% of the zip codes in the United States, up 4% from the previous year.² There were 50.2 million high-speed lines in service,³ 42.9 million of which were assigned to residential and small business subscribers.⁴ Advanced services lines increased 15% during the second half of 2005, from 37.3 to 42.8 million lines.⁵

Number of High Speed and Advanced Lines



¹ Data on advanced services for Internet access is collected every six months; the latest available data released from the FCC is from December 2005. The report on *High Speed Services for Internet Access: Status as of December 31, 2005*, released July 26, 2006, is available at: http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-266596A1.pdf.

² Ibid., Chart 12, page 21.

³ Ibid., Table 1, page 6.

⁴ Ibid., Table 3, page 8.

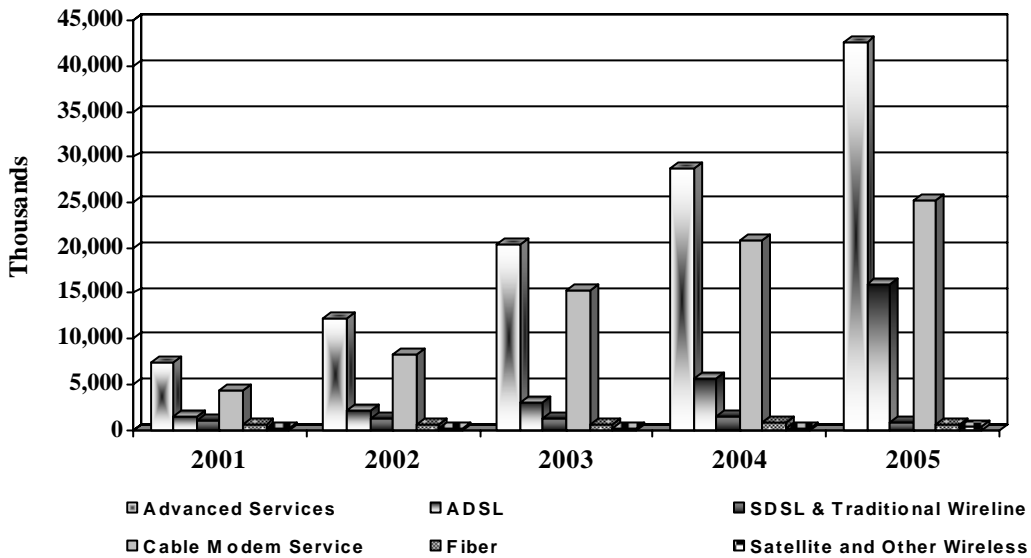
⁵ Ibid., Table 2, page 7. 39.3 million of these advanced services lines were assigned to residential and small business subscribers. Ibid., Table 4, page 9.

Service providers report the presence of high-speed service subscribers in all 50 states, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands. Relatively large numbers of high-speed lines in service are found in the most populous states, i.e., California, New York, Florida, and Texas.⁶

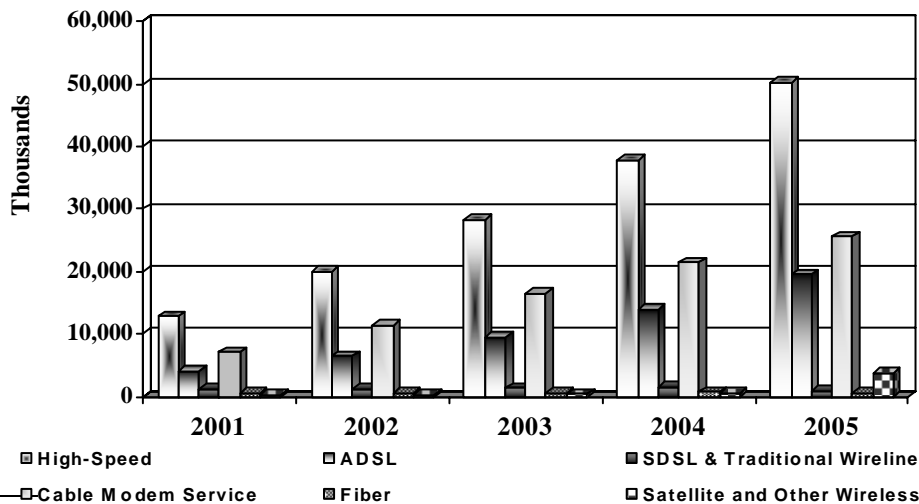
Both high-speed and advanced services lines increased for all categories of service, with dramatic increases in two categories: asymmetrical digital subscriber line (ADSL) and coaxial cable connections (cable modem service).

- ADSL high-speed lines increased during calendar year 2005 by 41%, to 19.5 million lines, while high-speed cable modem service lines increased by 20% to 25.6 million lines.⁷
- ADSL advanced services lines increased during calendar year 2005 by 179% to 15.9 million lines, while cable modem advanced service lines increased by 21% to 25.2 million lines.⁸

Advanced Lines Across Multiple Platforms



High Speed Lines Across Various Platforms



Significant progress is also being made in the deployment of mobile broadband technologies. Several mobile wireless carriers are deploying high-speed mobile Internet access services for cell phones, PDAs, laptops, and other wireless devices using CDMA, EV-DO, and WCDMA technologies.

⁶ Ibid., Table 9, page 15. The number of high-speed lines in these states were 7.3 million, 3.7 million, 3.5 million, and 3.5 million, respectively.

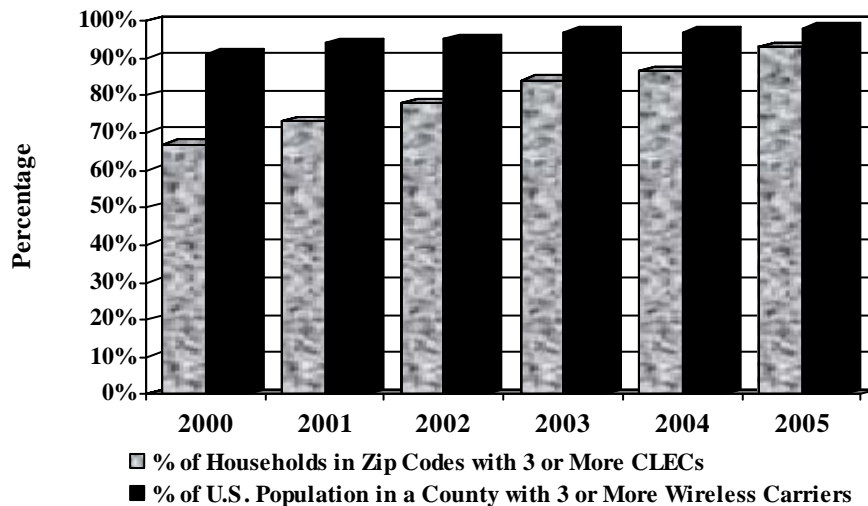
⁷ Ibid., Table 1, page 6.

⁸ Ibid., Table 2, page 7.

COMPETITION

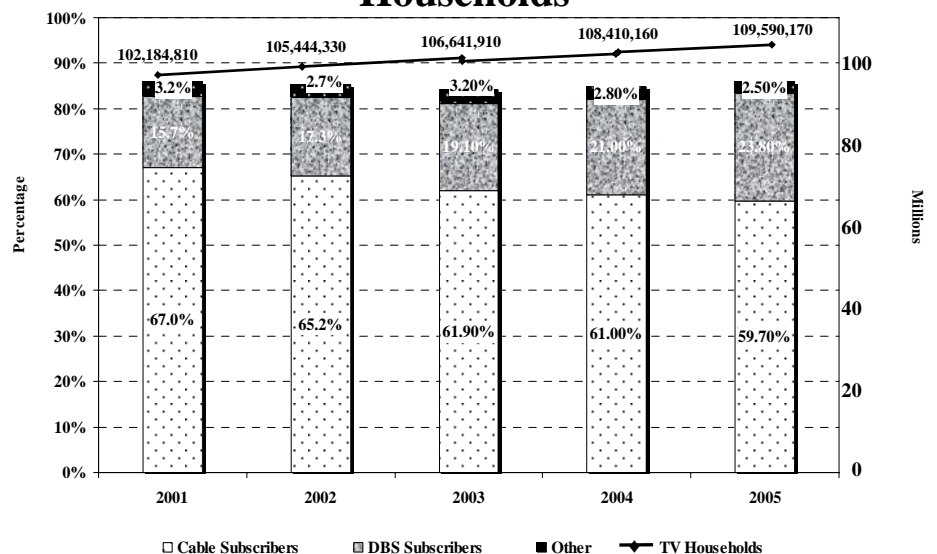
This chart reflects a steady increase in the percentage of U.S. consumers that can choose between multiple wireline and wireless service providers. Specifically, the percentage of U.S. households living in zip codes served by three or more wireline local exchange carriers has climbed from 67% in 2000 to 93% in 2005. Similarly, the percentage of the U.S. population living in counties served by three or more wireless carriers has climbed from 91% in 2000 to 98% in 2005.

Percentage of Population with Three or More Providers



As of June 2005, 86% of the 109.6 million U.S. total television households subscribed to a multichannel video programming distribution service; 59.7% of all TV households were cable subscribers; 23.8% were direct broadcast satellite subscribers; and 2.5% subscribed to other MVPD services. Non-cable MVPD subscribers grew from 26.2 million households in June 2004 to 28.8 million households in June 2005, an increase of 10%. There are 15.36 million U.S. TV households that do not subscribe to an MVPD service and thus rely solely on over-the-air broadcast television for their video programming, representing 14 percent of all U.S. TV households.⁹ The major broadcast networks now provide their most popular programming in high-definition. Hundreds of local stations are using their digital channels to provide multicast

MVPD Subscribers as a Percentage of TV Households



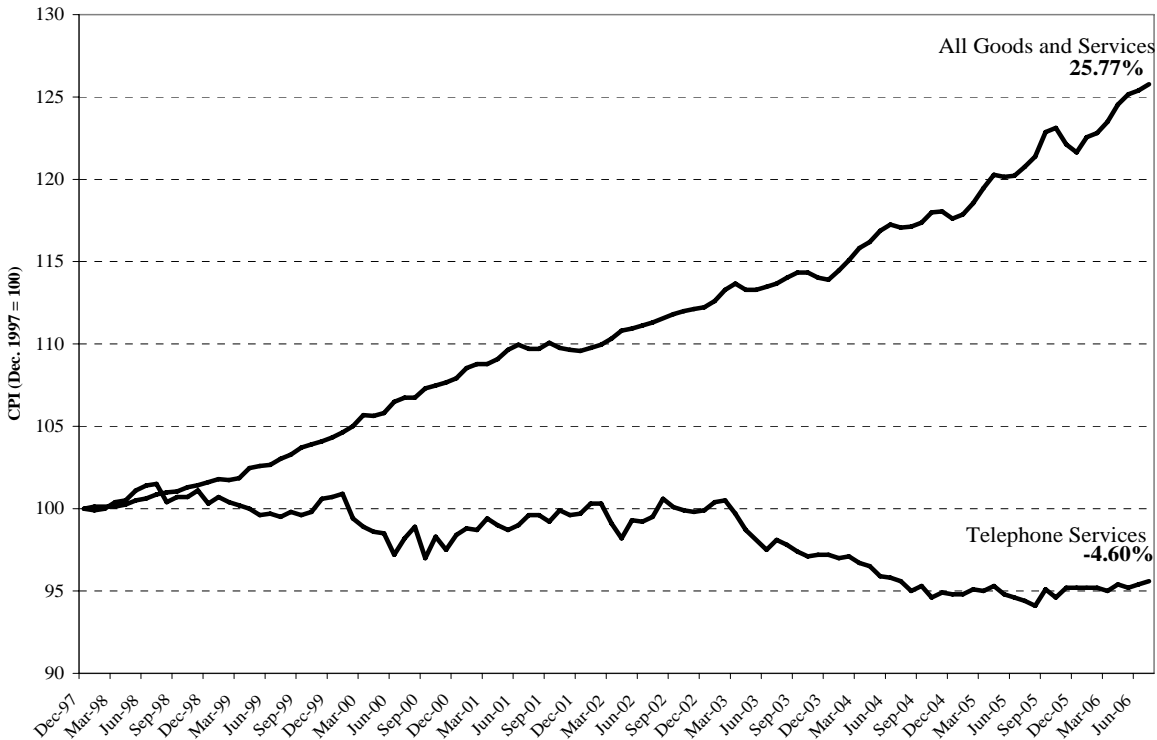
⁹ "Twelfth Annual Report on the Status of Competition in the Market for the Delivery of Video Programming," can be found at: http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-06-11A1.pdf, Table B-1, page 115.

programming, including news, weather, sports, religious material, music videos and coverage of local musicians and concerts, as well as foreign language programming. ¹⁰

Lower relative price for wireless and wireline services

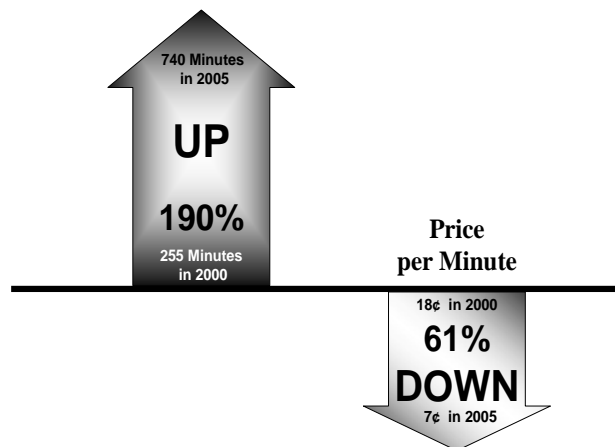
The consumer price for telephone services has declined over the last eight years when compared to the price of other goods and services. The chart below uses data obtained from the Bureau of Labor Statistics to compare the Consumer Price Index (CPI) for Telephone Services with the CPI for all goods and services, using 1997 price levels as the base (equal to 100). The Telephone Services included in this index include Local Telephone Service, Long Distance Charges, Interstate Toll Service, Intrastate Toll Service, and Wireless Telephone Services. In contrast to a 26% increase in the CPI for all goods and services (from 100.2 to 125.8), the Telephone service price index has declined by 5% (from 100.0 to 95.4) over the past eight years (from the beginning of 1998 to June 2006).

Consumer Price Indices



The consumer price for telephone services has declined over the last six years. The average price of wireless telephone calls has fallen over this period as well. As illustrated by the accompanying chart, the average price per wireless minutes of use per month for mobile telephone service, including both individual and business users, has fallen over the past five years, down to seven cents per minute in 2005.

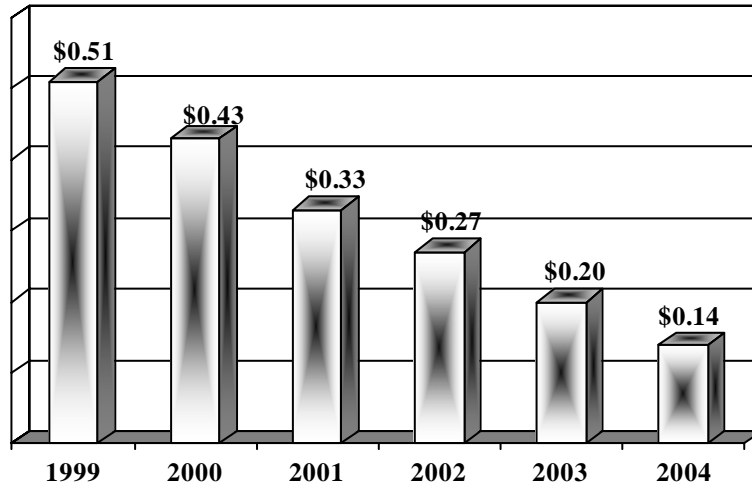
AVERAGE PRICE PER WIRELESS MINUTES OF USE PER MONTH 2000 TO 2005



¹⁰ *Id.* at ¶ 98.

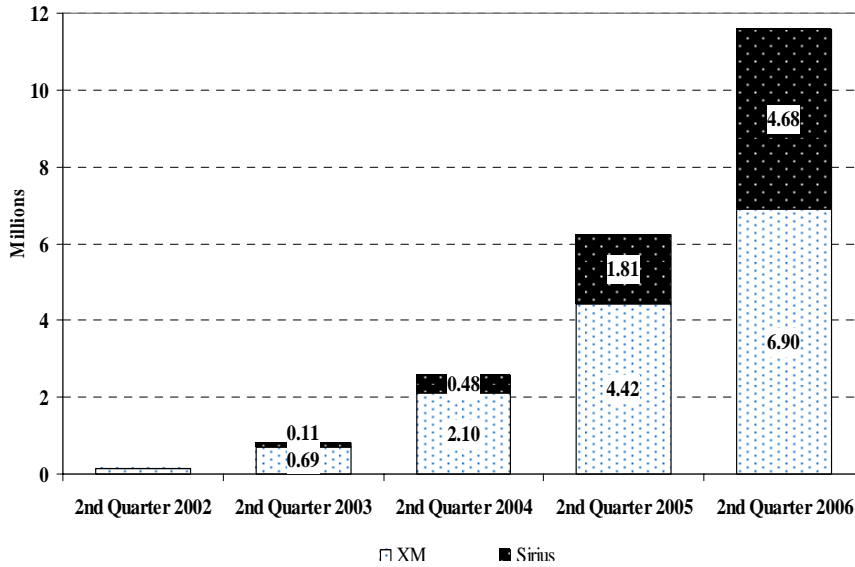
The average international calling rate to U.S. consumers fell from 51¢ per minute in 1999 to 14¢ per minute in 2004.

Price Per Minute for An International Call



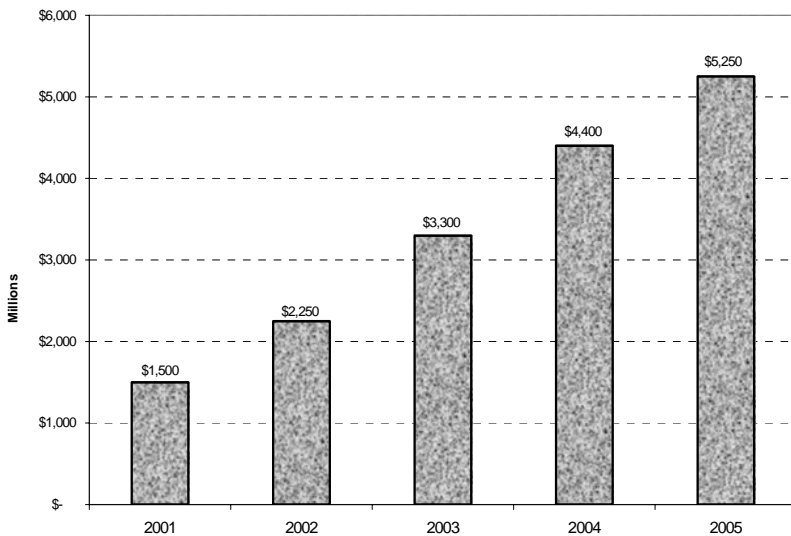
SPECTRUM

Satellite Digital Audio Radio Service Subscribers



This chart displays subscriber growth in the SDARS from the second quarter of 2002 to the second quarter of 2006. Since June 2005, the number of SDARS subscribers has increased by 86%, from 6,232,116 subscribers to 11,578,078 subscribers.

Wi-Fi Infrastructure Hardware Revenue in the United States
(2001-2005)



Sales of new equipment can also indicate an increase in the number of subscribers to new services that make efficient use of spectrum. Wi-Fi infrastructure hardware revenue increased by 250% from \$1,500 million in 2001 to \$5,250 million in 2005.

The World Radiocommunication Conferences (WRCs) are assembled every three to four years under the auspices of the International Telecommunication Union (ITU) and are tasked with revising treaty text in the form of Radio Regulations, which bind countries once ratified. The 2007 World Radiocommunication Conference (WRC-07) is scheduled October 22 – November 16, 2007 in Geneva, Switzerland. The Commission participates in WRCs for two main reasons: (1) to secure spectrum allocations that allow for new telecommunications services to enter the market; and (2) to protect incumbent telecommunication services from interference.

The Advisory Committee for WRC-07 (WAC) has created five informal working groups to look at issues on the agenda for the WRC-07. In preparation for WRC-07, the WAC has produced over 40 recommendations for the Commission.

The various conference agenda items have been initially assigned to the informal working groups as follows:

Informal Working Groups (IWG)

- IWG-1 – Terrestrial and Space Science Services
- IWG-2 – Satellite Services including those related to High Altitude Platform Stations (HAPS)
- IWG-3 – International Mobile Telephone (IMT-2000) & 2.5 GHz
- IWG-4 – Broadcasting and Amateur Services
- IWG-5 – Regulatory Issues

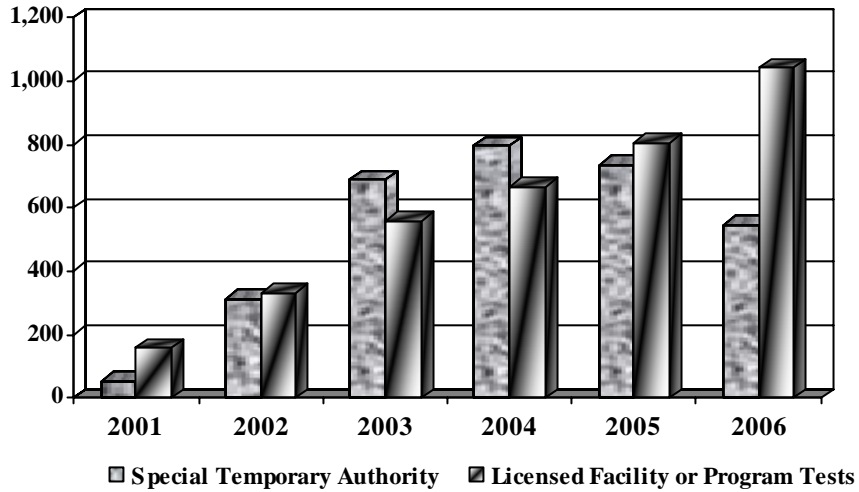
***Agenda Items
(Major WRC-07 Issues)***

- 1.2, 1.3, 1.5, 1.14, 1.16, & 1.20
- 1.6 (Resolution 415), 1.7, 1.8, 1.17, 1.18, 1.19, & 1.21)
- 1.4 & 1.9
- 1.6 (Resolution 414), 1.11, 1.13, 1.15, & 7.1 (Recommendation 952)
- 1.1, 1.0, 1.12, 2, 3, 5, 6, & 7.1)

MEDIA

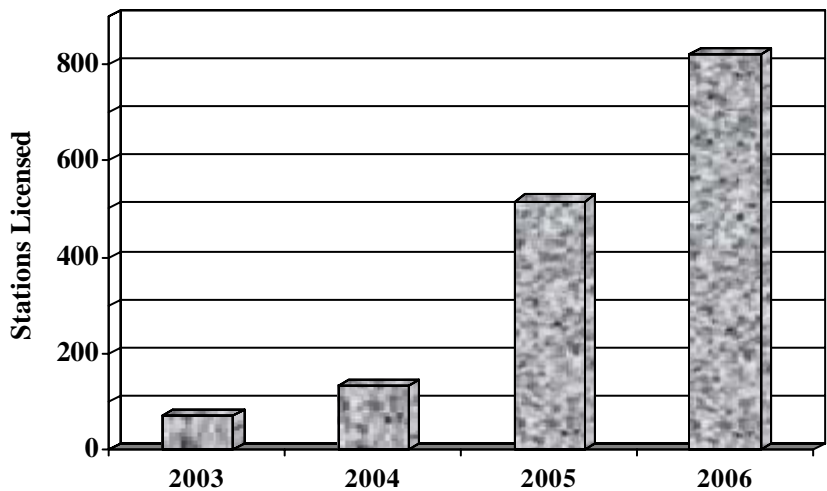
At the end of FY 2006, a total of 1,586 of 1,687 licensed DTV stations (94%) were on the air with DTV operations. Of these, 1,041 are licensed digital facilities or facilities with program test authority and 545 are operating pursuant to Special Temporary Authority.

DTV Stations Authorized to be on the Air

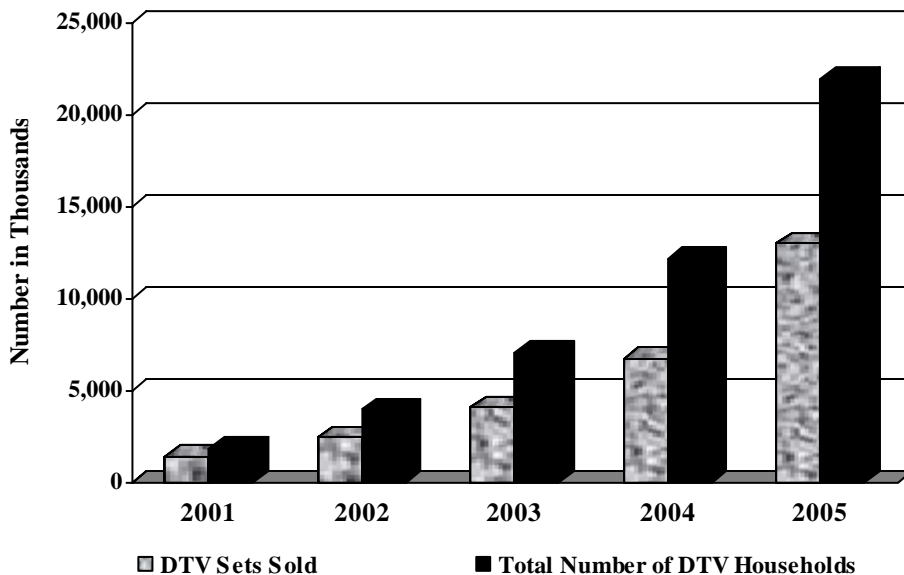


Implementation of AM and FM in-band, on-channel (IBOC) hybrid radio grew steadily during FY 2006, rising to a total of 818 stations operating with digital radio authorizations by June 30, 2006.

Digital Terrestrial Radio



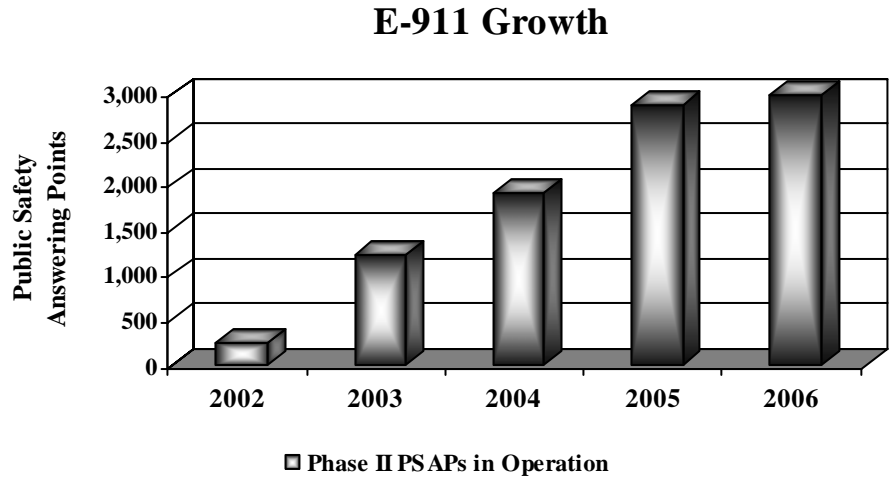
Increasing Investment in Digital Television



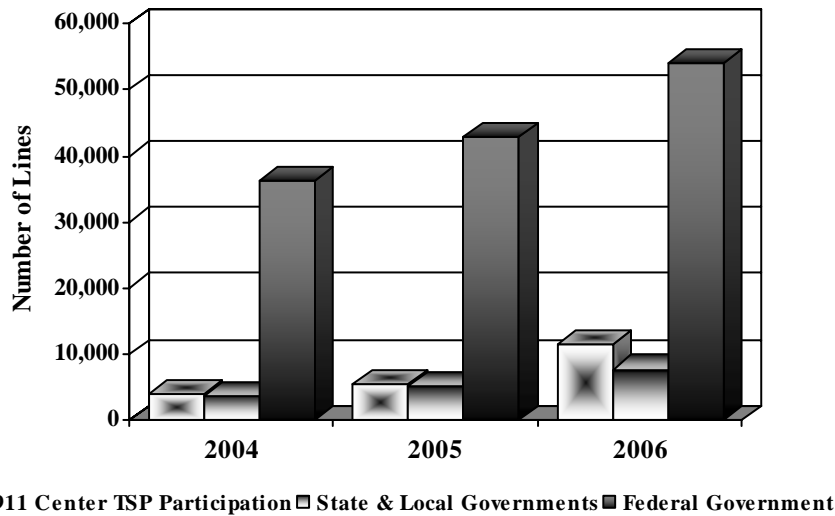
The number of new DTV sets sold to consumers has increased by 94% from 6.7 million DTV sets sold in 2004 to 13 million DTV sets sold in 2005. The total number of households with DTV sets has increased by 80% from 12.2 million in 2004 to 22 million in 2005.

PUBLIC SAFETY AND HOMELAND SECURITY

From August 2005 to August 2006, Phase II of E-911 Operational Growth increased by 31% (from 2,882 to 3,777). This chart reflects the number of Public Safety Answering Points (PSAPs) receiving Phase II location information from at least one mobile service licensee. To receive E911 data from any mobile service licensee, a PSAP must have become fully E911 capable. Thus, all PSAPs reflected in this chart are capable of receiving E911 data from multiple mobile service licensees. This chart also indicates that at least some of the customers served by these PSAPs have access to E-911. Phase II rules require licensees to transmit 911 caller location information to PSAPs with greater accuracy than Phase I deployment. To monitor E-911 progress closely, each carrier is required to file quarterly reports with the Commission on February 1, May 1, August 1, and November 1 of each year.



Telecommunications Service Priority Participation



911 call center circuits were covered by the TSP program. This amounted to a 112% increase in 911 call center circuits enrolled in TSP.

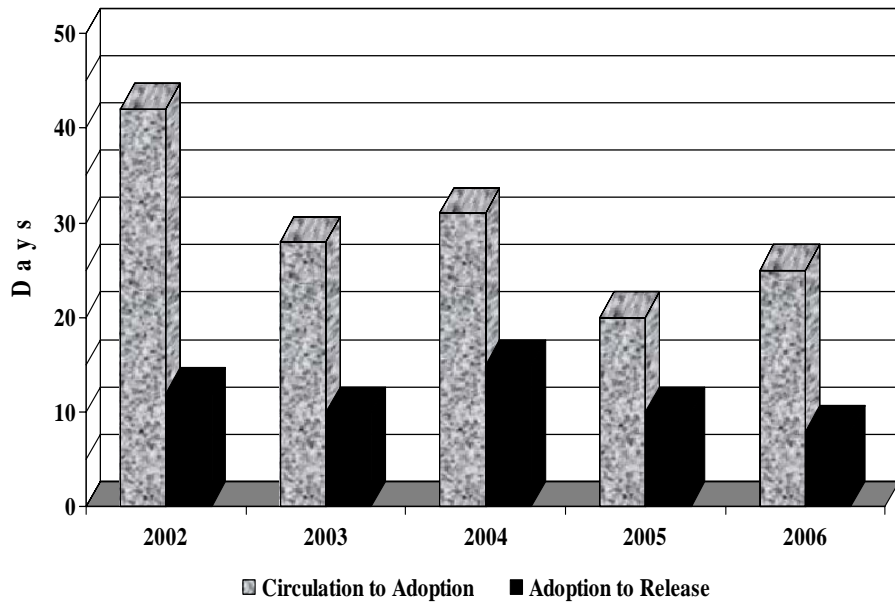
During FY 2006, the Commission examined the TSP participation rates of Federal agencies and state and local governments. At the end of FY 2005, the Federal government had 42,801 circuits enrolled in the TSP program; by the end of July 2006, a total of 54,108 Federal government circuits were covered. At the end of FY 2005, state and local governments had 5,028 circuits enrolled in the TSP program; by the end of July 2006, a total of 7,630 state and local government circuits were covered. The TSP program increases the reliability of essential NS/EP communications services by minimizing out-of-service times. As a result, these circuits were made more reliable, thus helping to achieve the Commission's TSP objectives.

The Commission established the TSP program to support priority restoration of communications services that support national security and emergency preparedness (NS/EP) missions during disasters, including terrorist attacks. The National Communications System (NCS) oversees day-to-day operation of the TSP program. Any Federal, state, or local government entity that relies on telecommunications services to accomplish its NS/EP mission can qualify for TSP. Although all 911 call centers would qualify for the TSP program, only a small percentage of 911 call centers participate. In FY 2004, the Commission began an outreach program to inform 911 administrators of the TSP program and to expedite their enrollment. At the end of FY 2005, a total of 5,401 911 call center circuits were enrolled in the TSP program. By the end of July 2006, a total of 11,454

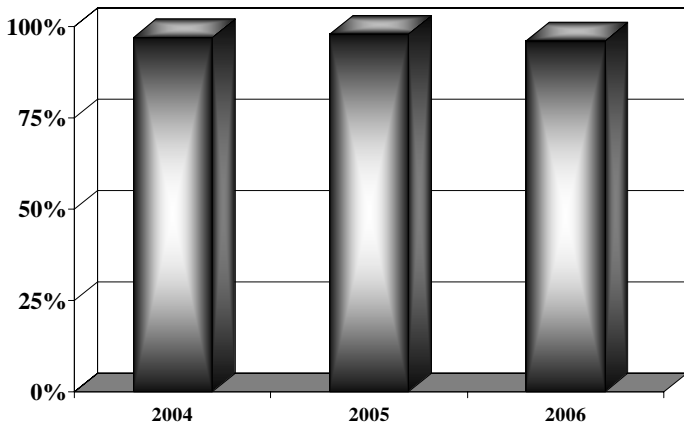
MODERNIZE THE FCC

The Commission’s processing time for “circulation to adoption” increased by 25% (20 to 25) and “adoption to release” decreased by 20% (10 to 8) between FY 2005 and FY 2006. At the same time, the number of rulemakings decreased by 11% from 118 to 105.

AVERAGE TIME TO COMPLETE RULEMAKINGS



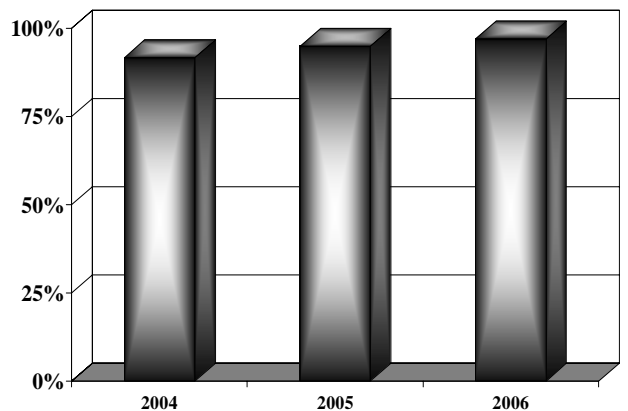
Actions Disposed of Within Speed of Disposal Goal



FY 2006, 96% of the agency’s actions were disposed within the processing goals. Performance over the last three years exceeded the agency’s speed of disposal goal of 95%.

In FY 2006 the Commission returned to 97% electronic filing — an increase of two percentage points over FY 2005. In both years the Commission exceeded its 90% goal for electronic or on-line filing.

Actions Filed Electronically



MEANS AND STRATEGIES FOR ACCOMPLISHING PERFORMANCE COMMITMENTS

BROADBAND		
Processes	Skills	Technology
<ul style="list-style-type: none"> ▪ Rulemaking ▪ Industry analysis ▪ Data collection ▪ Negotiations with global regulators ▪ Technology analysis 	<ul style="list-style-type: none"> ▪ Understanding of relevant law. ▪ Ability to analyze impact of multiple communications markets. ▪ Forecasting likely scenarios for convergence of varied technologies. ▪ Assessing technical feasibility of emerging technologies. 	<ul style="list-style-type: none"> ▪ Commission Lifecycle Agenda Tracking System (CLASPlus) ▪ Electronic Document Management System (EDOCS) ▪ Electronic Comment Filing System (ECFS) ▪ Automated Correspondence Management System (ACMS) ▪ Fee Filer ▪ Desktop/Network Document Development and Data Access Tools
COMPETITION		
Processes	Skills	Technology
<ul style="list-style-type: none"> ▪ Rulemaking ▪ Industry and consumer analysis ▪ Consumer protection ▪ Interactions with state and international regulators ▪ Notice of Apparent Liability/Forfeitures 	<ul style="list-style-type: none"> ▪ Understanding of various communications marketplaces. ▪ Ability to analyze economic impact of industry behavior on consumers. ▪ Consumer and public education and interaction skills. ▪ Auditing, investigating, enforcing. ▪ Forecasting changing needs and expectations toward underserved publics. 	<ul style="list-style-type: none"> ▪ Consumer Information Management System (CIMS) ▪ Automated Reporting Management Information Systems (ARMIS and EAFS) ▪ Electronic Tariff Filing System (ETFS) ▪ Desktop/Network Document Commission Lifecycle Agenda Tracking System (CLASPlus) ▪ Electronic Document Management System (EDOCS) ▪ Electronic Comment Filing System (ECFS) ▪ Automated Correspondence Management System (ACMS) ▪ Fee Filer ▪ Desktop/Network Document Development and Data Access Tools

SPECTRUM		
Processes	Skills	Technology
<ul style="list-style-type: none"> ▪ Auctions ▪ Rulemaking ▪ Industry analysis ▪ Data collection ▪ Licensing ▪ Engineering ▪ Inter-governmental and international negotiations ▪ Notice of Apparent Liability/Forfeitures 	<ul style="list-style-type: none"> ▪ Ability to plan and conduct fair auctions for the limited spectrum resource. ▪ Understanding of both economic and technical aspects of the telecommunications industry. ▪ Perspective and innovative thinking in order to identify ways to encourage the best use of spectrum while maintaining appropriate protections for public safety and national defense. ▪ Auditing, investigating, enforcing. 	<ul style="list-style-type: none"> ▪ Auctions system - ISAS ▪ Universal Licensing System (ULS) ▪ International Bureau Filing System (IBFS) ▪ Experimental Licensing Filing System ▪ Cable Operations and Licensing System (COALS) ▪ Antenna Structure Registration System ▪ Columbia Engineering Laboratory ▪ Enforcement equipment ▪ Equipment Authorization Filing System ▪ Consolidated Database System (CDBS) ▪ Auctions system - ISAS ▪ Commission Lifecycle Agenda Tracking System (CLASPlus) ▪ Electronic Document Management System (EDOCS) ▪ Electronic Comment Filing System (ECFS) ▪ Automated Correspondence Management System (ACMS) ▪ Fee Filer ▪ Desktop/Network Document Development and Data Access Tools
MEDIA		
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) ▪ Commission Lifecycle Agenda Tracking System (CLASPlus) ▪ Electronic Document Management System (EDOCS) ▪ Electronic Comment Filing System (ECFS) ▪ Automated Correspondence Management System (ACMS) ▪ Fee Filer ▪ Desktop/Network Document Development and Data Access Tools

PUBLIC SAFETY AND HOMELAND SECURITY		
Processes	Skills	Technology
<ul style="list-style-type: none"> ▪ Rulemaking ▪ Data collection and analysis ▪ Intergovernmental and international negotiations ▪ Communications and Crisis Management Center ▪ 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) 	<ul style="list-style-type: none"> ▪ Knowledge of federal and state public safety and emergency procedures. ▪ Understanding of national defense operations. ▪ Facilitation and communication skills necessary to increase awareness of numerous emergency services and plans. ▪ Risk assessment. 	<ul style="list-style-type: none"> ▪ Network Outage Reporting System ▪ E-911/Wireless E-911 ▪ Emergency Alert System (EAS) ▪ Wireless Priority Access System (WPAS) ▪ Commission Lifecycle Agenda Tracking System (CLASPlus) ▪ Electronic Document Management System (EDOCS) ▪ Electronic Comment Filing System (ECFS) ▪ Automated Correspondence Management System (ACMS) ▪ Fee Filer ▪ Desktop/Network Document Development and Data Access Tools
MODERNIZE THE FCC		
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) ▪ Revenue Accounting Management Information System (RAMIS) ▪ Commission Lifecycle Agenda Tracking System (CLASPlus) ▪ Electronic Document Management System (EDOCS) ▪ Electronic Comment Filing System (ECFS) ▪ Automated Correspondence Management System (ACMS) ▪ Fee Filer ▪ Desktop/Network Document Development and Data Access Tools

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 enforcement, policy and rulemaking, user information services, and international regulatory activities.

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

The regulatory fees do not apply to governmental entities, amateur radio operator licensees, 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 September 6, 2006 pursuant to an order adopted by the Commission on July 12, 2006, released July 17, 2006 and published in the Federal Register August 2, 2006 (71 FR 43842).

Authorization to Retain Fees

For FY 2008, for the first time the Commission proposes appropriations language that would prohibit obligation of excess regulatory fee collections. Historically, regulatory fee collections in excess of levels specified in the appropriation language have been available for obligation by the Commission and remained available until expended. These excess collections became 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. \$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 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 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. Per OMB guidance, the rescinded fees are considered to be temporarily unavailable. The balance of approximately \$.6 million was identified as available for obligation to obtain land surrounding the current Puerto Rico facility to provide enhanced security to the facility operations. Due to an increase in land value no funds were obligated in FY 2005.

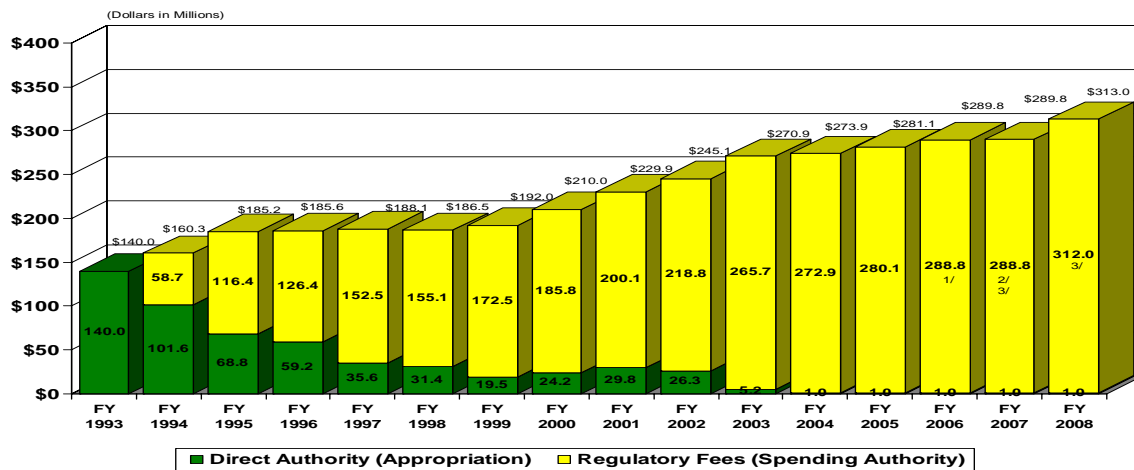
There was \$12.9 million in excess regulatory fee collections at the end of FY 2005 that became available for obligation in FY 2006. Pursuant to P.L. 109-108, \$25.3 million was rescinded. The whole amount of the rescission is now considered unavailable until reappropriated by Congress. \$25M is shown as a memorandum entry in the FY 2008 President’s Budget. In FY 2006 \$9M in excess regulatory fees were collected and became available for obligation on October 1, 2006. FCC considers the use of these funds to be contingent upon approval of subcommittees. The FY 2008 request would make all regulatory fee over collections unavailable for obligation.

P.L. 109-171 required the FCC to collect an additional \$10M in licensing fees for deposit into the treasury as offsetting receipts.

FY 2008 Regulatory Fee Assumptions

The FY 2008 budget request proposes to increase regulatory fees to a level of \$312.0 million. These funds will support Commission-wide goals that 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 2008 RESOURCE COMPARISON
Distribution of Appropriated Budget Authority



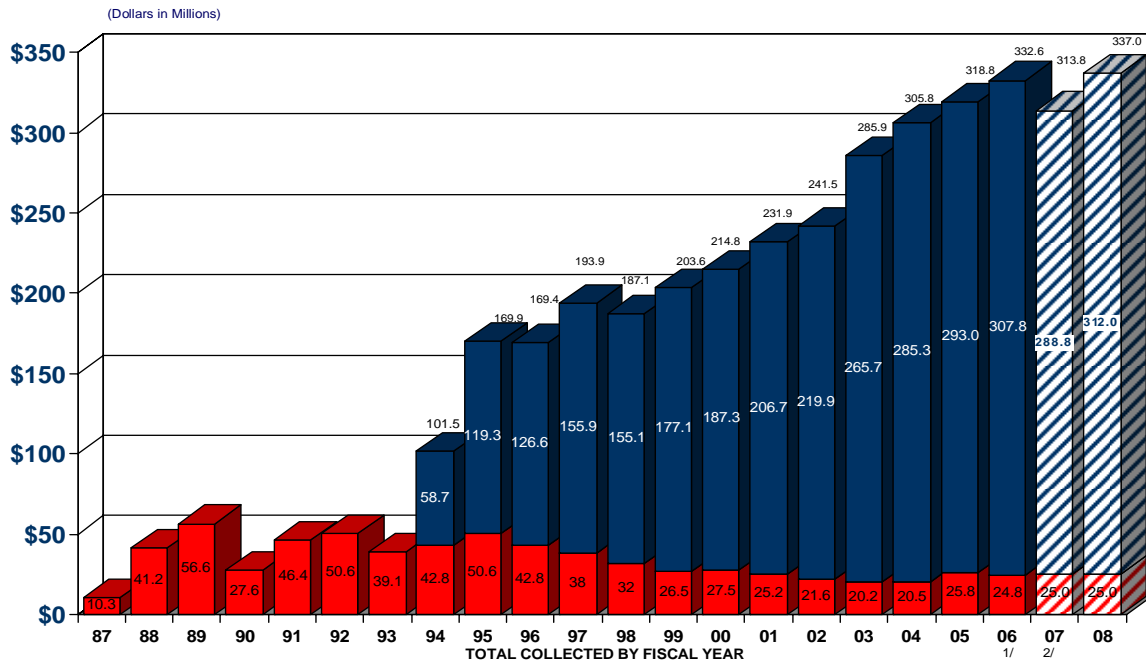
Note: FYs 1994, 1998 and 2003 reflect increased direct BA due to lower Reg Fee collections than directed in Appropriation language. This chart reflects Budget Authority and does not include additional B/A from excess fee collections in any fiscal year.

- 1/ Reflects actual Regulatory Fees collected in FY 2006.
- 2/ Reflects Regulatory Fees for FY 2007 as calculated under the not-to-exceed rate. The FY 2007 Congressional submission requested regulatory fees of \$301.5 million.
- 3/ Reflects the Regulatory Fee Schedule proposed for, FY 2007 and FY 2008.

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 intended 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 used 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 August 30, 2006 an order was adopted which increased application fees to reflect these CPI changes; this change became effective in mid October, 2006. Application Processing Fee Collections (Section 8) and Regulatory Fee collections are summarized in the following graph.

FEE COLLECTIONS* FY 1987 – FY 2008



*In addition to Sec. 8 processing fees which go to the General Fund of Treasury, totals for FY 1994-2008 include Sec. 9 Regulatory Fees. Sec. 9 actual reflects fees collected thru 9/30. Est. Sec. 9 reflects fees established in appropriations language.
 1/ P.L. 109-171 required the FCC to access fees for licenses totaling \$10M, which was deposited in Treasury. That amount is included here.
 2/ \$288.8M reflects OMB not-to-exceed rate for FY 2007, FY 2007 Congressional set Sec. 9 regulatory fees at \$301.5M.

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, and again through 2011 in the Deficit Reduction Act of 2005. The Commission initiated regulations implementing the legislation and conducted its first round of auctions in July 1994. To date the Commission has completed 64 auctions. As of December 31, 2006, total receipts from this program deposited in the General Fund of the U.S. Treasury have exceeded \$20.8 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 FCC's FY 2006 Appropriation capped the auctions program at \$85 million for the third year. It is anticipated that there will again be an \$85M cap in FY 2007. FY 2008 proposed language again caps auctions at \$85M.

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 FY 2005 Auctions Report was provided to the appropriate oversight committees in September, 2006.

BUREAU/OFFICE FY 2008 REQUIREMENTS

Prior to FY 2006 the FCC did not provide information to the Congress to show the proposed use of appropriated fund at the organizational level. In the conference report for the FY 2006 appropriations law, the conferees required the FCC to submit a spending plan for FY 2006 at the organizational level and to provide this level of disaggregation in future budget reports. This section continues to provide that information consistent with the practice specified for FY 2007. Specifically, this section contains the FCC's proposed budget for FY 2008 at the bureau and office level. This submission includes a column showing the FCC's FY 2007 plan for appropriated funding based on the not-to-exceed calculation.

BUREAUS

Office of Chairman and Commissioners.....	35
Consumer and Governmental Affairs Bureau.....	36
Enforcement Bureau.....	38
International Bureau.....	40
Media Bureau.....	42
Public Safety and Homeland Security Bureau.....	43
Wireless Telecommunications Bureau.....	46
Wireline Competition Bureau.....	48

AGENCY OFFICES:

Office of Administrative Law Judges.....	50
Office of Communications Business Opportunities.....	52
Office of Engineering and Technology.....	54
Office of General Counsel.....	56
Office of Inspector General.....	58
Office of Legislative Affairs.....	60
Office of Managing Director.....	62
Office of Media Relations.....	64
Office of Strategic Planning and Policy Analysis.....	65
Office of Workplace Diversity.....	67

OFFICE OF THE COMMISSIONERS

	2006	2007	2007	2008
	Actual	NTE Rate	Cong. Request	Request
FTE	27	37	37	37
11-Compensation	\$3,016,538	\$3,959,855	\$4,098,429	\$4,195,981
12-Benefits	\$713,080	\$923,516	\$958,612	\$981,879
13-Benefits for Former Personnel	\$0	\$0	\$0	\$0
Subtotal, Personnel Costs	\$3,729,618	\$4,883,371	\$5,057,041	\$5,177,860
21-Travel	\$178,065	\$275,000	\$304,554	\$304,554
22-Transportation of Things	\$0	\$0	\$0	\$0
23-Rent and Communications	\$870,591	\$1,122,528	\$1,137,501	\$1,137,501
24- Printing and Reproduction	\$0	\$0	\$0	\$0
25-Other Contractual Services	\$801	\$4,000	\$4,064	\$4,163
26-Supplies and Materials	\$0	\$0	\$0	\$0
31-Equipment	\$0	\$0	\$0	\$0
42-Insurance Claims and Indemnities	\$0	\$0	\$0	\$0
Subtotal, Non-Personnel Costs	\$1,049,457	\$1,401,528	\$1,446,119	\$1,446,218
TOTAL	\$4,779,075	\$6,284,899	\$6,503,160	\$6,624,078

FY 2008 Request: Applicability of FCC Strategic Goals					
Broadband	Competition	Spectrum	Media	Public Safety and Security	Modernize the FCC
X	X	X	X	X	X

The FCC is directed by five Commissioners appointed by the President and confirmed by the Senate for 5-year terms, except when filling an unexpired term. The President designates one of the Commissioners to serve as Chairperson. Only three Commissioners may be members of the same political party. None of them can have a financial interest in any Commission-related business.

The Chairman serves as the chief executive officer of the Commission, supervising all FCC activities, delegating responsibilities to staff units and Bureaus, and formally representing the Commission before the Congress and the Administration. For part of FY 2006, the FCC did not have the full complement of Commissioners and associated staff.

CONSUMER AND GOVERNMENTAL AFFAIRS BUREAU

	2006 Actual	2007 NTE Rate	2007 Cong. Request	2008 Request
FTE	198	203	203	203
11-Compensation	\$16,149,542	\$15,699,941	\$16,249,354	\$16,636,130
12-Benefits	\$3,812,399	\$4,129,683	\$4,286,624	\$4,390,667
13-Benefits for Former Personnel	\$0	\$0	\$0	\$0
Subtotal, Personnel Costs	<u>\$19,961,941</u>	<u>\$19,829,624</u>	<u>\$20,535,978</u>	<u>\$21,026,797</u>
21-Travel	\$65,199	\$65,199	\$94,400	\$139,400
22-Transportation of Things	\$0	\$0	\$0	\$0
23-Rent and Communications	\$2,267,795	\$2,071,159	\$2,108,943	\$2,108,943
24- Printing and Reproduction	\$0	\$0	\$25,000	\$325,000
25-Other Contractual Services	\$1,298,997	\$1,028,731	\$1,500,156	\$2,691,652
26-Supplies and Materials	\$1,225	\$1,225	\$1,225	\$1,225
31-Equipment	\$2,618	\$208	\$208	\$208
42-Insurance Claims and Indemnities	\$0	\$0	\$0	\$0
Subtotal, Non-Personnel Costs	<u>\$3,635,834</u>	<u>\$3,166,522</u>	<u>\$3,729,932</u>	<u>\$5,266,428</u>
TOTAL	<u>\$23,597,775</u>	<u>\$22,996,146</u>	<u>\$24,265,910</u>	<u>\$26,293,225</u>

<u>FY 2008 Request: Applicability of FCC Strategic Goals</u>					
Broadband	Competition	Spectrum	Media	Public Safety and Security	Modernize the FCC
X	X	X	X	X	X

The Consumer and Governmental Affairs Bureau develops and administers the Commission's consumer and inter-governmental affairs policies and initiatives to enhance the public's understanding of the Commission's work and to facilitate the Agency's relationships with other governmental agencies and organizations. The Bureau is responsible for rulemaking proceedings regarding general consumer and disability policy. The Bureau serves as the primary Commission entity responsible for communicating with the general public regarding Commission policies, programs, and activities in order to facilitate public education and participation in the Commission's decision-making processes.

The Bureau's overall objectives include: advising the Commissioners and the other Bureaus and Offices on consumer, disability and inter-governmental-related areas of concern or interest; initiating, reviewing, and coordinating orders, programs and actions, in conjunction with other Bureaus and Offices, in matters regarding consumer and disability policy and procedures, and any other related issues affecting consumer policy; representing the Commission on consumer and inter-governmental-related committees, working groups, task forces and conferences within and outside the Agency; and providing expert advice and assistance to Bureaus and Offices and consumers regarding compliance with applicable disability and accessibility requirements, rules and regulations.

The Bureau's activities include: consumer and disability policy development and coordination; interaction with the public, federal, state, local, tribal and other government agencies and industry groups; oversight of the Consumer Advisory Committee, the Federal-State Joint Conference on Advanced Telecommunication Services, and the Intergovernmental Affairs Committee; informal

complaint mediation and resolution; consumer outreach and education; maintaining official FCC records; and coordination with the Managing Director's Office to provide objectives and evaluation methods for the public information portion of the Agency's Government Performance and Results Act (GPRA) submissions and other Agency-wide strategic planning efforts; and any other functions as may be assigned, delegated, or referred to the Bureau by the Commission.

ENFORCEMENT BUREAU

	2006	2007	2007	2008
	Actual	NTE Rate	Cong. Request	Request
FTE	327	300	300	300
11-Compensation	\$32,845,466	\$29,989,943	\$31,039,429	\$31,778,247
12-Benefits	\$7,459,067	\$6,961,715	\$7,226,282	\$7,401,675
13-Benefits for Former Personnel	\$0	\$0	\$0	\$0
Subtotal, Personnel Costs	<u>\$40,304,533</u>	<u>\$36,951,658</u>	<u>\$38,265,711</u>	<u>\$39,179,922</u>
21-Travel	\$462,396	\$423,539	\$436,146	\$436,146
22-Transportation of Things	\$6,585	\$6,585	\$8,185	\$8,185
23-Rent and Communications	\$2,245,058	\$3,760,475	\$3,815,511	\$3,815,511
24- Printing and Reproduction	\$0	\$0	\$0	\$0
25-Other Contractual Services	\$568,484	\$371,889	\$377,827	\$387,018
26-Supplies and Materials	\$163,442	\$162,372	\$162,372	\$162,372
31-Equipment	\$783,090	\$330,425	\$1,410,425	\$2,410,425
42-Insurance Claims and Indemnities	\$0	\$0	\$0	\$0
Subtotal, Non-Personnel Costs	<u>\$4,229,055</u>	<u>\$5,055,285</u>	<u>\$6,210,465</u>	<u>\$7,219,657</u>
TOTAL	<u>\$44,533,588</u>	<u>\$42,006,943</u>	<u>\$44,476,176</u>	<u>\$46,399,579</u>

FY 2008 Request: Applicability of FCC Strategic Goals					
Broadband	Competition	Spectrum	Media	Public Safety and Security	Modernize the FCC
X	X	X	X	X	X

The Enforcement Bureau serves as the primary Commission entity responsible for enforcement of the Communications Act and other communications statutes, the Commission's rules, orders and authorizations, other than matters that are addressed in the context of a pending application for a license or other authorization or in the context of administration, including post-grant administration, of a licensing or other authorization or registration program. The Enforcement Bureau's responsibilities include:

- Resolve complaints regarding compliance with statutory and regulatory provisions regarding indecent communications subject to the Commission's jurisdiction.
- Serve as trial staff in formal hearings conducted pursuant to 5 U.S.C. § 556 regarding applications, revocation, forfeitures and other matters designated for hearing.
- Provide field support for, and field representation of, the Bureau, other Bureaus and Offices and the Commission. Coordinate with other Bureaus and Offices as appropriate.
- Handle congressional and other correspondence relating to or requesting specific enforcement actions, specific complaints or other specific matters within the responsibility of the Bureau, to the extent not otherwise handled by the Consumer and Governmental Affairs Bureau, the Office of General Counsel (impermissible ex parte presentations) or another Bureau or Office.
- Have authority to issue non-hearing related subpoenas for the attendance and testimony of witnesses and the production of books, papers, correspondence, memoranda, schedules of charges, contracts, agreements, and any other records deemed relevant to the investigation of

matters within the responsibility of the Bureau. Before issuing a subpoena, the Enforcement Bureau shall obtain the approval of the Office of General Counsel.

INTERNATIONAL BUREAU

	2006 Actual	2007 NTE Rate	2007 Cong. Request	2008 Request
FTE	140	142	142	142
11-Compensation	\$15,021,721	\$14,772,431	\$15,289,386	\$15,653,312
12-Benefits	\$3,532,094	\$3,428,387	\$3,558,676	\$3,645,051
13-Benefits for Former Personnel	\$0	\$0	\$0	\$0
Subtotal, Personnel Costs	\$18,553,815	\$18,200,818	\$18,848,062	\$19,298,363
21-Travel	\$328,023	\$387,937	\$436,807	\$436,807
22-Transportation of Things	\$0	\$0	\$0	\$0
23-Rent and Communications	\$1,256,207	\$1,122,053	\$1,137,019	\$1,137,019
24- Printing and Reproduction	\$0	\$0	\$0	\$0
25-Other Contractual Services	\$79,501	\$64,290	\$65,316	\$66,905
26-Supplies and Materials	\$15,042	\$18,000	\$18,000	\$18,000
31-Equipment	\$47,637	\$0	\$0	\$0
42-Insurance Claims and Indemnities	\$0	\$0	\$0	\$0
Subtotal, Non-Personnel Costs	\$1,726,410	\$1,592,280	\$1,657,142	\$1,658,732
TOTAL	\$20,280,225	\$19,793,098	\$20,505,204	\$20,957,095

FY 2008 Request: Applicability of FCC Strategic Goals					
Broadband	Competition	Spectrum	Media	Public Safety and Security	Modernize the FCC
X	X	X	X	X	X

The International Bureau develops, recommends and administers policies, standards, procedures and programs for the regulation of international telecommunications facilities and services and the licensing of satellite facilities under its jurisdiction. The Bureau advises and recommends to the Commission, or acts for the Commission under delegated authority, in the development of and administration of international telecommunications policies and programs. The International Bureau assumes the principal representational role for Commission activities in international organizations. The International Bureau has the following duties and responsibilities:

- Initiate and direct the development and articulation of international telecommunications policies, consistent with the priorities of the Commission.
- Advise the Chairman and Commissioners on matters of international telecommunications policy, and on the status of the Commission's actions to promote the vital interests of the American public in international commerce, national defense, and foreign policy areas.
- Develop, recommend, and administer policies, rules, and procedures for the authorization and regulation of international telecommunications facilities and services and domestic and international satellite systems.
- Monitor compliance with the terms and conditions of authorizations and licenses granted by the Bureau, and pursue enforcement actions in conjunction with appropriate Bureaus and Offices.

- Represent the Commission on international telecommunications matters at both domestic and international conferences and meetings, and direct and coordinate the Commission's preparation for such conferences and meetings.
- Serve as the single focal point within the Commission for cooperation and consultation on international telecommunications matters with other federal agencies, international or foreign organizations, and appropriate regulatory bodies and officials of foreign government.
- Develop, coordinate with other federal agencies, and administer regulatory assistance and training programs for foreign administrations to promote telecommunications development.
- Provide advice and technical assistance to U.S. trade officials in the negotiation and implementation of telecommunications trade agreements.
- Conduct economic, legal, technical, statistical and other appropriate studies, surveys and analyses in support of development of international telecommunications policies and programs.
- Collect and disseminate within the Commission information and data on international telecommunications, regulatory and market developments in other countries and international organizations.
- Promote the international coordination of spectrum allocation and frequency and orbital assignments so as to minimize cases of international radio interference involving U.S. licensees.
- Direct and coordinate, in consultation with appropriate bureaus and offices, negotiation of international agreements to provide for arrangements and procedures for bilateral coordination of radio frequency assignments to prevent or resolve international radio interference involving U.S. licensees.
- Ensure fulfillment of the Commission's responsibilities under international agreements and treaty obligations, and, consistent with Commission policy, ensure that the Commission's regulations, procedures, and frequency allocations comply with mandatory requirements of all applicable international and bilateral agreements.
- Oversee and, as appropriate, administer activities pertaining to the international consultation, coordination and notification of U.S. frequency and orbital assignments, including activities required by bilateral agreements, the international Radio Regulations, and other international agreements.

MEDIA BUREAU

	2006	2007	2007	2008
	Actual	NTE Rate	Cong. Request	Request
FTE	229	231	231	231
11-Compensation	\$20,959,568	\$20,322,660	\$21,033,843	\$21,534,502
12-Benefits	\$4,448,165	\$4,309,299	\$4,473,066	\$4,581,634
13-Benefits for Former Personnel	\$0	\$0	\$0	\$0
Subtotal, Personnel Costs	<u>\$25,407,733</u>	<u>\$24,631,959</u>	<u>\$25,506,909</u>	<u>\$26,116,136</u>
21-Travel	\$30,591	\$30,591	\$82,476	\$82,476
22-Transportation of Things	\$0	\$0	\$0	\$0
23-Rent and Communications	\$1,959,560	\$1,803,458	\$1,827,513	\$1,827,513
24- Printing and Reproduction	\$0	\$0	\$0	\$0
25-Other Contractual Services	\$76,166	\$149,150	\$151,531	\$155,218
26-Supplies and Materials	\$0	\$0	\$0	\$0
31-Equipment	\$56,388	\$900	\$900	\$900
42-Insurance Claims and Indemnities	\$0	\$0	\$0	\$0
Subtotal, Non-Personnel Costs	<u>\$2,122,705</u>	<u>\$1,984,099</u>	<u>\$2,062,421</u>	<u>\$2,066,107</u>
TOTAL	<u>\$27,530,438</u>	<u>\$26,616,058</u>	<u>\$27,569,330</u>	<u>\$28,182,243</u>

<u>FY 2008 Request: Applicability of FCC Strategic Goals</u>					
Broadband	Competition	Spectrum	Media	Public Safety and Security	Modernize the FCC
X	X	X	X	X	X

The Media Bureau develops, recommends and administers the policy and licensing programs for the regulation of media, including cable television, broadcast television and radio, and satellite services in the United States and its territories. The Bureau advises and recommends to the Commission, or acts for the Commission under delegated authority, in matters pertaining to multichannel video programming distribution, broadcast radio and television, direct broadcast satellite service policy, and associated matters. The Bureau will, among other things:

- Conduct rulemaking proceedings concerning the legal, engineering, and economic aspects of electronic media services.
- Conduct comprehensive studies and analyses concerning the legal, engineering and economic aspects of electronic media services.
- Resolve waiver petitions, declaratory rulings and adjudications related to electronic media services.
- Process applications for authorization, assignment, transfer and renewal of media services, including AM, FM, TV, the cable TV relay service, and related matters.

PUBLIC SAFETY AND HOMELAND SECURITY BUREAU

	2006	2007	2007	2008
	Actual	NTE Rate	Cong. Request	Request
FTE	1	100	100	100
11-Compensation	\$145,230	\$9,278,986	\$9,603,700	\$9,832,293
12-Benefits	\$34,129	\$2,128,375	\$2,209,260	\$2,262,882
13-Benefits for Former Personnel	\$0	\$0	\$0	\$0
Subtotal, Personnel Costs	\$179,359	\$11,407,361	\$11,812,960	\$12,095,175
21-Travel	\$0	\$100,000	\$102,128	\$102,128
22-Transportation of Things	\$0	\$0	\$0	\$0
23-Rent and Communications	\$91,517	\$870,965	\$883,306	\$883,306
24- Printing and Reproduction	\$0	\$0	\$0	\$0
25-Other Contractual Services	\$0	\$74,687	\$75,879	\$77,725
26-Supplies and Materials	\$3,195	\$3,195	\$3,195	\$3,195
31-Equipment	\$0	\$1,060	\$1,060	\$1,060
42-Insurance Claims and Indemnities	\$0	\$0	\$0	\$0
Subtotal, Non-Personnel Costs	\$94,712	\$1,049,907	\$1,065,568	\$1,067,414
TOTAL	\$274,071	\$12,457,268	\$12,878,528	\$13,162,589

FY 2008 Request: Applicability of FCC Strategic Goals					
Broadband	Competition	Spectrum	Media	Public Safety and Security	Modernize the FCC
X	X	X		X	X

The Public Safety and Homeland Security Bureau (PSHS) advises and makes recommendations to the Commission, or acts for the Commission under delegated authority, in all matters pertaining to public safety, homeland security, national security, emergency management and preparedness, disaster management, and ancillary operations. The Bureau has responsibility for coordinating public safety homeland security, national security, emergency management and preparedness, disaster management, and related activities within the Commission. The Bureau also performs the following functions:

- Develops, recommends, and administers policy goals, objectives, rules, regulations, programs and plans for the Commission to promote effective and reliable communications for public safety, homeland security, national security, emergency management and preparedness, disaster management and related activities, including public safety communications (including 911, enhanced 911, and other emergency number issues), priority emergency communications, alert and warning systems (including the Emergency Alert System), continuity of government operations, implementation of Homeland Security Presidential Directives and Orders, disaster management coordination and outreach, communications infrastructure protection, reliability, operability and interoperability of networks and communications systems, the Communications Assistance for Law Enforcement Act (CALEA), and network security. Recommends policies and procedures for public safety, homeland security, national security, emergency management and preparedness, and recommends national emergency plans and preparedness programs covering Commission functions during national emergency conditions. Conducts outreach and coordination activities with, among others, state and local governmental agencies, hospitals and other emergency health care providers, and public safety organizations. Recommends national

emergency plans, policies, and preparedness programs covering the provision of service by communications service providers, including telecommunications service providers, information service providers, common carriers, non-common carriers, broadcasting and cable facilities, satellite and wireless radio services, radio frequency assignment, electro-magnetic radiation, investigation and enforcement.

- Under the general direction of the Defense Commissioner, coordinates the public safety, homeland security, national security, emergency management and preparedness, disaster management, and related activities of the Commission, including national security and emergency preparedness and defense mobilization, Continuity of Government (COG) planning, alert and warning systems (including the Emergency Alert System), and other functions as may be delegated during a national emergency or activation of the President's war emergency powers as specified in Section 706 of the Communications Act. Provides support to the Defense Commissioner, including with respect to his/her participation in the Joint Telecommunications Resources Board, and the National Security Telecommunications Advisory Committee and other public safety and homeland security organizations and committees. Represents the Defense Commission with other Government agencies and organizations, the communications industry, and Commission licensees on public safety, homeland security, national security, emergency management and preparedness, disaster management, and related issues.
- Develops and administers rules, regulations, and policies for priority emergency communications, including the Telecommunications Service Priority System. Supports the Chief of the Wireline Competition, International and Wireless Telecommunications Bureaus on matters involving assignment of Telecommunications Service Priority System priorities and in administration of that system.
- The Chief of PSHS Bureau or designee Acts as the FCC Alternate Homeland Security and Defense Coordinator and principal to the National Communications System, and serves as the Commission's representative on the National Communications Systems Committees.
- Advises and makes recommendations to the Commission, or acts for the Commission under the delegated authority, in all matters pertaining to the licensing and regulation of public safety, homeland security, national security, emergency management and preparedness, and disaster management wireless telecommunications, including ancillary operations related to the provision or use of such services.
- Conducts studies of public safety, homeland security, national security, emergency management and preparedness, disaster management, and related issues. Develops and administers recordkeeping and reporting requirements for communications companies pertaining to these issues. Administers any Commission information collection requirements pertaining to public safety, homeland security, national security, emergency management and preparedness, disaster management and related issues.
- Interacts with the public, local, state and other governmental agencies and industry groups (including advisory committees and public safety organizations and associations) on public safety, homeland security, national security, emergency management, disaster management and related issues. Serves as the point of contact for the U.S. Government in matters of international monitoring, fixed and mobile direction-finding and interference resolution; and oversees coordination of non-routine communications and materials between the Commission and international or regional public organizations or foreign administrations.

- Maintains and operates the Commission's public safety, homeland security, national security, emergency management and preparedness, and disaster management facilities and operations, including the Communications Center, the establishment of any Emergency Operations Center (EOC), and any liaison activities with other federal, state, or local government organizations.
- Reviews and coordinates orders, programs and actions initiated by other Bureaus and Offices in matters affecting public safety, homeland security, national security, emergency management and preparedness, disaster management and related issues to ensure consistency with overall Commission policy.
- Develops and recommends responses to legislative, regulatory or judicial inquiries and proposals concerning or affecting public safety, homeland security, national security, emergency management, disaster management and related issues. Responses to judicial inquiries should be developed with and recommended to the Office of General Counsel.
- Develops and maintains the Commission's plans and procedures, including the oversight, preparation, and training of Commission personnel, for Continuity of Operations (COOP), Continuity of Government functions, and Commission activities and responses to national emergencies and other similar situations.
- Acts on emergency requests for Special Temporary Authority during non-business hours when the other Offices and Bureaus of the Commission are closed. Such actions shall be coordinated with, if possible, and promptly reported to the responsible Bureau or Office.
- Maintains liaison with other Bureaus and Offices concerning matters affecting public safety, homeland security, national security, emergency management and preparedness, disaster management and related issues.
- Is authorized to declare that a temporary state of communications emergency exists pursuant to § 97.401(b) of this chapter and to act on behalf of the Commission with respect to the operation of amateur stations during such temporary state of communications emergency.
- Perform such other functions and duties as may be assigned or referred to it by the Commission or the Defense Commissioner.

WIRELESS TELECOMMUNICATIONS BUREAU

	2006	2007	2007	2008
	Actual	NTE Rate	Cong. Request	Request
FTE	274	257	257	257
11-Compensation	\$11,679,529	\$8,919,454	\$9,231,587	\$9,451,322
12-Benefits	\$2,694,115	\$2,102,521	\$2,182,423	\$2,235,394
13-Benefits for Former Personnel	\$0	\$0	\$0	\$0
Subtotal, Personnel Costs	<u>\$14,373,644</u>	<u>\$11,021,975</u>	<u>\$11,414,010</u>	<u>\$11,686,716</u>
21-Travel	\$28,663	\$18,763	\$23,039	\$23,039
22-Transportation of Things	\$0	\$0	\$0	\$0
23-Rent and Communications	\$777,094	\$320,376	\$324,649	\$324,649
24- Printing and Reproduction	\$0	\$0	\$0	\$0
25-Other Contractual Services	\$28,092	\$54,000	\$54,862	\$56,197
26-Supplies and Materials	\$0	\$0	\$0	\$0
31-Equipment	\$55,094	\$0	\$0	\$0
42-Insurance Claims and Indemnities	\$0	\$0	\$0	\$0
Subtotal, Non-Personnel Costs	<u>\$888,943</u>	<u>\$393,139</u>	<u>\$402,551</u>	<u>\$403,886</u>
TOTAL	<u>\$15,262,587</u>	<u>\$11,415,114</u>	<u>\$11,816,561</u>	<u>\$12,090,602</u>

FY 2008 Request: Applicability of FCC Strategic Goals					
Broadband	Competition	Spectrum	Media	Public Safety and Security	Modernize the FCC
X	X	X		X	X

The Wireless Telecommunications Bureau (WTB) advises and makes recommendations to the Commission, or acts for the Commission under delegated authority, in all matters pertaining to the regulation and licensing of wireless communications services, facilities, and electromagnetic spectrum resources. The Bureau develops and recommends policy goals, objectives, programs, and plans for the Commission on matters concerning wireless communications and electromagnetic spectrum resources, drawing upon relevant economic, technological, legislative, regulatory, and judicial information and developments. Such matters include addressing the present and future wireless communications and spectrum needs of U.S. consumers, businesses, state, local, and tribal governments, and other entities; promoting access, efficiency, and innovation in the allocation, licensing and use of the electromagnetic spectrum; ensuring choice, opportunity, and fairness in the development of wireless communication services and markets; promoting investment in wireless communications infrastructure and the integration and interconnection of wireless communications networks with other communications networks and facilities; and promoting the development and widespread availability of broadband, mobile, public safety, and other wireless communications services, devices, and facilities.

The WTB actively supports five of the Commission's overall strategic goals, which are currently Spectrum, Competition, Broadband, Public Safety and Homeland Security, and Modernizing the FCC.

The Bureau's activities include developing and coordinating policy; conducting rulemaking and licensing work; and acting on applications for service and facility authorizations. The Bureau also determines the resource impact of existing, planned, or recommended Commission activities

concerning wireless communications, and develops and recommends resources deployment priorities. The Bureau reviews and coordinates orders, programs, and actions initiated by other Bureaus and Offices in matters affecting wireless communications to ensure consistency of overall Commission policy.

WIRELINE COMPETITION BUREAU

	2006 Actual	2007 NTE Rate	2007 Cong. Request	2008 Request
FTE	176	171	171	171
11-Compensation	\$19,264,798	\$17,743,173	\$18,364,088	\$18,801,200
12-Benefits	\$4,576,020	\$4,184,394	\$4,343,414	\$4,448,836
13-Benefits for Former Personnel	\$0	\$0	\$0	\$0
Subtotal, Personnel Costs	<u>\$23,840,818</u>	<u>\$21,927,567</u>	<u>\$22,707,502</u>	<u>\$23,250,036</u>
21-Travel	\$47,400	\$47,400	\$82,068	\$82,068
22-Transportation of Things	\$0	\$0	\$0	\$0
23-Rent and Communications	\$1,585,487	\$1,521,784	\$1,542,082	\$1,542,082
24- Printing and Reproduction	\$0	\$0	\$0	\$0
25-Other Contractual Services	\$73,345	\$75,327	\$76,530	\$78,391
26-Supplies and Materials	\$0	\$0	\$0	\$0
31-Equipment	\$51,666	\$322	\$322	\$322
42-Insurance Claims and Indemnities	\$0	\$0	\$0	\$0
Subtotal, Non-Personnel Costs	<u>\$1,757,898</u>	<u>\$1,644,833</u>	<u>\$1,701,002</u>	<u>\$1,702,864</u>
TOTAL	<u>\$25,598,716</u>	<u>\$23,572,400</u>	<u>\$24,408,504</u>	<u>\$24,952,900</u>

<u>FY 2008 Request: Applicability of FCC Strategic Goals</u>					
Broadband	Competition	Spectrum	Media	Public Safety and Security	Modernize the FCC
X	X	X	X	X	X

The Wireline Competition Bureau advises and makes recommendations to the Commission, or acts for the Commission under delegated authority, in all matters pertaining to the regulation and licensing of communications common carriers and ancillary operations (other than matters pertaining exclusively to the regulation and licensing of wireless telecommunications services and facilities). The Bureau develops and recommends policy goals, objectives, programs and plans for the Commission on matters concerning wireline telecommunications, drawing on relevant economic, technological, legislative, regulatory and judicial information and developments. Overall objectives include meeting the present and future wireline telecommunications needs of the Nation; fostering economic growth; ensuring choice, opportunity, and fairness in the development of wireline telecommunications; promoting economically efficient investment in wireline telecommunications infrastructure; promoting the development and widespread availability of wireline telecommunications services; and developing deregulatory initiatives where appropriate. The Bureau reviews and coordinates orders, programs and actions initiated by other Bureaus and Offices in matters affecting wireline telecommunications to ensure consistency with overall Commission policy.

The Bureau's activities include: policy development and coordination; adjudicatory and rulemaking proceedings; action on requests for interpretation or waivers of rules; determinations regarding lawfulness of carrier tariffs; action on applications for service and facility authorizations; review of carrier performance; administration of accounting requirements for incumbent local exchange carriers; administration of FCC reporting requirements affecting telecommunications carriers; economic research and analysis; interaction with the public, local, state, and other government agencies, and

industry groups on wireline telecommunications regulation and related matters; and any other functions as may be assigned, delegated, or referred to the Bureau by the Commission.

AGENCY OFFICES

Office of Administrative Law Judges

	2006 Actual	2007 NTE Rate	2007 Cong. Request	2008 Request
FTE	5	5	5	5
11-Compensation	\$469,577	\$421,814	\$436,575	\$446,967
12-Benefits	\$74,483	\$66,907	\$69,450	\$71,136
13-Benefits for Former Personnel	\$0	\$0	\$0	\$0
Subtotal, Personnel Costs	\$544,060	\$488,721	\$506,025	\$518,103
21-Travel	\$236	\$500	\$511	\$511
22-Transportation of Things	\$0	\$0	\$0	\$0
23-Rent and Communications	\$44,132	\$40,812	\$41,356	\$41,356
24- Printing and Reproduction	\$0	\$0	\$0	\$0
25-Other Contractual Services	\$13,415	\$20,000	\$20,319	\$20,814
26-Supplies and Materials	\$0	\$0	\$0	\$0
31-Equipment	\$0	\$0	\$0	\$0
42-Insurance Claims and Indemnities	\$0	\$0	\$0	\$0
Subtotal, Non-Personnel Costs	\$57,783	\$61,312	\$62,186	\$62,681
TOTAL	\$601,843	\$550,033	\$568,211	\$580,784

FY 2008 Request: Applicability of FCC Strategic Goals					
Broadband	Competition	Spectrum	Media	Public Safety and Security	Modernize the FCC
	X	X			

The Office of the Administrative Law Judges hears and conducts all adjudicatory cases designated for evidentiary adjudicatory hearing other than those designated to be heard by the Commission en banc or by one or more members of the Commission, and other hearings as the Commission may assign. The Office has the following responsibilities:

- Preside over and conduct formal hearings involving investigations, rule making and adjudication.
- Act on motions, petitions and other pleadings filed in proceedings and conduct pre-hearing conferences.
- Administer the oath, examine witnesses, rule upon evidentiary questions, issue subpoenas, dispose of procedural motions, prepare and issue Initial Decisions. Perform functions of presiding judge in non-jury cases, with the exception that decisions rendered are automatically subject to possible review by the Commission.
- Serve, upon instruction of Commission/Chairman, as liaison for the Commission, and this Office, in making appropriate arrangements for securing advice or information from representatives of other agencies, bar associations and interested persons in connection with proceedings.
- Prepare and maintain hearing calendars, showing time and place of hearings.

- Prepare reports, statistical data and other information requested or required by the Office of Personnel Management, other offices or agencies of the U.S. Government concerned with proper operation of the Office of Administrative Law Judges.
- Exercise such authority as may be assigned by the Commission pursuant to section 5(c) of the Communications Act of 1934, as amended.

Office of Communications Business Opportunities

	2006 Actual	2007 NTE Rate	2007 Cong. Request	2008 Request
FTE	8	7	7	7
11-Compensation	\$762,501	\$737,541	\$763,351	\$781,521
12-Benefits	\$183,895	\$172,116	\$178,657	\$182,993
13-Benefits for Former Personnel	\$0	\$0	\$0	\$0
Subtotal, Personnel Costs	\$946,396	\$909,657	\$942,008	\$964,514
21-Travel	\$2,422	\$2,422	\$2,474	\$2,474
22-Transportation of Things	\$0	\$0	\$0	\$0
23-Rent and Communications	\$84,787	\$61,270	\$62,087	\$62,087
24- Printing and Reproduction	\$0	\$0	\$0	\$0
25-Other Contractual Services	\$1,988	\$0	\$0	\$0
26-Supplies and Materials	\$0	\$0	\$0	\$0
31-Equipment	\$2,414	\$0	\$0	\$0
42-Insurance Claims and Indemnities	\$0	\$0	\$0	\$0
Subtotal, Non-Personnel Costs	\$91,611	\$63,692	\$64,561	\$64,561
TOTAL	\$1,038,007	\$973,349	\$1,006,569	\$1,029,075

FY 2008 Request: Applicability of FCC Strategic Goals					
Broadband	Competition	Spectrum	Media	Public Safety and Security	Modernize the FCC
	X		X		X

The Office of Communications Business Opportunities (OCBO), as a staff office to the Commission, develops, coordinates, evaluates, and recommends to the Commission, policies, programs, and practices that promote participation by small entities, women, and minorities in the communications industry. A principal function of the Office is to lead, advise, and assist the Commission, including all of its component Bureau/Office managers, supervisors, and staff, at all levels, on ways to ensure that the competitive concerns of small entities, women, and minorities, are fully considered by the agency in notice and comment rulemakings. In accordance with this function, the Office:

- Conducts independent analyses of the Commission's policies and practices to ensure that those policies and practices fully consider the interests of small entities, women, and minorities.
- Advises the Commission, Bureaus, and Offices of their responsibilities under the Congressional Review Act provisions regarding small businesses; the Report to Congress regarding Market Entry Barriers for Small Telecommunications Businesses (47 U.S.C. 257); and the Telecommunications Development Fund (47 U.S.C. 614).

The Office has the following duties and responsibilities:

- Through its director, serves as the principal small business policy advisor to the Commission;
- Develops, implements, and evaluates programs and policies that promote participation by small entities, women and minorities in the communications industry;

- Manages the Regulatory Flexibility Analysis process pursuant to the Regulatory Flexibility Act and the Small Business Regulatory Enforcement Fairness Act to ensure that small business interests are fully considered in agency actions;
- Develops and recommends Commission-wide goals and objectives for addressing the concerns of small entities, women, and minorities and reports of achievement;
- Acts as the principal channel for disseminating information regarding the Commission's activities and programs affecting small entities, women, and minorities;
- Develops, recommends, coordinates, and administers objectives, plans and programs to encourage participation by small entities, women, and minorities in the decision-making process;
- Promotes increased awareness within the Commission of the impact of policies on small entities, women, and minorities
- Acts as the Commission's liaison to other federal agencies on matters relating to small business.

Office of Engineering Technology

	2006 Actual	2007 NTE Rate	2007 Cong. Request	2008 Request
FTE	107	94	94	94
11-Compensation	\$11,135,075	\$9,371,204	\$9,699,145	\$9,930,009
12-Benefits	\$2,494,852	\$2,143,649	\$2,225,114	\$2,279,121
13-Benefits for Former Personnel	\$0	\$0	\$0	\$0
Subtotal, Personnel Costs	<u>\$13,629,927</u>	<u>\$11,514,853</u>	<u>\$11,924,259</u>	<u>\$12,209,130</u>
21-Travel	\$28,005	\$26,885	\$73,229	\$73,229
22-Transportation of Things	\$0	\$0	\$0	\$0
23-Rent and Communications	\$683,392	\$598,411	\$606,393	\$606,393
24- Printing and Reproduction	\$0	\$0	\$0	\$0
25-Other Contractual Services	\$195,869	\$191,936	\$195,000	\$199,744
26-Supplies and Materials	\$41,784	\$42,000	\$42,000	\$42,000
31-Equipment	\$135,860	\$91,070	\$900,070	\$900,070
42-Insurance Claims and Indemnities	\$0	\$0	\$0	\$0
Subtotal, Non-Personnel Costs	<u>\$1,084,910</u>	<u>\$950,302</u>	<u>\$1,816,692</u>	<u>\$1,821,436</u>
TOTAL	<u>\$14,714,837</u>	<u>\$12,465,155</u>	<u>\$13,740,951</u>	<u>\$14,030,566</u>

FY 2008 Request: Applicability of FCC Strategic Goals					
Broadband	Competition	Spectrum	Media	Public Safety and Security	Modernize the FCC
X	X	X	X	X	X

The Office of Engineering and Technology allocates spectrum for non-governmental use and provides expert advice on technical issues before the Commission and makes recommendations on how spectrum should be allocated, and established technical standards for spectrum users. The Office also performs the following duties and responsibilities:

- Develop overall policies, objectives, and priorities for the Office of Engineering and Technology programs and activities; perform management functions; and supervise the execution of these policies.
- Advise and represent the Commission on frequency allocation and spectrum usage matters, including those covered by international agreements.
- Plan and direct broad programs for development of information relative to communication techniques and equipment, radio wave propagation, and new uses for communications, and advise the Commission and staff offices in such matters.
- Represent the Commission at various national and international conferences and meetings devoted to the progress of communications and the development of information and standards.
- Conduct engineering and technical studies in advanced phases of terrestrial and space communications, and special projects to obtain theoretical and experimental data on new or improved techniques, including cooperative studies with other staff units and consultant and contract efforts as appropriate.
- Advise the Commission and other bureaus and offices concerning spectrum management, emerging technologies, technical standards, international considerations and national security

matters involved in making or implementing policy or in resolving specific situations involving these matters.

- Develop and implement procedures to acquire, store, and retrieve scientific and technical information required in the engineering work of the Commission.
- Provide, in cooperation with the General Counsel and the Office of Strategic Planning and Policy Analysis, advice to the Commission, participate in and coordinate staff work with respect to general frequency allocation proceedings and other proceedings not within the jurisdiction of any single bureau, and provide assistance and advice with respect to rulemaking matters and proceedings affecting more than one bureau.
- Administer Parts 2, 5, 15, and 18, of the Commission's Rules and Regulations.
- Perform technical, engineering, and management functions of the Commission with respect to formulating rules and regulations, technical standards, and general policies for Parts 2, 5, 15 and 18, and for type approval, type acceptance, certification, notification, and verification of radio equipment for compliance with the rules.
- Maintain liaison with other agencies of government, technical experts representing foreign governments, and members of the public and industry concerned with communications and frequency allocation and usage.
- Calibrate and standardize technical equipment and installations used by the Commission.
- Prepare recommendations for legislation, and review recommendations for rule changes and rulemaking proposals initiated by other offices affecting Bureau programs and operations.

Office of General Counsel

	2006 Actual	2007 NTE Rate	2007 Cong. Request	2008 Request
FTE	77	85	85	85
11-Compensation	\$8,562,109	\$9,211,822	\$9,534,186	\$9,761,124
12-Benefits	\$1,986,600	\$1,996,564	\$2,072,440	\$2,122,741
13-Benefits for Former Personnel	\$0	\$0	\$0	\$0
Subtotal, Personnel Costs	<u>\$10,548,709</u>	<u>\$11,208,386</u>	<u>\$11,606,626</u>	<u>\$11,883,865</u>
21-Travel	\$13,873	\$13,873	\$14,958	\$14,958
22-Transportation of Things	\$0	\$0	\$0	\$0
23-Rent and Communications	\$712,961	\$707,505	\$716,942	\$716,942
24- Printing and Reproduction	\$0	\$0	\$0	\$0
25-Other Contractual Services	\$8,160	\$3,200	\$3,251	\$3,330
26-Supplies and Materials	\$0	\$0	\$0	\$0
31-Equipment	\$2,969	\$0	\$0	\$0
42-Insurance Claims and Indemnities	\$272,960	\$0	\$0	\$0
Subtotal, Non-Personnel Costs	<u>\$1,010,923</u>	<u>\$724,578</u>	<u>\$735,151</u>	<u>\$735,230</u>
TOTAL	<u>11,559,632</u>	<u>11,932,964</u>	<u>12,341,777</u>	<u>12,619,095</u>

FY 2008 Request: Applicability of FCC Strategic Goals					
Broadband	Competition	Spectrum	Media	Public Safety and Security	Modernize the FCC
X	X	X	X	X	X

The Office of General Counsel serves as chief legal advisor and represents the Commission in litigation matters in performing the following duties and responsibilities:

- Advise and make recommendations to the Commission with respect to proposed legislation and submit agency views on legislation when appropriate.
- Interpret statutes, international agreements, and international regulations affecting the Commission.
- Prepare and make recommendations and interpretations concerning procedural rules of general applicability and review all rules for consistency with other rules, uniformity, and legal sufficiency.
- In cooperation with the Chief Engineer, participate in, render advice to the Commission, and coordinate the staff work with respect to general frequency allocation proceedings and other proceedings not within the jurisdiction of any single bureau, and render advice with respect to rule making matters and proceedings affecting more than one bureau.
- Ensure consistent public interest analysis of major, non-routine transactions in a timely fashion throughout the Commission and provide technical expertise on common issues.
- Exercise such authority as may be assigned or referred to it by the Commission pursuant to section 5(c) of the Communications Act of 1934, as amended.

- Cooperate with the International Bureau on all matters pertaining to space satellite communications.
- Perform all legal functions with respect to leases, contracts, tort claims and other internal legal problems as may arise.
- Issue written determinations on behalf of the Chairman, and otherwise act as the Chairman's designee on matters regarding the interception of telephone conversations, as required by the General Services Administration's regulations. 41 CFR 201-6.202, et seq.
- Serve as principle advisor to the Commission in the preparation and revision of rules and the implementation and administration of ethical regulations and the Freedom of Information, Privacy, Government in the Sunshine and Alternative Dispute Resolution Acts.
- Assist and make recommendations to the Commission, and to individual Commissioners assigned to review initial decisions, as to the disposition of cases of adjudication and such other cases as, by Commission policy, are handled in the same manner and which have been designated for hearing.

Office of Inspector General

	2006 Actual	2007 NTE Rate	2007 Cong. Request	2008 Request
FTE	12	20	20	39*
11-Compensation	\$1,158,051	\$2,090,069	\$2,162,481	\$2,910,523
12-Benefits	\$280,976	\$480,594	\$498,858	\$678,501
13-Benefits for Former Personnel	\$0	\$0	\$0	\$0
Subtotal, Personnel Costs	\$1,439,027	\$2,570,663	\$2,661,339	\$3,589,024
21-Travel	\$48,169	\$101,000	\$103,149	\$145,749
22-Transportation of Things	\$0	\$0	\$0	\$0
23-Rent and Communications	\$135,875	\$141,733	\$143,623	\$143,623
24- Printing and Reproduction	\$0	\$0	\$0	\$0
25-Other Contractual Services	\$1,033,700	\$1,524,050	\$1,548,383	\$1,604,052
26-Supplies and Materials	\$166	\$166	\$166	\$16,966
31-Equipment	\$7,406	\$8,217	\$8,217	\$66,217
42-Insurance Claims and Indemnities	\$0	\$0	\$0	\$0
Subtotal, Non-Personnel Costs	\$1,225,316	\$1,775,166	\$1,803,539	\$1,976,808
TOTAL	\$2,664,343	\$4,345,829	\$4,464,878	\$5,565,632

* The FY 2008 Congressional request includes an additional 19 FTEs, which represents USF audit oversight for the Office of Inspector General. In the FY 2007 Congressional request there were an additional 26 FTEs (6 WCB, 12 OIG, 8 OMD) for USF audit oversight.

FY 2008 Request: Applicability of FCC Strategic Goals					
Broadband	Competition	Spectrum	Media	Public Safety And Security	Modernize the FCC
	X	X		X	X

The Office of Inspector General (OIG) was established in compliance with the Inspector General Act Amendments of 1988 to provide the FCC with independent audit and investigative services. The Inspector General (IG) reports directly to the Chairman.

The OIG is responsible by statute for the conduct of all internal audits and investigations within the Commission. Audits are designed to evaluate the economy and efficiency of FCC programs and operations as well as to detect instances of waste, fraud, abuse and mismanagement which may exist within the Commission. Investigations are conducted to determine whether Commission employees, contractors, or others whose activities affect FCC programs and operations, have violated specific statutes or regulations. Such violations can include administrative, civil, and criminal violations.

Provide policy direction for, and to conduct, supervise and coordinate audits and investigations relating to the programs and operations of the FCC.

Recommend policies and conduct or coordinate with other Government agencies and non-government entities activities that will promote economy and efficiency in the administration of Commission programs, and prevent or detect waste, fraud, abuse or mismanagement in Commission operations.

Provide the Chairman with independent and objective information on a timely basis related to issues that have significant impact upon the Commission. Draft audit and investigative reports which clearly

define OIG findings and contain recommendations for corrective or administrative action as appropriate.

Review existing and proposed legislation and regulations relating to programs and operations of the FCC and make recommendations as appropriate.

Expediently report possible violations of criminal law to the Attorney General.

Office of Legislative Affairs

	2006 Actual	2007 NTE Rate	2007 Cong. Request	2008 Request
FTE	8	9	9	9
11-Compensation	\$763,381	\$737,299	\$763,101	\$781,265
12-Benefits	\$186,924	\$177,264	\$184,000	\$188,466
13-Benefits for Former Personnel	\$0	\$0	\$0	\$0
Subtotal, Personnel Costs	\$950,305	\$914,563	\$947,101	\$969,731
21-Travel	\$1,731	\$1,731	\$1,768	\$1,768
22-Transportation of Things	\$0	\$0	\$0	\$0
23-Rent and Communications	\$114,665	\$80,094	\$81,162	\$81,162
24- Printing and Reproduction	\$0	\$0	\$0	\$0
25-Other Contractual Services	\$48,200	\$64,832	\$65,867	\$67,470
26-Supplies and Materials	\$0	\$0	\$0	\$0
31-Equipment	\$1,242	\$0	\$0	\$0
42-Insurance Claims and Indemnities	\$0	\$0	\$0	\$0
Subtotal, Non-Personnel Costs	\$165,838	\$146,657	\$148,797	\$150,400
TOTAL	\$1,116,143	\$1,061,220	\$1,095,898	\$1,120,131

FY 2008 Request: Applicability of FCC Strategic Goals					
Broadband	Competition	Spectrum	Media	Public Safety and Security	Modernize the FCC
X	X	X	X	X	X

The Office of Legislative Affairs informs the Congress of the Commission's regulatory decisions, facilitates responses to Congressional inquiries, and prepares Commission responses to legislative proposals. Specifically, the Office has the following functions:

- Advise and make recommendations to the Commission with respect to legislation proposed by Members of Congress or other government agencies and coordinate the preparation of Commission views thereon for submission to Congress or other government agencies.
- Coordinate with the Office of General Counsel responses to congressional inquiries as to the legal ramifications of Commission policies, regulations, rules and statutory interpretations.
- Coordinate Commission and staff responses to inquiries by individual members of Congress and congressional committees and staffs, including tracking inquiries and setting response times.
- Assist the Office of Managing Director and the Office of Media Relations in the preparation of the Managing Director's annual report to Congress.
- Coordinate the Commission's annual legislative program, obtaining Bureau and Office comments and drafting final legislative proposals.
- Assist in the preparation for, and the coordination of, the Chairman's and Commissioners' appearances before Committees of Congress.

- Assist the Office of Managing Director with the annual submission of the Commission budget and appropriations legislation to Congress.
- Assist Congressional constituents in dealing with various Commission bureaus and offices.
- Assist other federal, state and local governmental agencies in dealing with various Commission bureaus and offices.
- Assist the various Commission bureaus and offices in coordinating Commission and staff decisions with other governmental agencies.

Office of the Managing Director

	2006 Actual	2007 NTE Rate	2007 Cong. Request	2008 Request
FTE	185	199	199	199
11-Compensation	\$13,737,935	\$16,883,248	\$17,474,806	\$17,891,252
12-Benefits	\$3,072,443	\$3,452,169	\$3,583,372	\$3,670,352
13-Benefits for Former Personnel	\$34,400	\$25,800	\$25,800	\$25,800
Subtotal, Personnel Costs	<u>\$16,844,778</u>	<u>\$20,361,217</u>	<u>\$21,083,978</u>	<u>\$21,587,404</u>
21-Travel	\$110,210	\$358,300	\$365,925	\$365,925
22-Transportation of Things	\$98,895	\$117,916	\$120,316	\$120,316
23-Rent and Communications	\$27,196,957	\$26,669,313	\$27,086,296	\$27,086,296
24- Printing and Reproduction	\$1,146,246	\$1,214,400	\$1,249,400	\$1,249,400
25-Other Contractual Services	\$33,740,223	\$34,039,338	\$36,224,804	\$38,064,090
26-Supplies and Materials	\$1,297,145	\$1,525,203	\$1,525,203	\$1,525,203
31-Equipment	\$6,082,374	\$2,502,888	\$2,502,888	\$2,502,888
42-Insurance Claims and Indemnities	\$17,025	\$75,000	\$75,000	\$75,000
Subtotal, Non-Personnel Costs	<u>\$69,689,075</u>	<u>\$66,502,358</u>	<u>\$69,149,832</u>	<u>\$70,989,118</u>
TOTAL	<u>\$86,533,853</u>	<u>\$86,863,575</u>	<u>\$90,233,810</u>	<u>\$92,576,522</u>

FY 2008 Request: Applicability of FCC Strategic Goals					
Broadband	Competition	Spectrum	Media	Public Safety and Security	Modernize the FCC
X	X	X	X	X	X

The Managing Director is appointed by the Chairman with the approval of the Commission. Under the supervision and direction of the Chairman, the Managing Director serves as the Commission's chief operating official with the following duties and responsibilities:

- Provide managerial leadership to and exercise supervision and direction over the Commission's Bureaus and Offices with respect to management and administrative matters but no substantive regulatory matters such as regulatory policy and rule making, authorization of service, administration of sanctions, and adjudication.
- Formulate and administer all management and administrative policies, programs and directives for the Commission consistent with authority delegated by the Commission and the Chairman and recommend to the Chairman and the Commission major changes in such policies and programs.
- As the administrative head of the agency, assist the Chairman in carrying out the administrative and executive responsibilities delegated to the Chairman.
- Advise the Chairman and the Commission on management, administrative and related matters; review and evaluate the programs and procedures of the Commission; initiate action or make recommendations as may be necessary to administer the Communications Act most effectively in the public interest. Assess the management, administrative and resource implications of any proposed action or decision to be taken by the Commission or by a Bureau or Office under delegated authority; recommend to the Chairman and the Commission program priorities, resource and position allocations, management and administrative policies.

- Direct agency efforts to improve management effectiveness, operational efficiency, employee productivity and service to the public. Administer Commission-wide management improvement programs.
- Plan and manage the administrative affairs of the Commission with respect to the functions of personnel and position management; labor-management relations; budget and financial management; information management and processing; organization planning; management analysis; procurement; office space management and utilization; administrative and office services; supply and property management; records management; personnel and physical security; and international telecommunications settlements.
- Serve as the principal operating official on ex parte matters involving restricted proceedings. Review and dispose of all ex parte communications received from the public and others. In consultation with the General Counsel, approve waivers of the applicability of the conflict of interest statutes pursuant to 18 U.S.C. §§ 205 and 208, or initiate necessary actions where other resolutions of conflicts of interest are called for.

Office of Media Relations

	2006 Actual	2007 NTE Rate	2007 Cong. Request	2008 Request
FTE	17	16	16	16
11-Compensation	\$1,519,038	\$1,415,830	\$1,465,376	\$1,500,256
12-Benefits	\$398,188	\$408,252	\$423,767	\$434,053
13-Benefits for Former Personnel	\$0	\$0	\$0	\$0
Subtotal, Personnel Costs	<u>\$1,917,226</u>	<u>\$1,824,082</u>	<u>\$1,889,143</u>	<u>\$1,934,309</u>
21-Travel	\$1,339	\$1,339	\$1,367	\$1,367
22-Transportation of Things	\$0	\$0	\$0	\$0
23-Rent and Communications	\$135,476	\$125,282	\$126,953	\$126,953
24- Printing and Reproduction	\$0	\$0	\$0	\$0
25-Other Contractual Services	\$62,742	\$100,765	\$102,374	\$104,864
26-Supplies and Materials	\$14,610	\$15,689	\$15,689	\$15,689
31-Equipment	\$20,470	\$16,419	\$16,419	\$16,419
42-Insurance Claims and Indemnities	\$0	\$0	\$0	\$0
Subtotal, Non-Personnel Costs	<u>\$234,637</u>	<u>\$259,494</u>	<u>\$262,802</u>	<u>\$265,293</u>
TOTAL	<u>\$2,151,863</u>	<u>\$2,083,576</u>	<u>\$2,151,945</u>	<u>\$2,199,602</u>

FY 2008 Request: Applicability of FCC Strategic Goals					
Broadband	Competition	Spectrum	Media	Public Safety and Security	Modernize the FCC
X	X	X	X	X	X

The Office of Media Relations informs the news media of Commission decisions and serves as the Commission's main point of contact with the media. The Office of Media Relations has the following duties and responsibilities:

- Enhance public understanding of and compliance with the Commission's regulatory requirements.
- Act as the principal channel for communicating information to the news media on Commission policies, programs, and activities.
- Advise the Commission on information dissemination as it affects liaison with the media.
- Manage the FCC's Internet site and oversee the agency's Web standards and guidelines, including accessibility.
- Manage the audio and visual support services for the Commission.

Office of Strategic Planning and Policy Analysis

	2006 Actual	2007 NTE Rate	2007 Cong. Request	2008 Request
FTE	20	21	21	21
11-Compensation	2,240,048	2,509,121	2,596,927	2,658,740
12-Benefits	523,745	556,953	578,119	592,151
13-Benefits for Former Personnel	0	0	0	0
Subtotal, Personnel Costs	2,763,793	3,066,074	3,175,046	3,250,891
21-Travel	20,815	25,000	49,477	49,477
22-Transportation of Things	0	0	0	0
23-Rent and Communications	198,368	174,688	177,018	177,018
24- Printing and Reproduction	0	0	0	0
25-Other Contractual Services	329,094	600,000	609,579	624,409
26-Supplies and Materials	0	0	0	0
31-Equipment	115	300	300	300
42-Insurance Claims and Indemnities	0	0	0	0
Subtotal, Non-Personnel Costs	548,392	799,988	836,374	851,204
TOTAL	3,312,185	3,866,062	4,011,420	4,102,095

FY 2008 Request: Applicability of FCC Strategic Goals					
Broadband	Competition	Spectrum	Media	Public Safety and Security	Modernize the FCC
X	X	X	X	X	X

The Office of Strategic Planning and Policy Analysis assists, advises, and makes recommendations to the Commission with respect to the development and implementation of communications policies in all areas of Commission authority and responsibility. Specifically, the Office performs the following functions:

- Conduct independent policy analyses to assess the long-term effects of alternative Commission policies on domestic and international communication industries and services, with due consideration of the responsibilities and programs of other staff units, and to recommend appropriate Commission action.
- Coordinate the policy research and development activities of other staff units, with special concern for matters which transcend their individual areas of responsibility.
- Identify and define significant communications policy issues in all areas of Commission interest and responsibility.
- Conduct economic, technical, and sociological studies of existing and proposed communications policies and operations, including cooperative studies with other staff units and consultant and contract efforts as appropriate.
- Develop and evaluate alternative policy options and approaches for consideration by the Commission.
- Review and comment on all significant actions proposed for Commission action in terms of their overall policy implications.

- Recommend and evaluate governmental (State and Federal), academic and industry-sponsored research affecting Commission policy issues.
- Prepare briefings, position papers, proposed Commission actions, or other agenda items as appropriate.
- Manage the Commission's policy research program, recommend budget levels and priorities for this program, and serve as central account manager for all contractual policy research studies funded by the Commission.
- Coordinate the formation and presentation of Commission positions in domestic communications policy; represent the Commission at appropriate interagency discussions and conferences.
- Participate in the development of international communications policy with the Office of International Communications and the Office of Engineering and Technology, and provide representation at meetings when appropriate.
- Develop and recommend procedures and plans for the effective handling of policy issues within the Commission.

Office of Workplace Diversity

	2006 Actual	2007 NTE Rate	2007 Cong. Request	2008 Request
FTE	4	3	3	3
11-Compensation	\$321,533	\$332,256	\$343,883	\$352,068
12-Benefits	\$78,702	\$84,827	\$88,051	\$90,188
13-Benefits for Former Personnel	\$0	\$0	\$0	\$0
Subtotal, Personnel Costs	<u>\$400,235</u>	<u>\$417,083</u>	<u>\$431,934</u>	<u>\$442,256</u>
21-Travel	\$31	\$31	\$32	\$32
22-Transportation of Things	\$0	\$0	\$0	\$0
23-Rent and Communications	\$38,602	\$41,392	\$41,944	\$41,944
24- Printing and Reproduction	\$0	\$0	\$0	\$0
25-Other Contractual Services	\$16,230	\$28,305	\$28,757	\$29,457
26-Supplies and Materials	\$0	\$500	\$500	\$500
31-Equipment	\$0	\$0	\$0	\$0
42-Insurance Claims and Indemnities	\$0	\$0	\$0	\$0
Subtotal, Non-Personnel Costs	<u>\$54,863</u>	<u>\$70,228</u>	<u>\$71,233</u>	<u>\$71,932</u>
TOTAL	<u>\$455,098</u>	<u>\$487,311</u>	<u>\$503,167</u>	<u>\$514,188</u>

<u>FY 2008 Request: Applicability of FCC Strategic Goals</u>					
Broadband	Competition	Spectrum	Media	Public Safety and Security	Modernize the FCC
					X

The Office of Workplace Diversity, as a staff office to the Commission, shall develop, coordinate, evaluate, and recommend to the Commission policies, programs, and practices that foster a diverse workforce and promote and ensure equal opportunity for all employees and candidates for employment. A principal function of the Office is to lead, advise, and assist the Commission, including all of its component Bureau/Office managers, supervisors, and staff at all levels, on ways to promote inclusion and full participation of all employees in pursuit of the Commission's mission. In accordance with this principal function, the Office shall: (1) conduct independent analyses of the Commission's policies and practices to ensure that those policies and practices foster diversity in the workforce and ensure equal opportunity for employees and applicants; and (2) advise the Commission, Bureaus, and Offices of their responsibilities under: Title VII of the Civil Rights Act of 1964 as Amended; Section 501 of the Rehabilitation Act of 1973 as amended; Age Discrimination in Employment Act of 1967, as amended; Executive order 11478; and all other statutes, Executive Orders, and regulatory provisions relating to workforce diversity, equal employment opportunity, nondiscrimination, and civil rights. The Office has the following duties and responsibilities:

- Through its Director, serves as the principal advisor to the Chairman and Commission officials on all aspects of workforce diversity, organization, equal employment opportunity, nondiscrimination, and civil rights.
- Provides leadership and guidance to create a work environment that values and encourages diversity in the workforce.

- Is responsible for developing, implementing, and evaluating programs and policies to foster a workforce whose diversity reflects the diverse makeup of the Nation, enhances the mission of the Commission, and demonstrates the value and effectiveness of a diverse workforce.
- Is responsible for developing, implementing, and evaluating programs and policies that promote understanding among members of the Commission's workforce of their differences and the value of those differences and provide a channel for communication among diverse members of the workforce at all levels.
- Develops, implements, and evaluates programs and policies to ensure that all members of the Commission's workforce and candidates for employment have equal access to opportunities for employment, career growth, training, and development and are protected from discrimination and harassment.
- Develops and recommends Commission-wide workforce diversity goals and reports on achievements.
- Is responsible for developing, implementing, and evaluating programs and policies to enable all Bureaus and Offices to manage a diverse workforce effectively and in compliance with all equal employment opportunity and civil rights requirements.
- Works closely with the Associate Managing Director - Human Resources Management to ensure compliance with federal and Commission recruitment and staffing requirements.
- Manages the Commission's equal employment opportunity compliance program. Responsibilities in this area include processing complaints alleging discrimination, recommending to the Chairman final decisions on EEO complaints within the Commission, and providing consulting services to employees and applicants on EEO matters.
- Develops and administers the Commission's program of accessibility and accommodation for disabled persons in accordance with applicable regulations.
- Represents the Commission at meeting with other public and private groups and organizations on matters concerning workforce diversity and equal employment opportunity.
- Maintains liaison with and solicits views of organizations within and outside the Commission on matters relating to equal opportunity and workforce diversity.

FY 2008 Budget Estimates to Congress
Summary of Requested Resources
(Dollars in Thousands)

The Federal Communications Commission's budget estimates for Fiscal Year 2008 are summarized below:

FY 2007 includes columns for the Not-To-Exceed (NTE) rate for an annualized continuing resolution (C.R.) and an updated FY 07 Congressional Request level.

DISTRIBUTION OF BUDGET AUTHORITY:	FY 2006	FY 2007	FY 2007	FY 2008	Change to
	<u>Actual BA</u>	<u>NTE Rate</u>	<u>Cong. Request</u>	<u>Request BA</u>	<u>Budget Authority</u>
Direct Funding:					
Current:	\$1,000	\$1,000	\$1,042	\$1,000	-\$42
Transfer from Universal Service Fund (USF)			\$20,480 8/	\$20,480 9/	\$0
Authority to Spend Offsetting Collections:					
Regulatory Fees	288,771	288,771	301,500	312,000	\$10,500
Direct Funding Total:	\$289,771	\$289,771	\$323,022	\$333,480	\$10,458
Rescission: (P.L. 109-108)	-\$3				
Rescission: (P.L. 109-148)	-\$10				
Authority to spend					
Other Offsetting Collections:					
1) No-year Carryover Funds (Prior year)		\$2,359 4/	\$16,164 7/	6,773 10/	
2) Economy Act/Misc.Other	1,423	1,741	1,741	1,741	--
3) Auctions Cost Recovery					--
Reimbursements (P.L. 104-104) . . .	85,000 1/	85,000 5/	85,000	85,000	
Subtotal Other Offsetting Collections:	\$86,423	\$89,100	\$102,905	\$93,514	--
Gross Budget Authority:	\$376,181	\$378,871	\$425,927	\$426,994	
Unobligated Offsetting Collections					
Unobligated Balances trans to No Year	\$6,773 2/	--	--	--	--
RegFees (Sec 9) carryover SOY	\$25,665 3/	\$7,083 6/	--	\$195 11/	
RegFees (Sec 9) Rescission P.L. 109-108	-\$25,300 3/	--	--	--	--
Auctions carryover SOY	\$195 3/	--	--	--	--
Total Budgetary Resources -	\$383,514	\$385,954	\$425,927	\$427,189	--
Other Budget Authority:					
Credit Program Account	\$13,824	\$14,160	\$14,160	\$6,574	

- 1/ P.L. 109-109 limited the auctions program to \$85M for FY 2006.
- 2/ Reflects unobligated balances from prior year obligations of regulatory fees transferred to No Year funds.
- 3/ Excess regulatory fees in the amount of \$25.3M were temporarily rescinded per P.O. 109-108 and are reflected in the FY 2008 President's Budget as memorandum entries in FYs 2006-2008. Balances of \$365k in regulatory fee prior year recoveries and \$195k in auctions carryover funds were not utilized in FY 2006.
- 4/ Budget authority per NTE calculation. Contingent upon subcommittee approval.
- 5/ House and Senate language limits the auctions program to \$85M in FY 2007.
- 6/ Reflects \$6.9M in remaining excess regulatory fees and \$195K in auctions carryover funds. Although shown as resources, per NTE calculation, these funds are not available for obligation in FY 2007. In FY 2008 proposed legislative language precludes excess regulatory fees from obligation.
- 7/ Reflects funds carried into FY 2007: \$9.2M in excess regulatory fees; \$6.8M in unobligated balances and \$195k in auctions carryover funds.
- 8/ Transfer of \$20.5M was requested from the Universal Service Fund in the FY 2007 Congressional request. House language granted transfer of \$3M from USF for audits and investigations by the FCC Office of Inspector General.
- 9/ Reflects transfer of \$20.5M from Universal Service Fund to monitor program per proposed legislative language. That account has an offsetting negative discretionary amount.
- 10/ \$6.7M in unobligated balances from prior year deobligations, precluded from obligation in FY 07, available in FY 08.
- 11/ Reflects \$195k in auctions carryover funds precluded from use in FY 2007 carried into FY 2008.

FY 2008 Budget Estimates to Congress
Summary of Requested Resources
(Dollars in Thousands)

DISTRIBUTION OF OBLIGATIONS:

	<u>FY 2006</u> <u>Actual</u>	<u>FY 2007 Est.</u> <u>NTE C.R. rate</u>	<u>FY 2007</u> <u>Cong Request</u>	<u>FY 2008</u> <u>Request</u>	<u>Change to</u> <u>Obligations</u>
Direct Funding:					
Transfer from Universal Service Fund				\$20,480	\$20,480
Personnel Compensation	\$987	\$1,000	\$1,042	1,000	-\$42
Personnel Benefits	0	0	0	0	0
Benefits to Former Employees	0	0	0	0	0
Other Obligations	0	0	0	0	0
Sum - Direct Obligations	987 1/	1,000	1,042	21,480	20,438
Offsetting Collections - Obligations:					
Regulatory Fees	285,017	288,771	301,500	312,000	\$10,500
Lapsed	3,754				
Subtotal - Obligations from Appropriated Funds: (Less Rescission/Lapsed):	\$286,004 1/	\$289,771	\$302,542	\$333,480	\$30,938
Obligations - Other Offsetting Collections					
1) No-year Carryover Funds (Prior year)	0 2/	2,359 4/	-- 6/	1,730 7/	
2) Economy Act/Misc.Other	1,408	1,741	1,741	1,741	--
3) Auctions Cost Recovery Reimbursements (P.L. 104-104)	85,000	85,000	85,000	\$85,000	--
Subtotal - Obligations from Other Offsetting Collections	\$86,408	\$89,100	\$86,741	\$88,471	--
TOTAL OBLIGATIONS	\$372,412	\$378,871	\$389,283	\$421,951	--
TOTAL OUTLAYS	\$363,000	\$327,000	\$387,000	\$406,000	
(Includes Direct & All Offsetting Collections)					
Other Budget Authority					
Credit Program Account	\$5,824 3/	\$14,160 5/	\$14,160	\$6,574	--
Universal Service Fund (USF)			\$20,480		--

1/ In FY 2006 \$2,800 was rescinded per P.L. 109-108 and \$9,972 was rescinded per P.L. 109-148.

2/ Balances in carryover Auctions and Regulatory Fee accounts were not utilized in FY 2006.

3/ \$8M in unobligated credit program administrative funds were carried into FY 2007.

4/ Additional budget authority per NTE calculation. Contingent upon subcommittee approval.

5/ Includes \$8M carried over from FY 2006 and \$6.2M in new BA.

6/ Obligation of excess regulatory fees and unobligated balances is contingent upon subcommittee approval.

7/ \$1.7M for Columbia laboratory renovation was approved by subcommittees in FY 2006 but precluded from obligation in FY 2007 by NTE rate.

Funds shown as available for obligation in FY 2008.

**FY 2008 Budget Estimates to Congress
Summary of Requested Resources**

(Dollars in Thousands)

OUTLAYS:	<u>FY-2006 Actual</u>	<u>FY-2007 Estimate</u>	<u>FY-2008 Estimate</u>
<u>Outlays from new discretionary authority</u>			
Direct	1	1	1
USF Transfer	0	0	10
<u>New Offsetting Collections</u>			
--Regulatory Fees	252	249	265
--Auctions Receipts	64	73	73
--Interagency/Other	0	2	2
--Homeland Security	2	2	3
Subtotal, Outlays from new discretionary authority	\$319	\$327	\$354
<u>Outlays from prior year discretionary balances</u>	<u>44</u>	<u>0</u>	<u>52</u>
TOTAL OUTLAYS	\$363	\$327	\$406

	<u>FY-2006 Actual</u>	<u>FY-2007 Estimate</u>	<u>FY-2008 Estimate</u>
Total Compensable Workyears:			
Full-Time Equivalent employment [FTEs]	1,816	1,900	1,919
Proposed Distribution:			
Direct 1/	8	8	8
Offsetting Collections 1/	1,797	1,881	1,901
Auctions Credit Program Account	11	11	10 2/
TOTAL FTE CEILING	1,816	1,900	1,919

1/ The distribution of FTEs between Direct and Offsetting 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, certain Economy Act Reimbursables, and use of USF funding.

2/ The President's Budget reflects 11 FTE for the auctions credit program in error.

FY 2008 Budget Estimates to Congress
SUMMARY TABLES
DISTRIBUTION OF RESOURCES
(\$ in Thousands)

SUMMARY			
	FY 2006 Actual	NTE Rate FY 2007 Estimate	FY 2008 Request
Gross Direct Appropriations including Regulatory Fee Authority:	\$286,004	\$289,771	\$313,000
Lapsed Year-End	3,754	--	--
Subtotal -- Direct Appropriations as adjusted (FY 2006 less rescissions of \$13k)	\$289,758	\$289,771	\$313,000
No Year Carryover Authority:			
-- Auctions Carryover	\$195 1/	\$195	\$195
-- Regulatory Fees (Sec. 9)	365 2/	6,888	--
-- Unobligated Balances	6,773 3/	--	6,773 3/
Subtotal -- No Year Carryover Authority	\$7,333	\$7,083 4/	\$6,968
Other Authority:			
-- Auctions Costs Recovery Reimbursable Authority	\$85,000	\$85,000 5/	\$85,000
-- Government/Other Reimbursable Authority	1,423	1,741	1,741
-- Regulatory Fees Authority	--	2,359 4/	--
-- USF Transfer of Funds	--	--	20,480 6/
Subtotal -- Other Authority	\$86,423	\$89,100	\$107,221
TOTAL BUDGETARY RESOURCES:	\$383,514	\$385,954	\$427,189
Other Budget Authority:			
-- Credit Program Account	\$13,824	\$14,160	\$6,574

1/ Auctions carryover funds of \$195k were carried forward into FY 2006 from prior year recoveries.

2/ Excess regulatory fees in the amount of \$25.3M were rescinded per P.L. 109-108; an estimated balance of \$365k from prior year recoveries was left.

3/ Unobligated balances from prior year regulatory fees transferred to no year funds. \$1.7M was approved by subcommittees for Columbia laboratory renovations but not obligated in FY 2006. Precluded from obligation in FY 2007 by the not-to-exceed (NTE) calculation, funds are available in FY 2008.

4/ Reflects \$6,888k in remaining excess Regulatory Fees and \$195k in carryover auctions funds. Although shown as resources, per NTE calculation, funds are not available for obligation in FY 2007. \$2,359k in excess regulatory fees remain available for obligation in FY 2007 per NTE calculation. In FY 2008 proposed legislative language precludes excess regulatory fees from obligation.

5/ FY 2007 House and Senate bill language limits the Auctions Program to \$85M.

6/ FY 2008 proposed appropriation language shows request for \$20,480,000 in USF funds to be transferred to S&E for USF audit support.

FY 2008 Budget Estimates to Congress
SUMMARY TABLES
DISTRIBUTION OF RESOURCES

(\$ in thousands)

DIRECT AUTHORITY - CURRENT:

<u>Object Class Description</u>	<u>FY 2006 Actual</u>	<u>FY 2007 NTE Estimate</u>	<u>FY 2008 Request</u>
Personnel Compensation & Benefits:			
Full-time Permanent (11.1)	\$968	\$981	\$981
Full-time Temporary (11.3)	4	5	5
Part-time (11.3)	15	14	14
Personnel Benefits (12.1)	--	--	--
Subtotal Personnel Comp. & Benefits	<u>\$987</u>	<u>\$1,000</u>	<u>\$1,000</u>
Other Expenses:			
Benefits for Former Personnel (13.0)	\$--	\$--	\$--
Travel (21.0)	--	--	--
Transportation of Things (22.0)	--	--	--
GSA Rent (23.1)	--	--	--
Other Rents, Comm., Utilities (23.3)	--	--	--
Printing and Reproduction (24.0)	--	--	--
Contract Services - Non-Fed (25.2)	--	--	--
Fed. Purchase, Goods & Services (25.3)	--	--	--
Operation & Maint. of Equipment (25.7)	--	--	--
Supplies and Materials (26.0)	--	--	--
Equipment (31.0)	--	--	--
Land and Structures (32.0)	--	--	--
Insurance Claims & Indemnities (42.0)	--	--	--
Subtotal Other Expenses	<u>\$--</u>	<u>\$--</u>	<u>\$--</u>
Total Direct Authority Obligations	\$987	\$1,000	\$1,000
Lapsed:	--	--	--
Rescission: P.L. 109-108; 109-148	13	--	--
	<u>\$1,000</u>	<u>\$1,000</u>	<u>\$1,000</u>

FY 2008 Budget Estimates to Congress
SUMMARY TABLES
DISTRIBUTION OF RESOURCES

(\$ in thousands)

REGULATORY FEES - CURRENT:

<u>Object Class Description</u>	<u>FY 2006 Actual</u>	<u>FY 2007 NTE Estimate</u>	<u>FY 2008 Request</u>
Personnel Compensation & Benefits:			
Full-time Permanent (11.1)	\$155,653	\$160,325	\$170,641
Full-time Temporary (11.3)	619	866	918
Part-time (11.3)	2,493	2,206	2,338
Personnel Benefits (12.1)	36,550	37,707	40,257
Subtotal Personnel Comp. & Benefits	<u>\$195,315</u>	<u>\$201,104</u>	<u>\$214,154</u>
Other Expenses:			
Benefits for Former Personnel (13.0)	\$34	\$26	\$26
Travel (21.0)	1,367	1,874	2,257
Transportation of Things (22.0)	105	125	129
GSA Rent (23.1)	33,700	34,037	34,491
Other Rents, Comm., Utilities (23.3)	6,699	7,196	7,369
Printing and Reproduction (24.0)	1,146	1,214	1,574
Contract Services - Non-Fed (25.2)	15,725	18,493	22,979
Fed. Purchase, Goods & Services (25.3)	2,095	2,414	2,588
Operation & Maint. of Equipment (25.7)	19,755	17,534	18,715
Supplies and Materials (26.0)	1,537	1,768	1,785
Equipment (31.0)	7,249	2,911	5,858
Land and Structures (32.0)	--	--	--
Insurance Claims & Indemnities (42.0)	290	75	75
Subtotal Other Expenses	<u>\$89,702</u>	<u>\$87,667</u>	<u>\$97,846</u>
Total Obligations from Regulatory Fees	\$285,017	\$288,771	\$312,000
Lapsed EOFY	3,754	--	--
Total Resources from Direct Appropriations	\$289,771	\$289,771	\$313,000

**FY 2008 Budget Estimates to Congress
SUMMARY TABLES**

**OTHER BUDGET AUTHORITY
DISTRIBUTION OF RESOURCES**

(\$ in Thousands)

AUCTIONS COST RECOVERY REIMBURSABLE AUTHORITY:

-- The following table depicts the distribution of estimated FY 2006, FY 2007 and FY 2008 obligations utilizing auctions costs recovery reimbursable authority (P.L. 104-104 authorizing legislation)(P.L. 109-108 FY 2006 limitation).

<u>Object Class Description</u>	<u>FY 2006 Actual</u>	<u>FY 2007 NTE Estimate</u>	<u>FY 2008 Request</u>
Personnel Compensation & Benefits:			
Full-time Permanent (11.1)	\$22,820	\$24,480	\$25,167
Full-time Temporary (11.3)	123	97	100
Part-time (11.3)	314	392	403
Personnel Benefits (12.1)	5,557	6,193	6,367
Subtotal Personnel Comp. & Benefits	<u>\$28,814</u>	<u>\$31,162</u>	<u>\$32,037</u>
Other Expenses:			
Benefits for Former Personnel (13.0)	\$5	\$4	\$4
Travel (21.0)	244	357	357
Transportation of Things (22.0)	--	68	68
GSA Rent (23.1)	6,395	6,266	6,285
Other Rents, Comm., Utilities (23.3)	2,877	3,076	3,076
Printing and Reproduction (24.0)	85	94	94
Contract Services - Non-Fed (25.2)	30,583	31,411	30,517
Fed. Purchase, Goods & Services (25.3)	1,585	1,744	1,744
Operation & Maint. of Equipment (25.7)	9,901	8,389	8,389
Supplies and Materials (26.0)	306	450	450
Equipment (31.0)	4,205	1,979	1,979
Land and Structures (32.0)	--	--	--
Insurance Claims & Indemnities (42.0)	--	--	--
Subtotal Other Expenses	<u>\$56,186</u>	<u>\$53,838</u>	<u>\$52,963</u>
Total Auctions Costs Recovery Reimbursable Obligations:	\$85,000 1/	\$85,000 2/	\$85,000

1/ P.L. 109-108 continues \$85M limit placed on auctions program obligations.

2/ FY 2007 House and Senate language (not enacted) limits the auctions program to \$85M.

**FY 2008 Budget Estimates to Congress
SUMMARY TABLES**

**OTHER BUDGET AUTHORITY
DISTRIBUTION OF RESOURCES
(\$ 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 2007. Use of carryover Regulatory Fees requires consent of appropriation subcommittees.

<u>Object Class Description</u>	<u>FY 2006 Actual</u>	<u>FY 2007 NTE Estimate</u>	<u>FY 2008 Request</u>
Personnel Compensation & Benefits:			
Full-time Permanent (11.1)	\$ -	\$ -	\$ -
Full-time Temporary (11.3)	--	--	--
Part-time (11.3)	--	--	--
Personnel Benefits (12.1)	--	--	--
Subtotal Personnel Comp. & Benefits	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Expenses:			
Benefits for Former Personnel (13.0)	\$ -	\$ -	\$ -
Travel (21.0)	--	--	--
Transportation of Things (22.0)	--	--	--
GSA Rent (23.1)	--	--	--
Other Rents, Comm., Utilities (23.3)	--	--	--
Printing and Reproduction (24.0)	--	--	--
Contract Services - Non-Fed (25.2)	--	750	--
Fed. Purchase, Goods & Services (25.3)	--	--	--
Operation & Maint. of Equipment (25.7)	--	1,609	--
Supplies and Materials (26.0)	--	--	--
Equipment (31.0)	--	--	--
Land and Structures (32.0)	--	--	--
Insurance Claims & Indemnities (42.0)	--	--	--
Subtotal Other Expenses	<u>\$ -</u>	<u>\$2,359</u>	<u>\$ -</u>
Carryover	\$ -	\$6,888	\$ -
Total Regulatory Fees (No-Year)	\$365 1/	\$9,247 2/	\$ - 3/

1/ Excess Regulatory Fees in the amount of \$25,300,000 were rescinded per P.L. 109-108. A balance of \$365k from prior year recoveries remained in FY 2006. No funds were obligated.

2/ \$8,981,996 in excess Regulatory Fees collected in FY 2006 were not available until Oct. 1, 2006 (FY 2007). \$265k in prior year funds were carried into FY 2007. Per the not-to-exceed rate \$9M in excess regulatory fees less FY 2006 SOY - EOY balances of \$6.6M left \$2.4M in BA for FY 2007. \$6.9M shown as resources in the President's Budget are not available for obligation in FY 2007 per NTE calculation.

3/ In FY 2008 proposed legislative language precludes excess regulatory fees from obligation.

**FY 2008 Budget Estimates to Congress
SUMMARY TABLES**

**NO-YEAR/CARRYOVER BUDGET AUTHORITY
DISTRIBUTION OF RESOURCES**

(Dollars in Thousands)

CARRYOVER AUCTIONS (NO-YEAR):

-- The following table depicts the distribution of Auctions funds brought forward from available unobligated balances for the purpose of conducting auctions. The FCC does not anticipate obligation of these funds.

<u>Object Class Description</u>	<u>FY 2006 Actual</u>	<u>FY 2007 NTE Estimate</u>	<u>FY 2008 Request</u>
Personnel Compensation & Benefits:			
Full-time Permanent (11.1)	\$ -	\$ -	\$ -
Full-time Temporary (11.3)	--	--	--
Part-time (11.3)	--	--	--
Personnel Benefits (12.1)	--	--	--
Subtotal Personnel Comp. & Benefits	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Expenses:			
Benefits for Former Personnel (13.0)	\$ -	\$ -	\$ -
Travel (21.0)	--	--	--
Transportation of Things (22.0)	--	--	--
GSA Rent (23.1)	--	--	--
Other Rents, Comm., Utilities (23.3)	--	--	--
Printing and Reproduction (24.0)	--	--	--
Contract Services - Non-Fed (25.2)	--	--	--
Fed. Purchase, Goods & Services (25.3)	--	--	--
Operation & Maint. of Equipment (25.7)	--	--	--
Supplies and Materials (26.0)	--	--	--
Equipment (31.0)	--	--	--
Land and Structures (32.0)	--	--	--
Insurance Claims & Indemnities (42.0)	--	--	--
Subtotal Other Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Auctions Carryover (No-Year)	\$195 1/	\$195 1/	\$195 1/

1/ Auctions carryover funds of \$195,000 were carried forward from prior year recoveries; no plans to obligate. In FY 2007 per the not-to-exceed calculation funds are precluded from use. Funds show as available resources in FY 2008.

**FY 2008 Budget Estimates to Congress
SUMMARY TABLES**

**OTHER BUDGET AUTHORITY
DISTRIBUTION OF RESOURCES**

(\$ in Thousands)

UNOBLIGATED REGULATORY FEES BALANCE:

-- The following table depicts the unobligated regulatory fee balances apportioned by OMB.

<u>Object Class Description</u>	<u>FY 2006 Actual</u>	<u>FY 2007 NTE Estimate</u>	<u>FY 2008 Request</u>
Personnel Compensation & Benefits:			
Full-time Permanent (11.1)	\$--	\$--	\$--
Full-time Temporary (11.3)	--	--	--
Part-time (11.3)	--	--	--
Personnel Benefits (12.1)	--	--	--
Subtotal Personnel Comp. & Benefits	<u>\$--</u>	<u>\$--</u>	<u>\$--</u>
Other Expenses:			
Benefits for Former Personnel (13.0)	\$--	\$--	\$--
Travel (21.0)	--	--	--
Transportation of Things (22.0)	--	--	--
GSA Rent (23.1)	--	--	--
Other Rents, Comm., Utilities (23.3)	--	--	--
Printing and Reproduction (24.0)	--	--	--
Contract Services - Non-Fed (25.2)	--	--	--
Fed. Purchase, Goods & Services (25.3)	--	--	--
Operation & Maint. of Equipment (25.7)	--	--	--
Supplies and Materials (26.0)	--	--	--
Equipment (31.0)	--	--	--
Land and Structures (32.0)	--	--	1,730
Insurance Claims & Indemnities (42.0)	--	--	--
Subtotal Other Expenses	<u>\$--</u>	<u>\$--</u>	<u>\$1,730</u>
Unobligated Regulatory Fee Balance:	\$6,773	\$--	\$1,730 3/
Precluded in FY 2007 Carried Forward:	<u>--</u>	<u>--</u>	<u>5,043</u>
Total Unobligated Reg. Fee Balance:	\$6,773 1/	\$-- 2/	\$6,773

1/ Funding in the amount of \$6,772,635 in prior year unobligated regulatory fee balances was apportioned by OMB in FY 2006, \$1,730,000 was approved by appropriation subcommittees for the Columbia Lab renovation but was not obligated prior to 9/30/06.

2/ Per the not-to-exceed (NTE) calculation, prior year unobligated regulatory fee funds are precluded from spending authority in FY 2007.

3/ \$6.8M precluded in FY 2007 per the NTE rate is carried into FY 2008.

**FY 2008 Budget Estimates to Congress
SUMMARY TABLES**

**OTHER BUDGET AUTHORITY
DISTRIBUTION OF RESOURCES**

(\$ in Thousands)

GOVERNMENT/OTHER REIMBURSABLE AUTHORITY:

-- The following table depicts the Economy Act/Other Reimbursable estimated FY 2006, FY 2007 and FY 2008 obligations.

<u>Object Class Description</u>	<u>FY 2006 Actual</u>	<u>FY 2007 NTE Estimate</u>	<u>FY 2008 Request</u>
Personnel Compensation & Benefits:			
Full-time Permanent (11.1)	\$131	\$196	\$201
Full-time Temporary (11.3)	1	1	1
Part-time (11.3)	2	3	3
Personnel Benefits (12.1)	19	40	41
Subtotal Personnel Comp. & Benefits	<u>\$153</u>	<u>\$240</u>	<u>\$246</u>
Other Expenses:			
Benefits for Former Personnel (13.0)	\$-	\$-	\$-
Travel (21.0)	55	102	102
Transportation of Things (22.0)	7	26	26
GSA Rent (23.1)	--	--	--
Other Rents, Comm., Utilities (23.3)	63	--	--
Printing and Reproduction (24.0)	--	--	--
Contract Services - Non-Fed (25.2)	477	579	573
Fed. Purchase, Goods & Services (25.3)	--	57	57
Operation & Maint. of Equipment (25.7)	37	20	20
Supplies and Materials (26.0)	129	205	205
Equipment (31.0)	487	512	512
Land and Structures (32.0)	--	--	--
Insurance Claims & Indemnities (42.0)	--	--	--
Subtotal Other Expenses	<u>\$1,255</u>	<u>\$1,501</u>	<u>\$1,495</u>
Lapsed:	\$15	\$-	\$-
Total Govt./Other Reimbursable Authority	\$1,423	\$1,741	\$1,741

**FY 2008 Budget Estimates to Congress
SUMMARY TABLES**

**OTHER BUDGET AUTHORITY
DISTRIBUTION OF RESOURCES
(\$ in Thousands)**

CREDIT PROGRAM ACCOUNT:

-- The following table depicts the estimated distribution of obligations from the Credit Program account for FY 2006, FY 2007 and FY 2008. These obligations are presented in separate schedules apart from the Salaries & Expenses account and funded from Permanent Indefinite Authority.

<u>Object Class Description</u>	<u>FY 2006 Actual</u>	<u>FY 2007 NTE Estimate</u>	<u>FY 2008 Request</u>
Personnel Compensation & Benefits:			
Full-time Permanent (11.1)	\$1,278	\$1,315	\$1,351
Full-time Temporary (11.3)	--	--	--
Part-time (11.3)	--	--	--
Personnel Benefits (12.1)	317	333	343
Subtotal Personnel Comp. & Benefits	<u>\$1,595</u>	<u>\$1,648</u>	<u>\$1,694</u>
Other Expenses:			
Benefits for Former Personnel (13.0)	\$--	\$--	\$--
Travel (21.0)	5	13	2
Transportation of Things (22.0)	--	--	--
GSA Rent (23.1)	--	--	--
Other Rents, Comm., Utilities (23.3)	--	--	--
Printing and Reproduction (24.0)	--	--	--
Contract Services - Non-Fed (25.2)	3,659	7,294	3,570
Fed. Purchase, Goods & Services (25.3)	524	5,146	1,250
Operation & Maint. of Equipment (25.7)	41	55	55
Supplies and Materials (26.0)	--	4	3
Equipment (31.0)	--	--	--
Land and Structures (32.0)	--	--	--
Insurance Claims & Indemnities (42.0)	--	--	--
Subtotal Other Expenses	<u>\$4,229</u>	<u>\$12,512</u>	<u>\$4,880</u>
Carryover into FY 2007	\$8,000	\$--	\$--
Total Credit Program	\$13,824	\$14,160 1/	\$6,574

1/ Includes \$8M in unobligated balances carried over from FY 2006 and \$6.2M in new budget authority.

**FY 2008 Budget Estimates to Congress
SUMMARY TABLES**

**OTHER BUDGET AUTHORITY
DISTRIBUTION OF RESOURCES
(\$ in Thousands)**

UNIVERSAL SERVICE FUND:

-- The following table depicts the estimated distribution of obligations from the use of Universal Service Funds for FY 2007 and FY 2008. These obligations are presented in separate schedules apart from the Salaries & Expenses account and funded from Permanent Indefinite Authority.

<u>Object Class Description</u>	<u>FY 2006 Actual</u>	<u>FY 2007 NTE Estimate</u>	<u>FY 2008 Request</u>
Personnel Compensation & Benefits:			
Full-time Permanent (11.1)	\$- -	\$- -	\$1,712
Full-time Temporary (11.3)	--	--	--
Part-time (11.3)	--	--	--
Personnel Benefits (12.1)	--	--	402
Subtotal Personnel Comp. & Benefits	<u>\$- -</u>	<u>\$- -</u>	<u>\$2,114</u>
Other Expenses:			
Benefits for Former Personnel (13.0)	\$- -	\$- -	\$- -
Travel (21.0)	--	--	119
Transportation of Things (22.0)	--	--	--
GSA Rent (23.1)	--	--	--
Other Rents, Comm., Utilities (23.3)	--	--	--
Printing and Reproduction (24.0)	--	--	--
Contract Services - Non-Fed (25.2)	--	--	18,095
Fed. Purchase, Goods & Services (25.3)	--	--	--
Operation & Maint. of Equipment (25.7)	--	--	--
Supplies and Materials (26.0)	--	--	38
Equipment (31.0)	--	--	114
Land and Structures (32.0)	--	--	--
Insurance Claims & Indemnities (42.0)	--	--	--
Subtotal Other Expenses	<u>\$- -</u>	<u>\$- -</u>	<u>\$18,366</u>
Total Universal Service Program	\$- -	\$- -	\$20,480 1/

1/ FY 2008 appropriation language shows request for \$20,480,000 in USF funds to be transferred to S&E for USF audit support.

FY 2008 Budget Estimates to Congress
Distribution of Resources by Goal

Goals:	Broadband	Competition	Spectrum	Media	Public Safety	Modernize	Resource Request
Estimated FY 2007 Resources by Goal: 1/	\$15,531,726	\$92,436,949	\$83,396,094	\$35,207,177	\$30,454,932	\$32,744,122	\$289,771,000
FY 2007 Congressional Increases:	\$756,352	\$3,100,020	\$4,320,180	\$831,600	\$1,600,752	\$2,120,096	\$12,729,000
FY 2007 Base for FY 2008 Congressional Increases:	\$16,288,078	\$95,536,969	\$87,716,274	\$36,038,777	\$32,055,684	\$34,864,218	\$302,500,000
FY 2008 Incremental Distribution:							
Fixed Cost Increases 2/	321,600	1,914,000	1,726,800	729,000	630,600	678,000	6,000,000
Programmatic Increases: 3/							
- Enforcement Bureau MDDF Vehicles			800,000		200,000		1,000,000
- Financial Operations Core Accounting System							1,000,000
- Consumer Governmental Affairs - DTV Outreach			375,000	1,125,000		1,000,000	1,500,000
- Office of Inspector General - USF audit support		1,000,000					1,000,000
Total 2008 Appropriated Request by Goal:	\$16,609,678	\$98,450,969	\$90,618,074	\$37,892,777	\$32,886,284	\$36,542,218	\$313,000,000

1/ The estimated distribution of FY 2007 resources by goal are based on FY 2007 YTD cost reports prorated to FY 2007 annualized continuing resolution authority for appropriated funds.

2/ Uncontrollable pay and inflationary increases requested have been prorated across all goals based on FY 2007 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 2008.

FY 2008 Budget Estimates to Congress
FY 2008 SUMMARY OF INCREASES
BY BUDGET OBJECT CLASS CODE
(\$ in thousands)

OC Description	Pay and Locality Proposed Increase	Inflationary Increase @ .026%	Programmatic Incr./Decr.	FY 2007 Cong Adjustments to FY 2008 Cong.
11.00 Compensation				
-- FY 2008 Pay Raise @3.0% for 75% of FY 2008 - partial	\$3,114	--	697	--
-- FY 2007 Pay Raise annualized for 25% of FY 2008	936	--	--	4,252
-- FY 2006 Pay Raise annualized for 25% of FY 2007	--	--	--	1,501
12.00 Benefits				
-- Benefits associated with FY 2008 Pay Raise - partial	729	--	167	--
-- Benefits associated with FY 2007 Pay Raise	216	--	--	1,059
-- Benefits associated with FY 2006 Pay Raise	--	--	--	374
-- Workers' Compensation	5	--	--	--
13.00 Benefits for Former Personnel	--	--	--	--
21.00 Travel and Transportation of Persons				
-- Domestic/International/Joint Board Travel	--	--	--	273
-- Leased Passenger Vehicles	--	--	--	2
-- Office of Inspector General: USF Audit Support travel	--	--	43	--
-- Consumer & Gov't Affairs Bur.: DTV outreach travel	--	--	45	20
22.00 Transportation of Things				
-- Parcel Post	--	--	--	2
-- 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, courtyard, warehouse	--	--	--	454
-- Non-GSA Space Rent	--	--	--	33
-- GSA and Non-GSA Telephones	--	--	--	71
-- Mail Service--Postage	--	--	--	13
-- GSA, Electric, Other Utilities	--	--	--	16
-- Telecommunications Service-Non-GSA	--	--	--	6
-- Other Equipment Rental/Copier Rental	--	--	--	34
24.00 Printing and Reproduction				
-- Printing/Reproduction/Binding	--	--	--	35
-- Consumer & Gov't Affairs Bur.: DTV outreach reprod.	--	--	300	25
25.00 Other Contractual Services				
-- Contract Services - Federal & Non-Federal	--	358	--	1,857
-- ADP Data Retrieval Services	--	28	--	25
-- Training/Tuition/Fees; Gov't-wide training initiative	--	24	--	21
-- Contract Purchases-Federal (Guard Services only)	--	12	--	--
-- Interagency Contracts	--	97	--	65
-- Field Office Buildings and Grounds; Space Repair	--	13	--	--
-- Health Services	--	3	--	--
-- Repair/Maintenance of Vehicles	--	1	--	--
-- ADP Software/ADP Equip. Maint.; ADP Svc. Contracts	--	456	--	700
-- Repair Office Equipment/Technical Equipment	--	8	--	--
-- FCC-wide Information Tech.: New Core Acctg. System	--	--	1,000	--
-- Consumer & Gov't Affairs Bur.: DTV outreach reprod.	--	--	1,155	--
-- Office of Inspector General: USF Audit Support training	--	--	18	--
26.00 Supplies and Materials				
-- Office of Inspector General: USF Audit Support supplies	--	--	17	--
-- General Supplies and Materials	--	--	--	--
31.00 Equipment				
-- Technical Equipment - OET	--	--	--	809
-- Office of Inspector General: USF Audit Support Hrdwre/swfwre	--	--	58	--
-- Technical Equipment for Direction Finding Vehicles	--	--	580	600
-- Purchase of Direction Finding Vehicles	--	--	420	480
32.00 Lands and Structures	--	--	--	--
42.00 Insurance Claims and Indemnities	--	--	--	--
TOTAL	\$5,000	\$1,000	\$4,500	\$12,729
TOTAL INCREASE FY 2008	\$10,500			
TOTAL INCREASE FY 2007	\$12,729			

FY 2008 Budget Estimates to Congress
ALLOCATION OF OBLIGATIONS BY OBJECT CLASS CODE
(Dollars in thousands)
FY 07/Cong

OBJECT CLASS CODE	Actual FY 2006	Estimate FY 2007 NTE Rate	Adjustments to Establish FY 2008 Base	FY 2008 Base	FY 2008 Increases (+/-)	FY 2008 Total Approp Request	FY 2008 USF Request	FY 2008 Total Request
11 Personnel Compensation	\$159,752	\$164,397	\$5,753	\$170,150	\$4,747	\$174,897	\$1,712	\$176,609
12 Personnel Benefits	36,550	37,707	1,433	39,140	1,117	40,257	402	40,659
13 Benefits for Former Personnel	34	26	0	26	0	26	0	26
21 Travel & Trans. of Persons	1,367	1,874	295	2,169	88	2,257	119	2,376
22 Transportation of Things	105	125	4	129	0	129	0	129
23.1 GSA Rent	33,700	34,037	454	34,491	0	34,491	0	34,491
23.3 Other Rents, Communications, Utilities	6,699	7,196	173	7,369	0	7,369	0	7,369
24 Printing	1,146	1,214	60	1,274	300	1,574	0	1,574
25.2 Other Services	15,725	18,493	1,903	20,396	2,583	22,979	18,095	41,074
25.3 Fed. Purchase, Goods & Services	2,095	2,414	65	2,479	109	2,588	0	2,588
25.7 Op/Maint. of Equip./Software/ Info Sys	19,755	17,534	700	18,234	481	18,715	0	18,715
26 Supplies & Materials	1,537	1,768	0	1,768	17	1,785	38	1,823
31 Equipment/Software	7,249	2,911	1,889	4,800	1,058	5,858	114	5,972
32 Land, Buildings, Structures	0	0	0	0	0	0	0	0
42 Insur. Claims & Indemnities	290	75	0	75	0	75	0	75
SUBTOTAL APPROPRIATION AUTHORITY (Direct and Offsetting Collections)	\$286,004 1/	\$289,771	\$12,729	\$302,500	\$10,500	\$313,000	\$20,480	\$333,480
Reg. Fees (Sec. 9) Carryover	0	2,359 2/		0 6/		0		0
Auction Reimb. Carryover	0	0 3/		0 6/		0		0
Unobligated Balances Carryover	0	0 4/		1,730 7/		1,730		1,730
Reimbursables - Gov't/Other	1,408	1,741		1,741		1,741		1,741
Auctions Cost Recovery-Reimbursement	85,000	85,000		85,000		85,000		85,000
TOTAL ESTIMATED OBLIGATIONS	\$372,412	\$378,871	\$12,729	\$390,971	\$10,500	\$401,471	\$20,480	\$421,951
OTHER BUDGET AUTHORITY Credit Program Account	\$5,824	\$14,160 5/	\$0	\$6,574	\$0	\$6,574	\$0	\$6,574

1/ Reflects rescission of \$2,800; P.L. 109-108 & \$9,972 P.L. 109-148, and lapse of approx. \$3.7M in unobligated funds.
2/ Additional budget authority per the NTE calculation. Contingent upon subcommittee approval.
3/ Auction carryover funds of \$195k carried forward into FY 2007 are not available for obligation per the NTE calculation. No obligation planned for FY 2008
4/ \$6.8k in prior year unobligated balances carried forward into FY 2007 but are precluded from use by the NTE calculation.
5/ Includes \$8M carried over from FY 2006 and \$6.2M in new budget authority.
6/ \$6.9M in FY regulatory carryover fees and \$195k in auction carryover fees are precluded from obligation in FY 2007. In FY 2008 proposed legislative language precludes excess regulatory fees from obligation.
7/ \$6.7M in prior year unobligated balances precluded from use in FY 2007 carry forward into FY 2008. \$1.7M was approved by subcommittees in FY 2006 for renovation of Columbia Laboratory

FY 2008 Budget Estimates to Congress
PRORATA ALLOCATION OF OBLIGATIONS BY OBJECT CLASS CODE
(Dollars in thousands)

OBJECT CLASS CODE	FY 2007 Funding Source			FY 2008 Funding Source		
	Direct Authority	Offsetting Collections	Total OC Allocation	Direct Authority	Offsetting Collections	Total OC Allocation
11 Personnel Compensation	\$1,000	\$163,397	\$164,397	\$2,712	\$173,897	\$176,609
12 Personnel Benefits	0	37,707	37,707	402	40,257	40,659
13 Benefits for Former Personnel	0	26	26	0	26	26
21 Travel & Trans. of Persons	0	1,874	1,874	119	2,257	2,376
22 Transportation of Things	0	125	125	0	129	129
23.1 GSA Rent	0	34,037	34,037	0	34,491	34,491
23.3 Other Rents, Communications, Utilities	0	7,196	7,196	0	7,369	7,369
24 Printing	0	1,214	1,214	0	1,574	1,574
25.2 Other Services	0	18,493	18,493	18,095	22,979	41,074
25.3 Fed. Purchases, Goods & Services	0	2,414	2,414	0	2,588	2,588
25.7 Op/Maint. of Equip./Software/Info Sys	0	17,534	17,534	0	18,715	18,715
26 Supplies & Materials	0	1,768	1,768	38	1,785	1,823
31 Equipment/Software	0	2,911	2,911	114	5,858	5,972
32 Land, Buildings, Structures	0	0	0	0	0	0
42 Insur. Claims & Indemnities	0	75	75	0	75	75
Appropriation-Direct B/A	\$1,000		\$1,000	\$21,480		\$21,480
Appropriation-Offsetting Collections Reg. Fees B/A:		288,771	288,771		312,000	312,000
Subtotal-B/A in Language	\$1,000	\$288,771	\$289,771	\$21,480	\$312,000	\$333,480
Reg. Fees (Sec. 9) Carryover		2,359 2/	2,359		0 6/	0
Auction Reimb. Carryover		0 3/	0		0 6/	0
Unobligated Balances Carryover		0 4/	0		1,730 7/	1,730
Reimbursable Program - Gov't/Other (Est.)		1,741	1,741		1,741	1,741
Auctions Cost Recovery-Reimbursement		85,000	85,000		85,000	85,000
Total Obligations		\$378,871	\$378,871		\$421,951	\$421,951
OTHER BUDGET AUTHORITY						
Credit Program Account		\$14,160	\$14,160			\$6,574

1/ See footnotes 2 - 7 on prior page.

UNIVERSAL SERVICE FUND

Under the Telecommunications Act of 1996, telecommunications carriers that provide interstate and international telecommunications services are required to contribute funds for the preservation and advancement of universal service. The contributions generally provided, in turn, by each carrier's subscribers, are used to provide services eligible for universal service support as prescribed by the FCC. Eligible telecommunications 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 service or 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.

Public Law 109-108 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, 2006. The Antideficiency Act requires that funds be available before incurring an obligation on behalf of the Federal Government.

The Program Assessment Rating Tool analyses conducted in 2005 revealed that the Rural Health Care and Low Income universal service support mechanisms lacked adequate performance measures. The FCC is examining program policies, performance measures, and administrative effectiveness in order to ensure that the programs use resources efficiently and provide meaningful results.

Program and Financing (in millions of dollars)			
	2006 Actual	2007 Est.	2008 Est.
Obligation by program activity:			
00.01	8,054	8,778	8,507
00.02	85	121	120
10.00	8,139	8,899	8,627
Budgetary resources available for obligation:			
21.40	979	1,950	1,221
22.00	8,160	7,728	8,229
22.10	950	442	441
23.90	10,089	10,120	9,891
23.95	-8,139	-8,899	-8,627
24.40	1,950	1,221	1,264
New budget authority (gross), detail:			
Mandatory:			
41.00	0	0	-20
60.20	7,616	7,520	8,054
60.20	148	208	195
60.20	396	--	--
62.50	8,160	7,728	8,249
70.00	8,160	7,728	8,229

Program and Financing (in millions of dollars)

	2006 Actual	2007 Est.	2008 Est.
Change in obligated balances:			
72.40	3,192	2,819	2,675
73.10	8,139	8,899	8,627
73.20	-7,562	-8,601	-8,092
73.45	-950	-442	-441
74.40	2,819	2,675	2,769
Outlays (gross), details:			
86.90	0	0	-20
86.97	3,391	4,887	5,455
86.98	4,171	3,714	2,657
87.00	7,562	8,601	8,092
Net budget authority and outlays:			
89.00	8,160	7,728	8,229
90.00	7,562	8,601	8,092
Memorandum (non-add) entries:			
92.01	0	4,762	4,762
92.02	4,762	4,762	4,762
95.02	2,819	0	0

SPECTRUM AUCTION PROGRAM ACCOUNT

This program provided direct loans for the purpose of purchasing spectrum licenses at the Federal Communications Commission's auctions. The licenses were 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 or 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. The FCC no longer offers credit terms on purchases through spectrum auctions. Program activity relates to maintenance and close-out of existing loans.

	Program and Financing (in millions of dollars)	
	2006 actual	2008 BY
Obligations by program activity:		
00.05 Reestimates of direct loan subsidy	75	13
00.06 Interest on reestimates of direct loan subsidy	61	0
00.09 Administrative Expenses	6	7
10.00 Total new obligations	<u>142</u>	<u>7</u>
Budgetary resources available for obligation:		
21.40 Unobligated balance carried forward, start of year	5	8
22.00 New budget authority (gross)	145	31
23.90 Total budgetary resources available for obligation	<u>150</u>	<u>7</u>
23.95 Total new obligations	-142	-7
24.40 Unobligated balance carried forward, end of year	8	0
New budget authority (gross), detail:		
Mandatory:		
60.00 Appropriation	145	31
69.00 Offsetting collections (cash)	0	0
70.00 Total new budget authority (gross)	<u>145</u>	<u>7</u>

Program and Financing (in millions of dollars)

	2006 actual	2007 CY	2008 BY
Change in obligated balances:			
72.40 Obligated balance, start of year	11	11	0
73.10 Total new obligations	142	39	7
73.20 Total outlays (gross)	-142	-50	-7
74.40 Obligated balance, end of year	11	0	0

Outlays (gross), detail:

86.97 Outlays from new mandatory authority	126	31	7
86.98 Outlays from mandatory balances	16	19	0
87.00 Total outlays (gross)	142	50	7

Offsets:

Against budget authority and outlays:			
88.00 Offsetting collections (cash) from: Federal sources	0	0	0

Net budget authority and outlays:

89.00 Budget authority	145	31	7
90.00 Outlays	142	50	7
95.02 Unpaid obligation, end of year	10	0	0

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

	2006 actual	2007 CY	2008 BY
Direct loan upward reestimate subsidy budget authority			
1350 Spectrum auction	136	25	0
1359 Total upward reestimate budget authority	136	25	0
Direct loan downward reestimate subsidy budget authority			
1370 Spectrum auction	-181	-3	0
1379 Total downward reestimate budget authority	-181	-3	0
Administrative expense data:			
3510 Budget authority	6	14	7
3580 Outlays from balances	0	0	0
3590 Outlays from new authority	6	14	7

Object Classification (in millions of dollars)

	2006 actual	2007 CY	2008 BY
11.11 Personnel compensation: Full-time permanent	1	1	1
11.21 Civilian personnel benefits	0	1	1
12.52 Other services	4	7	4
12.53 Other purch of goods & services from Government acct	1	5	1
14.10 Grants, subsidies, and contributions	136	25	0
99.99 Total new obligations	<u>142</u>	<u>39</u>	<u>7</u>

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)		
	2006 Actual	2007 BY
Operating Expenses:		
00.02 Interest Paid to Treasury	99	31
08.02 Downward subsidy reestimate	100	2
08.04 Interest on downward reestimate	80	1
08.91 Direct Program by Activities - Subtotal	<u>180</u>	<u>3</u>
10.00 Total new obligations	<u>279</u>	<u>34</u>
		0
Budgetary resources available for obligation:		
21.40 Unobligated balance carried forward, start of year	67	283
22.00 New financing authority (gross)	495	3
22.60 Portion applied to repay debt	0	-182
23.90 Total budgetary resources available for obligation	<u>562</u>	<u>104</u>
23.95 Total new obligations	<u>-279</u>	<u>-34</u>
24.40 Unobligated balance carried forward, end of year	<u>283</u>	<u>70</u>
		71
		1
		0
		71
		0
		71
New financing authority (gross), detail:		
Mandatory:		
67.10 Authority to borrow:	183	3
Offsetting collections		
69.00 Offsetting collections	1,320	270
69.47 Portion applied to repay debt	-1,008	-270
69.90 Spending authority from offsetting collections (total mandatory)	<u>312</u>	<u>0</u>
70.00 Total new financing authority (gross)	<u>495</u>	<u>3</u>
		1

Program and Financing (in millions of dollars)

	2006 Actual	2007 CY	2008 BY
Change in obligated balances:			
73.10 Total new obligations	279	34	0
73.20 Total financing disbursements (gross)	-279	-34	0
87.00 Total financing disbursements (gross)	279	34	0
Offsets:			
Against gross financing authority and financing disbursements:			
Offsetting collections (cash) from:			
88.00 Program account: total revised subsidy	136	25	0
88.25 Interest on uninvested funds	53	21	0
Non-Federal sources:			
88.40 Interest received on loans	3	1	0
88.40 Principal received on loans	45	19	1
88.40 Recoveries	1,083	204	0
88.90 Total offsetting collections (cash)	1,320	270	1
Net financing authority and financing disbursements:			
89.00 Financing authority	-825	-267	0
90.00 Financing disbursements	-1,042	-236	-1

Status of Direct Loans (in millions of dollars)

	2006 Actual	2007 CY	2008 BY
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year	472	427	358
1251 Repayments: Repayments and prepayments	-45	-19	-1
1263 Write-offs for default: Direct loans	0	-50	-150
1264 Other adjustments, net(adjust to princ recoveries)	0	0	0
1290 Outstanding, end of year	<u>427</u>	<u>358</u>	<u>207</u>
6200 Net financing disbursements-Policy	-1,042	-236	-1
6300 Net financing disbursements-Baseline	0	-236	-1

Balance Sheet (in millions of dollars)

	2005 actual	2006 Actual	2007 CY	2008 BY
ASSETS:				
1101 Federal assets: Fund balance with Treasury	67	284	0	0
Net value of assets related to post-1991 direct loan receivable:				
1401 Direct loans receivable, gross	472	428	0	0
1402 Interest receivable	36	35	0	0
1405 Allowance for subsidy cost (-)	749	-313	0	0
1499 Net present value of assets related to direct loans	<u>1,257</u>	<u>150</u>	<u>0</u>	<u>0</u>
1901 Other Federal assets: Other assets	136	25	0	0
1999 Total assets	<u>1,460</u>	<u>459</u>	<u>0</u>	<u>0</u>
LIABILITIES:				
Federal liabilities				
2103 Resources payable to Treasury	1,274	449	0	0
2105 Other (liability to prog. acct.)	181	3	0	0
2105 Other Debt	5	7	0	0
2999 Total liabilities	<u>1,460</u>	<u>459</u>	<u>0</u>	<u>0</u>
4999 Total liabilities and net position	<u>1,460</u>	<u>459</u>	<u>0</u>	<u>0</u>



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

June 2, 2006

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

Dear Chairwoman Collins

On April 5, 2006, the U.S. Government Accountability Office (GAO) issued its report, Telecommunications: Weaknesses in Procedures and Performance Management Hinder Junk Fax Enforcement (GAO-06-425). In this report, GAO made three recommendations to the Chairman of the Federal Communications Commission. I am submitting this letter to inform you of the actions the Commission plans to take on each of the recommendations made by GAO.

1. GAO recommended that the Chairman direct staff to revise the FCC's current junk fax guidance for consumers.

In response to this recommendation, I have directed Commission staff to examine developing a new complaint form for use by consumers in submitting complaints regarding junk fax and other Telephone Consumer Protection Act violations. Among other matters, Commission staff will examine how a new complaint form might better solicit information from consumers specific to junk fax complaints. Staff also will examine providing additional guidance to consumers on how to submit copies of facsimiles and how best to have their complaints considered for investigation, including the process of submitting copies of facsimiles.

2. GAO recommended that the FCC develop data management strategies to make the consumer complaint database more usable to staff.

I have directed staff to develop data management strategies to make the Commission's consumer complaints database more usable for Commission staff and to mitigate the amount of time spent on manual data entry. The staff will examine revising the Form 475, as well as other potential database enhancements, that will enable the staff to better use the information collected. In addition, Commission staff have already developed a mechanism for incorporating submissions by fax more easily into the database. These processes should reduce the amount of time spent on manual data entry by, and make the information more usable to, Commission staff.

3. GAO recommended that the FCC implement recognized performance management practices to improve the performance and accountability of FCC's junk fax enforcement efforts.

In response to this recommendation, I have directed the staff to establish goals and performance measures addressing junk fax complaint issues. I have also directed the staff to evaluate whether staffing adjustments should be made in response to junk fax complaint trends.

The Commission appreciates the opportunity to report on its measures to implement GAO's recommendations in this important area. If I can provide additional information concerning this or any other matter, please do not hesitate to contact me.

Sincerely,



Kevin J. Martin
Chairman

cc: Director, Physical Infrastructure, U.S. Government Accountability Office
Office of Management and Budget
The Honorable Ted Stevens
The Honorable Daniel K. Inouye



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

June 2, 2006

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

Dear Senator Lieberman

On April 5, 2006, the U.S. Government Accountability Office (GAO) issued its report, Telecommunications: Weaknesses in Procedures and Performance Management Hinder Junk Fax Enforcement (GAO-06-425). In this report, GAO made three recommendations to the Chairman of the Federal Communications Commission. I am submitting this letter to inform you of the actions the Commission plans to take on each of the recommendations made by GAO.

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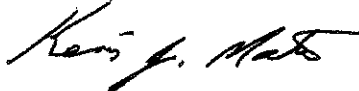
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Kevin J. Martin
Chairman

cc: Director, Physical Infrastructure, U.S. Government Accountability Office
Office of Management and Budget
The Honorable Ted Stevens
The Honorable Daniel K. Inouye



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

June 2, 2006

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

Dear Chairman Davis

On April 5, 2006, the U.S. Government Accountability Office (GAO) issued its report, Telecommunications: Weaknesses in Procedures and Performance Management Hinder Junk Fax Enforcement (GAO-06-425). In this report, GAO made three recommendations to the Chairman of the Federal Communications Commission. I am submitting this letter to inform you of the actions the Commission plans to take on each of the recommendations made by GAO.

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Sincerely,



Kevin J. Martin
Chairman

cc: Director, Physical Infrastructure, U.S. Government Accountability Office
Office of Management and Budget
The Honorable Joe Barton
The Honorable John D. Dingell



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

June 2, 2006

The Honorable Henry A. Waxman
Ranking Member
Committee on Government Reform
U.S. House of Representatives
B-350A Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Waxman

On April 5, 2006, the U.S. Government Accountability Office (GAO) issued its report, Telecommunications: Weaknesses in Procedures and Performance Management Hinder Junk Fax Enforcement (GAO-06-425). In this report, GAO made three recommendations to the Chairman of the Federal Communications Commission. I am submitting this letter to inform you of the actions the Commission plans to take on each of the recommendations made by GAO.

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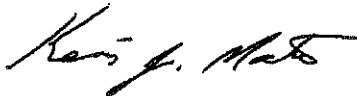
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Sincerely,



Kevin J. Martin
Chairman

cc: Director, Physical Infrastructure, U.S. Government Accountability Office
Office of Management and Budget
The Honorable Joe Barton
The Honorable John D. Dingell



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

June 29, 2006

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

Dear Chairwoman Collins:

On May 5, 2006, the U.S. Government Accountability Office (GAO) released a report entitled *Telecommunications: Broadband Deployment Is Extensive throughout the United States, but It Is Difficult to Assess the Extent of Deployment Gaps in Rural Areas* (GAO-06-426). The report recommended that the Commission "develop information regarding the cost and burden that would be associated with various options for improving the information available on broadband deployment and report this information [to Congress]."

As you may know, encouraging the deployment of broadband is my top priority as Chairman. Obtaining more detailed broadband deployment data can certainly help measure the nation's progress in achieving the President's goal of ubiquitous broadband availability. Moreover, I agree with GAO that accurate and reliable data concerning localized deployment will best enable policymakers to target assistance in broadband deployment. Accordingly, I have asked Commission staff to prepare for Commission consideration a Notice of Proposed Rulemaking (NPRM) intended to improve the Commission's collection of information on broadband deployment. Specifically, the NPRM will ask for comment on ways in which we might develop more geographically-specific deployment information, and the costs and burdens associated with any new approaches. To the extent possible, the Commission will adopt rules to facilitate the gathering of the most accurate information possible.

The Commission appreciates the opportunity to report on its actions to implement GAO's recommendations in this important area. If I can provide additional information concerning this or any other matter, please do not hesitate to contact me.

Sincerely,

Kevin J. Martin
Chairman

cc: Director, Physical Infrastructure, U.S. Government Accountability Office
Office of Management and Budget



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

June 29, 2006

The Honorable Joseph I. Lieberman
Ranking Member
Committee on Homeland Security & Governmental Affairs
United States Senate
601 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Lieberman:

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FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

June 29, 2006

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

Dear Chairman Davis:

On May 5, 2006, the U.S. Government Accountability Office (GAO) released a report entitled *Telecommunications: Broadband Deployment Is Extensive throughout the United States, But It Is Difficult to Assess the Extent of Deployment Gaps in Rural Areas* (GAO-06-426). The report recommended that the Commission “develop information regarding the cost and burden that would be associated with various options for improving the information available on broadband deployment and report this information [to Congress].”

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Office of Management and Budget



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

June 29, 2006

The Honorable Henry A. Waxman
Ranking Member
Committee on Government Reform
U.S. House of Representatives
B-350A Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Waxman:

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As you may know, encouraging the deployment of broadband is my top priority as Chairman. Obtaining more detailed broadband deployment data can certainly help measure the nation’s progress in achieving the President’s goal of ubiquitous broadband availability. Moreover, I agree with GAO that accurate and reliable data concerning localized deployment will best enable policymakers to target assistance in broadband deployment. Accordingly, I have asked Commission staff to prepare for Commission consideration a Notice of Proposed Rulemaking (NPRM) intended to improve the Commission’s collection of information on broadband deployment. Specifically, the NPRM will ask for comment on ways in which we might develop more geographically- specific deployment information, and the costs and burdens associated with any new approaches. To the extent possible, the Commission will adopt rules to facilitate the gathering of the most accurate information possible.

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Sincerely,

Kevin J. Martin
Chairman

cc: Director, Physical Infrastructure, U.S. Government Accountability Office
Office of Management and Budget



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

January 29, 2007

OFFICE OF
THE CHAIRMAN

The Honorable Joseph I. Lieberman
Chairman
Committee on Homeland Security and Governmental Affairs
United States Senate
340 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Lieberman

On November 30, 2006, the U.S. Government Accountability Office (GAO) released a report entitled *Telecommunications FCC Needs to Improve Its Ability to Monitor and Determine the Extent of Competition in Dedicated Access Services* (GAO-07-80). This letter provides the Federal Communications Commission's (FCC) written response to the GAO conclusions and recommendations contained in the GAO Report.

As the Commission's Managing Director, Anthony Dale, explained in written comments on an earlier draft, the GAO Report, taken as a whole, appears to imply the need for a return to price control policies that the Commission abandoned in 1999 during the previous Administration.⁵⁷ Since 1996, the Commission has followed the direction found in the Telecommunications Act of 1996 to foster policies and rules that "promote competition and reduce regulation in order to secure lower prices and higher quality services for American telecommunications consumers and encourage the rapid deployment of new telecommunications technologies." In 1999, the Commission specifically recognized the significant costs associated with direct price regulation (including regulation of wholesale prices) of special access services. The Commission recognized that special access price regulation "imposes costs on carriers and the public."⁵⁸ Moreover, in granting pricing flexibility for special access services to price-cap incumbent LECs, the Commission explicitly found that the cost of further delaying regulatory relief was greater than the cost of granting relief prematurely. The Commission determined that "the public interest is better served by permitting market forces to govern the rates for the access services at this point."⁵⁹

⁵⁷ In the GAO Report, the GAO concludes that "facilities-based competition for [high capacity] dedicated access services exists in a relatively small subset of buildings" and that "prices and average revenues are higher, on average, in phase II [metropolitan statistical areas (MSAs)]—where competition is theoretically more vigorous—than they are in phase I MSAs or in areas where prices are still constrained by the price cap." GAO Report at 12-13. The GAO Report finds further that the GAO's analysis of "facilities based competition also suggests that the FCC's predictive judgment [in the *Pricing Flexibility Order*]—that MSAs with pricing flexibility have sufficient competition—may not have been borne out." *Id.* at 42

⁵⁸ *Access Charge Reform*, CC Docket Nos. 96-262, 94-1, 98-157, CCB/CPD File No. 98-63, Fifth Report and Order and Further Notice of Proposed Rulemaking, 14 FCC Rcd 14221, 14271-72, para. 90 (1999) (*Pricing Flexibility Order*), *aff'd*, *WorldCom, Inc. v. FCC*, 238 F.3d 449 (D.C. Cir. 2001).

⁵⁹ *Id.* at 14301, para. 155.

In that order, the Commission explained:

“[W]e will not require incumbent LECs to demonstrate that they no longer possess market power in the provision of any access services to receive pricing flexibility... [R]egulation imposes costs on carriers and the public, and the cost of delaying regulatory relief outweigh any costs associated with granting that relief before competitive alternatives have developed to the point that the incumbent lacks market power.”⁶⁰

Thus, the Commission determined that, even if competition had not fully developed, the cost of regulating special access pricing was still greater than the benefits. So, even if GAO is correct that competitive alternative facilities have not developed as fast as the Commission had projected, the cost of price regulation to “carriers and the public” is still greater than the benefits.

Instead of requiring a disaggregated market power analysis, the Commission, in the *Pricing Flexibility Order*, determined to rely on more easily verifiable investment in collocation as a proxy for competition in access services. The Commission found that “collocation by competitors in incumbent LEC wire centers is a reliable indication of sunk investment by competitors.”⁶¹ The Commission rejected any approach to price deregulation that relied on granular findings of “non-dominance” because “non-dominance showings are neither administratively simple nor easily verifiable.”⁶² Indeed, the Commission reasoned that it was simply infeasible to rely on evidence of market share erosion or supply elasticity because such “analyses require considerable time and expense, and they generate considerable controversy that is difficult to resolve.”⁶³

Moreover, the Commission explicitly recognized that Phase II pricing relief could lead to price increases for customers in some areas, but rationalized that such a result was still superior to continued price regulation for two reasons. First, the Commission recognized that our special access pricing rules “may have required incumbent LECs to price access services below cost in certain areas.”⁶⁴ Second, the Commission found that “[i]f an incumbent LEC charges an unreasonably high rate for access to an area that lacks a competitive alternative, that rate will induce competitive entry, and that entry will in turn drive rates down.”⁶⁵

In its review of the Commission’s decision, the United States Court of Appeals for the D.C. Circuit (D.C. Circuit) rejected arguments that the Commission should be required to measure actual competition before allowing incumbent carriers pricing flexibility. The D.C. Circuit found the Commission’s determination to use collocation as a proxy for competition to be reasonable.⁶⁶ In addition, both the Commission and the courts have determined that price regulation of incumbents’ network facilities imposes costs and creates significant disincentives --

⁶⁰ *Id.*

⁶¹ *Id.* at 14263-65, paras. 79-81.

⁶² *Id.* at 14271-72, para. 90.

⁶³ *Id.*

⁶⁴ *Id.* at 14301-02, para. 155.

⁶⁵ *Id.* at 14297-98, para. 144.

⁶⁶ *WorldCom, Inc. v. FCC*, 238 F.3d at 459.

for both incumbent and competitive carriers -- to invest in economically beneficial facilities and innovation. Thus, such price regulation should be used minimally in areas where sunk investment indicates that competition is developing.⁶⁷ The Commission is committed to continued implementation of policies that bring the benefits of competition - - more and better services and lower prices - - to all Americans.

The GAO Report contains factual findings which appear to be based primarily on two studies.⁶⁸ Significantly, the FCC was not provided the data used to perform these studies. Without access to the data used to perform these studies, the FCC cannot evaluate the reliability of the GAO studies or assess the validity of the conclusions drawn therefrom. For example, we do not know what rate elements the incumbent LECs included in generating their average revenue data and how that might have affected the estimates.⁶⁹ It is also not clear how differences in demand from one MSA to another may have affected the average revenue estimates. Although the GAO Report states that it attempted to address this problem by weighting the data, it is not clear how this was accomplished. Moreover, the GAO Report acknowledges that theirs was an “imperfect weight.”⁷⁰ Thus, we are unable to assess the reliability or relevance of these studies.

The GAO Report makes two specific recommendations. The GAO Report first recommends that the FCC “develop a definition of effective competition, or true customer choice, using an approach that evaluates the competitive nature of a market by accounting for the number of effective competitive choices available to customers.”⁷¹ This recommendation seems administratively impracticable. First, there is no universally accepted, bright-line definition of “effective competition.” Second, before applying such a definition, it would be necessary to define the relevant product and geographic markets, which, as GAO suggests, are likely to be extremely narrow. For example, the GAO study seems to suggest that at least each individual

⁶⁷ See, e.g., *Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers, Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, Deployment of Wireline Services Offering Advanced Telecommunications Capability*, CC Docket Nos. 96-98, 98-147, 01-338, Report and Order on Remand and Further Notice of Proposed Rulemaking, 18 FCC Rcd 16978, 17150, para. 290 (2003) (*Triennial Review Order*) (“Section 706 requires the Commission to encourage deployment of advanced telecommunications services by using, among other things, ‘methods that remove barriers to infrastructure investment.’” (citation omitted)), *aff’d in part, remanded in part, vacated in part, United States Telecom Ass’n v. FCC*, 359 F.3d 554 (D.C. Cir. 2004) (USTA II), *cert. denied sub nom. Nat’l Ass’n Regulatory Util. Comm’rs v. United States Telecom Ass’n*, 125 S.Ct. 313, 316, 345 (2004); see also *Petition for Forbearance of the Verizon Telephone Companies Pursuant to 47 U.S.C. § 160(c)*; *SBC Communications Inc.’s Petition for Forbearance Under 47 U.S.C. § 160(c)*; *Qwest Communications International Inc. Petition for Forbearance Under 47 U.S.C. § 160(c)*; *BellSouth Telecommunications, Inc. Petition for Forbearance Under 47 U.S.C. § 160(c)*, WC Docket Nos. 01-338, 03-235, 03-260, 04-48, Memorandum Opinion and Order, 19 FCC Rcd 21496, 21505, para. 21 (2004) (*Section 271 Broadband Forbearance Order*), *aff’d, Earthlink v. FCC*, 462 F.3d 1 (D.C. Cir. 2006).

⁶⁸ First, using data from GeoResults providing building level estimates of demand for dedicated access services and from Telcordia and GeoResults concerning the extent to which competitive alternatives exist in particular buildings, GAO estimated the extent of facilities-based competition for end-user channel terminations in sixteen MSAs. Second, the GAO conducted an average revenue study to compare the rates paid for dedicated access services in MSAs where incumbent LECs have received pricing flexibility.

⁶⁹ It is not clear from the report whether non-recurring charges, early termination penalties, or other charges were included in the data.

⁷⁰ GAO Report at Appendix II.

⁷¹ *Id.* at 37.

building and perhaps each floor of a building needs to be considered a separate market.⁷² As the Commission recognized, and as the D.C. Circuit has agreed, implementing national telecommunications price deregulation by counting the number of competitive alternatives available to individual consumers would be administratively infeasible.⁷³ Recognizing these difficulties as well as the need to adopt an administratively feasible methodology, the Commission, in the *Pricing Flexibility Order*, chose to develop triggers that would apply to MSAs. The Commission reasoned that “defining geographic areas smaller than MSAs would force incumbents to file additional pricing flexibility petitions, and, although these petitions might produce a more fine-tuned picture of competitive conditions, the record does not suggest that this level of detail justifies the increased expenses and administrative burdens associated with these proposals.”⁷⁴ Finally, the Commission recognized that it would “not delay ... regulatory relief until access customers have a competitive alternative for access to every end user.”⁷⁵

In affirming this order, the D.C. Circuit found that the choice of MSAs for pricing flexibility was reasonable because “the Commission considered alternatives to MSA-wide relief and determined that, on balance, these alternatives would be less beneficial to consumers and regulated entities.”⁷⁶ Similarly, in considering and rejecting a building-by-building approach to its impairment analysis, the Commission concluded:

[A] building specific impairment analysis would be impracticable and unadministrable. As noted above, it would be exceedingly difficult for us to conduct ... nationwide, fact-intensive, building specific inquiries The record suggests that there are at least 700,000 commercial buildings, and perhaps as many as 3 million buildings, for which impairment would have to be evaluated. Such case-by-case evaluation would be impracticable even if the relevant evidence were entirely objective and readily forthcoming. Here, however, the difficulty would be magnified by carriers’ disincentives to provide relevant data that is in their possession and by the subjectivity inherent in the interpretation of that data.⁷⁷

Thus, we question whether the recommendation to measure effective competition on a granular basis is consistent with the deregulatory goals of the 1996 Act and court orders sustaining the Commission’s implementation of the Act.

In addition, the Commission has reviewed market-specific data regarding special access competition in the context of the SBC/AT&T, Verizon/MCI, and AT&T/BellSouth merger proceedings over the last two years. Specifically, the Commission examined data on over 705,000 buildings in the SBC, Verizon, and BellSouth territories combined as part of its merger

⁷² *Id.* at 17.

⁷³ See *Pricing Flexibility Order*, 14 FCC Rcd at 14260, paras. 72-74.

⁷⁴ *Id.*

⁷⁵ *Id.* at 14298, para. 144.

⁷⁶ See *WorldCom, Inc. v. FCC*, 238 F.3d at 460-61.

⁷⁷ *Unbundled Access to Network Elements, Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers*, WC Docket No. 04- 313 & CC Docket No. 01-338, Order on Remand, 20 FCC Rcd 2533, 2620, para. 157 (2004) (*Triennial Review Remand Order*) *aff’d*, *Covad Communications v. FCC*, 450 F.3d 528.

analyses.⁷⁸ These analyses focused on buildings where the data indicated that the merger would reduce the number of competitors with direct connections from two to one, and where competitive entry was unlikely based on estimates of the revenue opportunity associated with a particular building and the distance to the closest competitive LEC fiber. Where the data indicated that a merger would have resulted in buildings without competitive alternatives, divestitures were required. In the SBC/AT&T merger, the parties committed to divest facilities to only 384 of the more than 240,000 buildings in SBC territory.⁷⁹ In the Verizon/MCI merger, the parties committed to divest facilities to only 356 of the more than 246,000 buildings in Verizon territory.⁸⁰ In the AT&T/BellSouth merger, the parties committed to divest facilities to only 31 of the more than 219,000 buildings in BellSouth territory.⁸¹ Moreover, in each of these mergers, the applicants made commitments, enforceable by the Commission, to implement a performance metrics plan, under which they will provide performance data on a quarterly basis.⁸² As a result, special access performance metrics are in place for three of the four Bell regions.⁸³

Notwithstanding these clear Commission and Court decisions, GAO argues that the Commission should develop a more granular definition of competition and then collect “meaningful” data, asserting that the Commission’s comments on the draft GAO Report “suggest a preference for economic theory rather than empirical data.” To the contrary, as explained in Mr. Dale’s letter, the Commission balanced the need for a costly, burdensome, detailed empirical analysis with the benefits of having market forces (as identified through more objectively verifiable proxies for competition) govern the rates for special access services. The GAO Report also states that the Commission’s comments on the draft report took the position that the data gathered in the special access rulemaking is “sufficient” and “adequate to monitor competition and that additional data collection is not needed.” This mischaracterizes the Commission’s comments, which simply noted that there is an open proceeding considering the competitiveness of special access markets, that detailed information had been requested in that proceeding, and that the Commission will use “all available data” to fulfill its obligations to foster competition in telecommunications markets. The Commission made no comments or suggestions regarding the “sufficiency” or “adequacy” of any information received by the Commission to date.

⁷⁸ See *SBC Communications Inc. and AT&T Corp. Applications for Approval of Transfer of Control*, WC Docket No. 05-65, Memorandum Opinion and Order, FCC 05-183 at para. 37 n.98 (rel. Nov. 17, 2005) (*SBC/AT&T Merger Order*); *Verizon Communications Inc. and MCI, Inc. Applications for Approval of Transfer of Control*, WC Docket No. 05-75, Memorandum Opinion and Order, FCC 05-184 at para. 37 n.97 (rel. Nov. 17, 2005) (*Verizon/MCI Merger Order*); *AT&T Inc. and BellSouth Corporation Application for Transfer of Control*, WC Docket No. 06-74, Application, Declaration of Dennis W. Carlton and Hal S. Sider at para. 112 (filed Mar. 31, 2006).

⁷⁹ *United States v. SBC*, Final Judgment, Civil Action No. 1:05CV02102 (EGS), App. A (filed Nov. 28, 2005) available at <http://www.usdoj.gov/atr/cases/f213300/213378.htm>.

⁸⁰ *United States v. Verizon*, Final Judgment, Civil Action No. 1:05CV02103 (HHK), App. A (filed Nov. 28, 2005) available at <http://www.usdoj.gov/atr/cases/f213400/213413.htm>.

⁸¹ *AT&T Inc. and BellSouth Corporation Application for Transfer of Control*, WC Docket No. 06-74, Public Notice, App. at Attach. B (rel. Dec. 29, 2006) (*AT&T/BellSouth Merger PN*).

⁸² *SBC/AT&T Merger Order*, para. 51; *Verizon/MCI Merger Order*, para. 51; *AT&T/BellSouth Merger PN*, App. at 4.

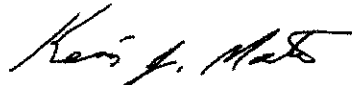
⁸³ See Industry Analysis and Technology Division, Wireline Competition Bureau, Local Telephone Competition: Status as of December 31, 2005 at Table 1 (rel. July 2006); RBOC Form 477 Data as of December 31, 2005, available at <http://www.fcc.gov/wcb/iatd/comp.html>.

Nevertheless, I have asked Commission staff to take the following actions in response to the report's recommendations. First, I have asked staff to: (i) request access to all the data used by GAO to develop its conclusions in the GAO Report; and (ii) perform its own analysis of such data. To the extent that such data is covered by confidentiality or other agreements restricting access to and/or use of the data, we would agree to use the data subject to the same terms and conditions as agreed to by GAO and will sign any necessary confidentiality agreements. If such access is not possible, we would request that GAO provide Commission staff with the necessary contact information to acquire the data directly.

Second, I have asked staff to carefully examine the analysis GAO has performed and to consider GAO's analysis in the Commission's ongoing examination of competition in the market for all special access services. Finally, I have asked staff to determine if it is necessary to supplement the Commission's request for data in the Special Access proceeding discussed in Mr. Dale's November 13th response.⁸⁴

The Commission appreciates the opportunity to report on its actions to implement GAO's recommendations in this important area. If I can provide additional information concerning this or any other matter, please do not hesitate to contact me.

Sincerely,



Kevin J. Martin
Chairman

cc: Director, Physical Infrastructure, U.S. Government Accountability Office
Office of Management and Budget

⁸⁴ See *Special Access Rates for Price Cap Local Exchange Carriers*, WC Docket No. 05-25, RM-10593, Order and Notice of Proposed Rulemaking, 20 FCC Red 1994 (2005) (*Special Access NPRM*).



FEDERAL COMMUNICATIONS COMMISSION
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January 29, 2007

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Dear Senator Collins

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² *Access Charge Reform*, CC Docket Nos. 96-262, 94-1, 98-157, CCB/CPD File No. 98-63, Fifth Report and Order and Further Notice of Proposed Rulemaking, 14 FCC Rcd 14221, 14271-72, para. 90 (1999) (*Pricing Flexibility Order*), *aff'd*, *WorldCom, Inc. v. FCC*, 238 F.3d 449 (D.C. Cir. 2001).

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In that order, the Commission explained:

“[W]e will not require incumbent LECs to demonstrate that they no longer possess market power in the provision of any access services to receive pricing flexibility... [R]egulation imposes costs on carriers and the public, and the cost of delaying regulatory relief outweigh any costs associated with granting that relief before competitive alternatives have developed to the point that the incumbent lacks market power.”⁴

Thus, the Commission determined that, even if competition had not fully developed, the cost of regulating special access pricing was still greater than the benefits. So, even if GAO is correct that competitive alternative facilities have not developed as fast as the Commission had projected, the cost of price regulation to “carriers and the public” is still greater than the benefits.

Instead of requiring a disaggregated market power analysis, the Commission, in the *Pricing Flexibility Order*, determined to rely on more easily verifiable investment in collocation as a proxy for competition in access services. The Commission found that “collocation by competitors in incumbent LEC wire centers is a reliable indication of sunk investment by competitors.”⁵ The Commission rejected any approach to price deregulation that relied on granular findings of “non-dominance” because “non-dominance showings are neither administratively simple nor easily verifiable.”⁶ Indeed, the Commission reasoned that it was simply infeasible to rely on evidence of market share erosion or supply elasticity because such “analyses require considerable time and expense, and they generate considerable controversy that is difficult to resolve.”⁷

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⁸ *Id.* at 14301-02, para. 155.

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¹⁰ *WorldCom, Inc. v. FCC*, 238 F.3d at 459.

for both incumbent and competitive carriers -- to invest in economically beneficial facilities and innovation. Thus, such price regulation should be used minimally in areas where sunk investment indicates that competition is developing.¹¹ The Commission is committed to continued implementation of policies that bring the benefits of competition - - more and better services and lower prices - - to all Americans.

The GAO Report contains factual findings which appear to be based primarily on two studies.¹² Significantly, the FCC was not provided the data used to perform these studies. Without access to the data used to perform these studies, the FCC cannot evaluate the reliability of the GAO studies or assess the validity of the conclusions drawn therefrom. For example, we do not know what rate elements the incumbent LECs included in generating their average revenue data and how that might have affected the estimates.¹³ It is also not clear how differences in demand from one MSA to another may have affected the average revenue estimates. Although the GAO Report states that it attempted to address this problem by weighting the data, it is not clear how this was accomplished. Moreover, the GAO Report acknowledges that theirs was an “imperfect weight.”¹⁴ Thus, we are unable to assess the reliability or relevance of these studies.

The GAO Report makes two specific recommendations. The GAO Report first recommends that the FCC “develop a definition of effective competition, or true customer choice, using an approach that evaluates the competitive nature of a market by accounting for the number of effective competitive choices available to customers.”¹⁵ This recommendation seems administratively impracticable. First, there is no universally accepted, bright-line definition of “effective competition.” Second, before applying such a definition, it would be necessary to define the relevant product and geographic markets, which, as GAO suggests, are likely to be extremely narrow. For example, the GAO study seems to suggest that at least each individual

¹¹ See, e.g., *Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers, Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, Deployment of Wireline Services Offering Advanced Telecommunications Capability*, CC Docket Nos. 96-98, 98-147, 01-338, Report and Order on Remand and Further Notice of Proposed Rulemaking, 18 FCC Rcd 16978, 17150, para. 290 (2003) (*Triennial Review Order*) (“Section 706 requires the Commission to encourage deployment of advanced telecommunications services by using, among other things, ‘methods that remove barriers to infrastructure investment.’” (citation omitted)), *aff’d in part, remanded in part, vacated in part, United States Telecom Ass’n v. FCC*, 359 F.3d 554 (D.C. Cir. 2004) (USTA II), *cert. denied sub nom. Nat’l Ass’n Regulatory Util. Comm’rs v. United States Telecom Ass’n*, 125 S.Ct. 313, 316, 345 (2004); see also *Petition for Forbearance of the Verizon Telephone Companies Pursuant to 47 U.S.C. § 160(c)*; *SBC Communications Inc.’s Petition for Forbearance Under 47 U.S.C. § 160(c)*; *Qwest Communications International Inc. Petition for Forbearance Under 47 U.S.C. § 160(c)*; *BellSouth Telecommunications, Inc. Petition for Forbearance Under 47 U.S.C. § 160(c)*, WC Docket Nos. 01-338, 03-235, 03-260, 04-48, Memorandum Opinion and Order, 19 FCC Rcd 21496, 21505, para. 21 (2004) (*Section 271 Broadband Forbearance Order*), *aff’d, Earthlink v. FCC*, 462 F.3d 1 (D.C. Cir. 2006).

¹² First, using data from GeoResults providing building level estimates of demand for dedicated access services and from Telcordia and GeoResults concerning the extent to which competitive alternatives exist in particular buildings, GAO estimated the extent of facilities-based competition for end-user channel terminations in sixteen MSAs. Second, the GAO conducted an average revenue study to compare the rates paid for dedicated access services in MSAs where incumbent LECs have received pricing flexibility.

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¹⁴ GAO Report at Appendix II.

¹⁵ *Id.* at 37.

building and perhaps each floor of a building needs to be considered a separate market.¹⁶ As the Commission recognized, and as the D.C. Circuit has agreed, implementing national telecommunications price deregulation by counting the number of competitive alternatives available to individual consumers would be administratively infeasible.¹⁷ Recognizing these difficulties as well as the need to adopt an administratively feasible methodology, the Commission, in the *Pricing Flexibility Order*, chose to develop triggers that would apply to MSAs. The Commission reasoned that “defining geographic areas smaller than MSAs would force incumbents to file additional pricing flexibility petitions, and, although these petitions might produce a more fine-tuned picture of competitive conditions, the record does not suggest that this level of detail justifies the increased expenses and administrative burdens associated with these proposals.”¹⁸ Finally, the Commission recognized that it would “not delay ... regulatory relief until access customers have a competitive alternative for access to every end user.”¹⁹

In affirming this order, the D.C. Circuit found that the choice of MSAs for pricing flexibility was reasonable because “the Commission considered alternatives to MSA-wide relief and determined that, on balance, these alternatives would be less beneficial to consumers and regulated entities.”²⁰ Similarly, in considering and rejecting a building-by-building approach to its impairment analysis, the Commission concluded:

[A] building specific impairment analysis would be impracticable and unadministrable. As noted above, it would be exceedingly difficult for us to conduct ... nationwide, fact-intensive, building specific inquiries The record suggests that there are at least 700,000 commercial buildings, and perhaps as many as 3 million buildings, for which impairment would have to be evaluated. Such case-by-case evaluation would be impracticable even if the relevant evidence were entirely objective and readily forthcoming. Here, however, the difficulty would be magnified by carriers’ disincentives to provide relevant data that is in their possession and by the subjectivity inherent in the interpretation of that data.²¹

Thus, we question whether the recommendation to measure effective competition on a granular basis is consistent with the deregulatory goals of the 1996 Act and court orders sustaining the Commission’s implementation of the Act.

In addition, the Commission has reviewed market-specific data regarding special access competition in the context of the SBC/AT&T, Verizon/MCI, and AT&T/BellSouth merger proceedings over the last two years. Specifically, the Commission examined data on over 705,000 buildings in the SBC, Verizon, and BellSouth territories combined as part of its merger

¹⁶ *Id.* at 17.

¹⁷ See *Pricing Flexibility Order*, 14 FCC Rcd at 14260, paras. 72-74.

¹⁸ *Id.*

¹⁹ *Id.* at 14298, para. 144.

²⁰ See *WorldCom, Inc. v. FCC*, 238 F.3d at 460-61.

²¹ *Unbundled Access to Network Elements, Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers*, WC Docket No. 04- 313 & CC Docket No. 01-338, Order on Remand, 20 FCC Rcd 2533, 2620, para. 157 (2004) (*Triennial Review Remand Order*) *aff’d*, *Covad Communications v. FCC*, 450 F.3d 528.

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Notwithstanding these clear Commission and Court decisions, GAO argues that the Commission should develop a more granular definition of competition and then collect “meaningful” data, asserting that the Commission’s comments on the draft GAO Report “suggest a preference for economic theory rather than empirical data.” To the contrary, as explained in Mr. Dale’s letter, the Commission balanced the need for a costly, burdensome, detailed empirical analysis with the benefits of having market forces (as identified through more objectively verifiable proxies for competition) govern the rates for special access services. The GAO Report also states that the Commission’s comments on the draft report took the position that the data gathered in the special access rulemaking is “sufficient” and “adequate to monitor competition and that additional data collection is not needed.” This mischaracterizes the Commission’s comments, which simply noted that there is an open proceeding considering the competitiveness of special access markets, that detailed information had been requested in that proceeding, and that the Commission will use “all available data” to fulfill its obligations to foster competition in telecommunications markets. The Commission made no comments or suggestions regarding the “sufficiency” or “adequacy” of any information received by the Commission to date.

²² See *SBC Communications Inc. and AT&T Corp. Applications for Approval of Transfer of Control*, WC Docket No. 05-65, Memorandum Opinion and Order, FCC 05-183 at para. 37 n.98 (rel. Nov. 17, 2005) (*SBC/AT&T Merger Order*); *Verizon Communications Inc. and MCI, Inc. Applications for Approval of Transfer of Control*, WC Docket No. 05-75, Memorandum Opinion and Order, FCC 05-184 at para. 37 n.97 (rel. Nov. 17, 2005) (*Verizon/MCI Merger Order*); *AT&T Inc. and BellSouth Corporation Application for Transfer of Control*, WC Docket No. 06-74, Application, Declaration of Dennis W. Carlton and Hal S. Sider at para. 112 (filed Mar. 31, 2006).

²³ *United States v. SBC*, Final Judgment, Civil Action No. 1:05CV02102 (EGS), App. A (filed Nov. 28, 2005) available at <http://www.usdoj.gov/atr/cases/f213300/213378.htm>.

²⁴ *United States v. Verizon*, Final Judgment, Civil Action No. 1:05CV02103 (HHK), App. A (filed Nov. 28, 2005) available at <http://www.usdoj.gov/atr/cases/f213400/213413.htm>.

²⁵ *AT&T Inc. and BellSouth Corporation Application for Transfer of Control*, WC Docket No. 06-74, Public Notice, App. at Attach. B (rel. Dec. 29, 2006) (*AT&T/BellSouth Merger PN*).

²⁶ *SBC/AT&T Merger Order*, para. 51; *Verizon/MCI Merger Order*, para. 51; *AT&T/BellSouth Merger PN*, App. at 4.


²⁷ See Industry Analysis and Technology Division, Wireline Competition Bureau, Local Telephone Competition: Status as of December 31, 2005 at Table 1 (rel. July 2006); RBOC Form 477 Data as of December 31, 2005, available at <http://www.fcc.gov/wcb/iatd/comp.html>.

Nevertheless, I have asked Commission staff to take the following actions in response to the report's recommendations. First, I have asked staff to: (i) request access to all the data used by GAO to develop its conclusions in the GAO Report, and (ii) perform its own analysis of such data. To the extent that such data is covered by confidentiality or other agreements restricting access to and/or use of the data, we would agree to use the data subject to the same terms and conditions as agreed to by GAO and will sign any necessary confidentiality agreements. If such access is not possible, we would request that GAO provide Commission staff with the necessary contact information to acquire the data directly.

Second, I have asked staff to carefully examine the analysis GAO has performed and to consider GAO's analysis in the Commission's ongoing examination of competition in the market for all special access services. Finally, I have asked staff to determine if it is necessary to supplement the Commission's request for data in the Special Access proceeding discussed in Mr. Dale's November 13th response.²⁸

The Commission appreciates the opportunity to report on its actions to implement GAO's recommendations in this important area. If I can provide additional information concerning this or any other matter, please do not hesitate to contact me.

Sincerely,


Kevin J. Martin
Chairman

cc: Director, Physical Infrastructure, U.S. Government Accountability Office
Office of Management and Budget

²⁸ See *Special Access Rates for Price Cap Local Exchange Carriers*, WC Docket No. 05-25, RM-10593, Order and Notice of Proposed Rulemaking, 20 FCC Rcd 1994 (2005) (*Special Access NPRM*).



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

January 29, 2007

OFFICE OF
THE CHAIRMAN

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

Dear Chairman Waxman

On November 30, 2006, the U.S. Government Accountability Office (GAO) released a report entitled *Telecommunications FCC Needs to Improve Its Ability to Monitor and Determine the Extent of Competition in Dedicated Access Services* (GAO-07-80). This letter provides the Federal Communications Commission's (FCC) written response to the GAO conclusions and recommendations contained in the GAO Report.

As the Commission's Managing Director, Anthony Dale, explained in written comments on an earlier draft, the GAO Report, taken as a whole, appears to imply the need for a return to price control policies that the Commission abandoned in 1999 during the previous Administration.⁸⁵ Since 1996, the Commission has followed the direction found in the Telecommunications Act of 1996 to foster policies and rules that "promote competition and reduce regulation in order to secure lower prices and higher quality services for American telecommunications consumers and encourage the rapid deployment of new telecommunications technologies." In 1999, the Commission specifically recognized the significant costs associated with direct price regulation (including regulation of wholesale prices) of special access services. The Commission recognized that special access price regulation "imposes costs on carriers and the public."⁸⁶ Moreover, in granting pricing flexibility for special access services to price-cap incumbent LECs, the Commission explicitly found that the cost of further delaying regulatory relief was greater than the cost of granting relief prematurely. The Commission determined that "the public interest is better served by permitting market forces to govern the rates for the access services at this point."⁸⁷

⁸⁵ In the GAO Report, the GAO concludes that "facilities-based competition for [high capacity] dedicated access services exists in a relatively small subset of buildings" and that "prices and average revenues are higher, on average, in phase II [metropolitan statistical areas (MSAs)]—where competition is theoretically more vigorous—than they are in phase I MSAs or in areas where prices are still constrained by the price cap." GAO Report at 12-13. The GAO Report finds further that the GAO's analysis of "facilities based competition also suggests that the FCC's predictive judgment [in the *Pricing Flexibility Order*]⁸⁶—that MSAs with pricing flexibility have sufficient competition—may not have been borne out." *Id.* at 42

⁸⁶ *Access Charge Reform*, CC Docket Nos. 96-262, 94-1, 98-157, CCB/CPD File No. 98-63, Fifth Report and Order and Further Notice of Proposed Rulemaking, 14 FCC Rcd 14221, 14271-72, para. 90 (1999) (*Pricing Flexibility Order*), *aff'd*, *WorldCom, Inc. v. FCC*, 238 F.3d 449 (D.C. Cir. 2001).

⁸⁷ *Id.* at 14301, para. 155.

In that order, the Commission explained:

[W]e will not require incumbent LECs to demonstrate that they no longer possess market power in the provision of any access services to receive pricing flexibility... [R]egulation imposes costs on carriers and the public, and the cost of delaying regulatory relief outweigh any costs associated with granting that relief before competitive alternatives have developed to the point that the incumbent lacks market power.”⁸⁸

Thus, the Commission determined that, even if competition had not fully developed, the cost of regulating special access pricing was still greater than the benefits. So, even if GAO is correct that competitive alternative facilities have not developed as fast as the Commission had projected, the cost of price regulation to “carriers and the public” is still greater than the benefits.

Instead of requiring a disaggregated market power analysis, the Commission, in the *Pricing Flexibility Order*, determined to rely on more easily verifiable investment in collocation as a proxy for competition in access services. The Commission found that “collocation by competitors in incumbent LEC wire centers is a reliable indication of sunk investment by competitors.”⁸⁹ The Commission rejected any approach to price deregulation that relied on granular findings of “non-dominance” because “non-dominance showings are neither administratively simple nor easily verifiable.”⁹⁰ Indeed, the Commission reasoned that it was simply infeasible to rely on evidence of market share erosion or supply elasticity because such “analyses require considerable time and expense, and they generate considerable controversy that is difficult to resolve.”⁹¹

Moreover, the Commission explicitly recognized that Phase II pricing relief could lead to price increases for customers in some areas, but rationalized that such a result was still superior to continued price regulation for two reasons. First, the Commission recognized that our special access pricing rules “may have required incumbent LECs to price access services below cost in certain areas.”⁹² Second, the Commission found that “[i]f an incumbent LEC charges an unreasonably high rate for access to an area that lacks a competitive alternative, that rate will induce competitive entry, and that entry will in turn drive rates down.”⁹³

In its review of the Commission’s decision, the United States Court of Appeals for the D.C. Circuit (D.C. Circuit) rejected arguments that the Commission should be required to measure actual competition before allowing incumbent carriers pricing flexibility. The D.C. Circuit found the Commission’s determination to use collocation as a proxy for competition to be reasonable.⁹⁴ In addition, both the Commission and the courts have determined that price regulation of incumbents’ network facilities imposes costs and creates significant disincentives --

⁸⁸ *Id.*

⁸⁹ *Id.* at 14263-65, paras. 79-81.

⁹⁰ *Id.* at 14271-72, para. 90.

⁹¹ *Id.*

⁹² *Id.* at 14301-02, para. 155.

⁹³ *Id.* at 14297-98, para. 144.

⁹⁴ *WorldCom, Inc. v. FCC*, 238 F.3d at 459.

for both incumbent and competitive carriers -- to invest in economically beneficial facilities and innovation. Thus, such price regulation should be used minimally in areas where sunk investment indicates that competition is developing.⁹⁵ The Commission is committed to continued implementation of policies that bring the benefits of competition - - more and better services and lower prices - - to all Americans.

The GAO Report contains factual findings which appear to be based primarily on two studies.⁹⁶ Significantly, the FCC was not provided the data used to perform these studies. Without access to the data used to perform these studies, the FCC cannot evaluate the reliability of the GAO studies or assess the validity of the conclusions drawn therefrom. For example, we do not know what rate elements the incumbent LECs included in generating their average revenue data and how that might have affected the estimates.⁹⁷ It is also not clear how differences in demand from one MSA to another may have affected the average revenue estimates. Although the GAO Report states that it attempted to address this problem by weighting the data, it is not clear how this was accomplished. Moreover, the GAO Report acknowledges that theirs was an “imperfect weight.”⁹⁸ Thus, we are unable to assess the reliability or relevance of these studies.

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building and perhaps each floor of a building needs to be considered a separate market.¹⁰⁰ As the Commission recognized, and as the D.C. Circuit has agreed, implementing national telecommunications price deregulation by counting the number of competitive alternatives available to individual consumers would be administratively infeasible.¹⁰¹ Recognizing these difficulties as well as the need to adopt an administratively feasible methodology, the Commission, in the *Pricing Flexibility Order*, chose to develop triggers that would apply to MSAs. The Commission reasoned that “defining geographic areas smaller than MSAs would force incumbents to file additional pricing flexibility petitions, and, although these petitions might produce a more fine-tuned picture of competitive conditions, the record does not suggest that this level of detail justifies the increased expenses and administrative burdens associated with these proposals.”¹⁰² Finally, the Commission recognized that it would “not delay ... regulatory relief until access customers have a competitive alternative for access to every end user.”¹⁰³

In affirming this order, the D.C. Circuit found that the choice of MSAs for pricing flexibility was reasonable because “the Commission considered alternatives to MSA-wide relief and determined that, on balance, these alternatives would be less beneficial to consumers and regulated entities.”¹⁰⁴ Similarly, in considering and rejecting a building-by-building approach to its impairment analysis, the Commission concluded:

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Thus, we question whether the recommendation to measure effective competition on a granular basis is consistent with the deregulatory goals of the 1996 Act and court orders sustaining the Commission’s implementation of the Act.

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Notwithstanding these clear Commission and Court decisions, GAO argues that the Commission should develop a more granular definition of competition and then collect “meaningful” data, asserting that the Commission’s comments on the draft GAO Report “suggest a preference for economic theory rather than empirical data.” To the contrary, as explained in Mr. Dale’s letter, the Commission balanced the need for a costly, burdensome, detailed empirical analysis with the benefits of having market forces (as identified through more objectively verifiable proxies for competition) govern the rates for special access services. The GAO Report also states that the Commission’s comments on the draft report took the position that the data gathered in the special access rulemaking is “sufficient” and “adequate to monitor competition and that additional data collection is not needed.” This mischaracterizes the Commission’s comments, which simply noted that there is an open proceeding considering the competitiveness of special access markets, that detailed information had been requested in that proceeding, and that the Commission will use “all available data” to fulfill its obligations to foster competition in telecommunications markets. The Commission made no comments or suggestions regarding the “sufficiency” or “adequacy” of any information received by the Commission to date.

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Nevertheless, I have asked Commission staff to take the following actions in response to the report's recommendations. First, I have asked staff to: (i) request access to all the data used by GAO to develop its conclusions in the GAO Report, and (ii) perform its own analysis of such data. To the extent that such data is covered by confidentiality or other agreements restricting access to and/or use of the data, we would agree to use the data subject to the same terms and conditions as agreed to by GAO and will sign any necessary confidentiality agreements. If such access is not possible, we would request that GAO provide Commission staff with the necessary contact information to acquire the data directly.

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The Commission appreciates the opportunity to report on its actions to implement GAO's recommendations in this important area. If I can provide additional information concerning this or any other matter, please do not hesitate to contact me.

Sincerely,


Kevin J. Martin
Chairman

cc: Director, Physical Infrastructure, U.S. Government Accountability Office
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FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

January 29, 2007

OFFICE OF
THE CHAIRMAN

The Honorable Tom Davis
Ranking Member
Committee on Oversight and Government Reform
U.S. House of Representatives
B-350A Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Davis

On November 30, 2006, the U.S. Government Accountability Office (GAO) released a report entitled *Telecommunications FCC Needs to Improve Its Ability to Monitor and Determine the Extent of Competition in Dedicated Access Services* (GAO-07-80). This letter provides the Federal Communications Commission's (FCC) written response to the GAO conclusions and recommendations contained in the GAO Report.

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²⁹ In the GAO Report, the GAO concludes that "facilities-based competition for [high capacity] dedicated access services exists in a relatively small subset of buildings" and that "prices and average revenues are higher, on average, in phase II [metropolitan statistical areas (MSAs)]—where competition is theoretically more vigorous—than they are in phase I MSAs or in areas where prices are still constrained by the price cap." GAO Report at 12-13. The GAO Report finds further that the GAO's analysis of "facilities based competition also suggests that the FCC's predictive judgment [in the *Pricing Flexibility Order*]—that MSAs with pricing flexibility have sufficient competition—may not have been borne out." *Id.* at 42

³⁰ *Access Charge Reform*, CC Docket Nos. 96-262, 94-1, 98-157, CCB/CPD File No. 98-63, Fifth Report and Order and Further Notice of Proposed Rulemaking, 14 FCC Rcd 14221, 14271-72, para. 90 (1999) (*Pricing Flexibility Order*), *aff'd*, *WorldCom, Inc. v. FCC*, 238 F.3d 449 (D.C. Cir. 2001).

³¹ *Id.* at 14301, para. 155.

In that order, the Commission explained:

“[W]e will not require incumbent LECs to demonstrate that they no longer possess market power in the provision of any access services to receive pricing flexibility... [R]egulation imposes costs on carriers and the public, and the cost of delaying regulatory relief outweigh any costs associated with granting that relief before competitive alternatives have developed to the point that the incumbent lacks market power.”³²

Thus, the Commission determined that, even if competition had not fully developed, the cost of regulating special access pricing was still greater than the benefits. So, even if GAO is correct that competitive alternative facilities have not developed as fast as the Commission had projected, the cost of price regulation to “carriers and the public” is still greater than the benefits.

Instead of requiring a disaggregated market power analysis, the Commission, in the *Pricing Flexibility Order*, determined to rely on more easily verifiable investment in collocation as a proxy for competition in access services. The Commission found that “collocation by competitors in incumbent LEC wire centers is a reliable indication of sunk investment by competitors.”³³ The Commission rejected any approach to price deregulation that relied on granular findings of “non-dominance” because “non-dominance showings are neither administratively simple nor easily verifiable.”³⁴ Indeed, the Commission reasoned that it was simply infeasible to rely on evidence of market share erosion or supply elasticity because such “analyses require considerable time and expense, and they generate considerable controversy that is difficult to resolve.”³⁵

Moreover, the Commission explicitly recognized that Phase II pricing relief could lead to price increases for customers in some areas, but rationalized that such a result was still superior to continued price regulation for two reasons. First, the Commission recognized that our special access pricing rules “may have required incumbent LECs to price access services below cost in certain areas.”³⁶ Second, the Commission found that “[i]f an incumbent LEC charges an unreasonably high rate for access to an area that lacks a competitive alternative, that rate will induce competitive entry, and that entry will in turn drive rates down.”³⁷

In its review of the Commission’s decision, the United States Court of Appeals for the D.C. Circuit (D.C. Circuit) rejected arguments that the Commission should be required to measure actual competition before allowing incumbent carriers pricing flexibility. The D.C. Circuit found the Commission’s determination to use collocation as a proxy for competition to be reasonable.³⁸ In addition, both the Commission and the courts have determined that price regulation of incumbents’ network facilities imposes costs and creates significant disincentives --

³² *Id.*

³³ *Id.* at 14263-65, paras. 79-81.

³⁴ *Id.* at 14271-72, para. 90.

³⁵ *Id.*

³⁶ *Id.* at 14301-02, para. 155.

³⁷ *Id.* at 14297-98, para. 144.

³⁸ *WorldCom, Inc. v. FCC*, 238 F.3d at 459.

for both incumbent and competitive carriers -- to invest in economically beneficial facilities and innovation. Thus, such price regulation should be used minimally in areas where sunk investment indicates that competition is developing.³⁹ The Commission is committed to continued implementation of policies that bring the benefits of competition - - more and better services and lower prices - - to all Americans.

The GAO Report contains factual findings which appear to be based primarily on two studies.⁴⁰ Significantly, the FCC was not provided the data used to perform these studies. Without access to the data used to perform these studies, the FCC cannot evaluate the reliability of the GAO studies or assess the validity of the conclusions drawn therefrom. For example, we do not know what rate elements the incumbent LECs included in generating their average revenue data and how that might have affected the estimates.⁴¹ It is also not clear how differences in demand from one MSA to another may have affected the average revenue estimates. Although the GAO Report states that it attempted to address this problem by weighting the data, it is not clear how this was accomplished. Moreover, the GAO Report acknowledges that theirs was an “imperfect weight.”⁴² Thus, we are unable to assess the reliability or relevance of these studies.

The GAO Report makes two specific recommendations. The GAO Report first recommends that the FCC “develop a definition of effective competition, or true customer choice, using an approach that evaluates the competitive nature of a market by accounting for the number of effective competitive choices available to customers.”⁴³ This recommendation seems administratively impracticable. First, there is no universally accepted, bright-line definition of “effective competition.” Second, before applying such a definition, it would be necessary to define the relevant product and geographic markets, which, as GAO suggests, are likely to be extremely narrow. For example, the GAO study seems to suggest that at least each individual

³⁹ See, e.g., *Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers, Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, Deployment of Wireline Services Offering Advanced Telecommunications Capability*, CC Docket Nos. 96-98, 98-147, 01-338, Report and Order on Remand and Further Notice of Proposed Rulemaking, 18 FCC Rcd 16978, 17150, para. 290 (2003) (*Triennial Review Order*) (“Section 706 requires the Commission to encourage deployment of advanced telecommunications services by using, among other things, ‘methods that remove barriers to infrastructure investment.’” (citation omitted)), *aff’d in part, remanded in part, vacated in part, United States Telecom Ass’n v. FCC*, 359 F.3d 554 (D.C. Cir. 2004) (USTA II), *cert. denied sub nom. Nat’l Ass’n Regulatory Util. Comm’rs v. United States Telecom Ass’n*, 125 S.Ct. 313, 316, 345 (2004); see also *Petition for Forbearance of the Verizon Telephone Companies Pursuant to 47 U.S.C. § 160(c)*; *SBC Communications Inc.’s Petition for Forbearance Under 47 U.S.C. § 160(c)*; *Qwest Communications International Inc. Petition for Forbearance Under 47 U.S.C. § 160(c)*; *BellSouth Telecommunications, Inc. Petition for Forbearance Under 47 U.S.C. § 160(c)*, WC Docket Nos. 01-338, 03-235, 03-260, 04-48, Memorandum Opinion and Order, 19 FCC Rcd 21496, 21505, para. 21 (2004) (*Section 271 Broadband Forbearance Order*), *aff’d, Earthlink v. FCC*, 462 F.3d 1 (D.C. Cir. 2006).

⁴⁰ First, using data from GeoResults providing building level estimates of demand for dedicated access services and from Telcordia and GeoResults concerning the extent to which competitive alternatives exist in particular buildings, GAO estimated the extent of facilities-based competition for end-user channel terminations in sixteen MSAs. Second, the GAO conducted an average revenue study to compare the rates paid for dedicated access services in MSAs where incumbent LECs have received pricing flexibility.

⁴¹ It is not clear from the report whether non-recurring charges, early termination penalties, or other charges were included in the data.

⁴² GAO Report at Appendix II.

⁴³ *Id.* at 37.

building and perhaps each floor of a building needs to be considered a separate market.⁴⁴ As the Commission recognized, and as the D.C. Circuit has agreed, implementing national telecommunications price deregulation by counting the number of competitive alternatives available to individual consumers would be administratively infeasible.⁴⁵ Recognizing these difficulties as well as the need to adopt an administratively feasible methodology, the Commission, in the *Pricing Flexibility Order*, chose to develop triggers that would apply to MSAs. The Commission reasoned that “defining geographic areas smaller than MSAs would force incumbents to file additional pricing flexibility petitions, and, although these petitions might produce a more fine-tuned picture of competitive conditions, the record does not suggest that this level of detail justifies the increased expenses and administrative burdens associated with these proposals.”⁴⁶ Finally, the Commission recognized that it would “not delay ... regulatory relief until access customers have a competitive alternative for access to every end user.”⁴⁷

In affirming this order, the D.C. Circuit found that the choice of MSAs for pricing flexibility was reasonable because “the Commission considered alternatives to MSA-wide relief and determined that, on balance, these alternatives would be less beneficial to consumers and regulated entities.”⁴⁸ Similarly, in considering and rejecting a building-by-building approach to its impairment analysis, the Commission concluded:

[A] building specific impairment analysis would be impracticable and unadministrable. As noted above, it would be exceedingly difficult for us to conduct ... nationwide, fact-intensive, building specific inquiries The record suggests that there are at least 700,000 commercial buildings, and perhaps as many as 3 million buildings, for which impairment would have to be evaluated. Such case-by-case evaluation would be impracticable even if the relevant evidence were entirely objective and readily forthcoming. Here, however, the difficulty would be magnified by carriers’ disincentives to provide relevant data that is in their possession and by the subjectivity inherent in the interpretation of that data.⁴⁹

Thus, we question whether the recommendation to measure effective competition on a granular basis is consistent with the deregulatory goals of the 1996 Act and court orders sustaining the Commission’s implementation of the Act.

In addition, the Commission has reviewed market-specific data regarding special access competition in the context of the SBC/AT&T, Verizon/MCI, and AT&T/BellSouth merger proceedings over the last two years. Specifically, the Commission examined data on over 705,000 buildings in the SBC, Verizon, and BellSouth territories combined as part of its merger

⁴⁴ *Id.* at 17.

⁴⁵ See *Pricing Flexibility Order*, 14 FCC Rcd at 14260, paras. 72-74.

⁴⁶ *Id.*

⁴⁷ *Id.* at 14298, para. 144.

⁴⁸ See *WorldCom, Inc. v. FCC*, 238 F.3d at 460-61.

⁴⁹ *Unbundled Access to Network Elements, Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers*, WC Docket No. 04- 313 & CC Docket No. 01-338, Order on Remand, 20 FCC Rcd 2533, 2620, para. 157 (2004) (*Triennial Review Remand Order*) *aff’d*, *Covad Communications v. FCC*, 450 F.3d 528.

analyses.⁵⁰ These analyses focused on buildings where the data indicated that the merger would reduce the number of competitors with direct connections from two to one, and where competitive entry was unlikely based on estimates of the revenue opportunity associated with a particular building and the distance to the closest competitive LEC fiber. Where the data indicated that a merger would have resulted in buildings without competitive alternatives, divestitures were required. In the SBC/AT&T merger, the parties committed to divest facilities to only 384 of the more than 240,000 buildings in SBC territory.⁵¹ In the Verizon/MCI merger, the parties committed to divest facilities to only 356 of the more than 246,000 buildings in Verizon territory.⁵² In the AT&T/BellSouth merger, the parties committed to divest facilities to only 31 of the more than 219,000 buildings in BellSouth territory.⁵³ Moreover, in each of these mergers, the applicants made commitments, enforceable by the Commission, to implement a performance metrics plan, under which they will provide performance data on a quarterly basis.⁵⁴ As a result, special access performance metrics are in place for three of the four Bell regions.⁵⁵

Notwithstanding these clear Commission and Court decisions, GAO argues that the Commission should develop a more granular definition of competition and then collect “meaningful” data, asserting that the Commission’s comments on the draft GAO Report “suggest a preference for economic theory rather than empirical data.” To the contrary, as explained in Mr. Dale’s letter, the Commission balanced the need for a costly, burdensome, detailed empirical analysis with the benefits of having market forces (as identified through more objectively verifiable proxies for competition) govern the rates for special access services. The GAO Report also states that the Commission’s comments on the draft report took the position that the data gathered in the special access rulemaking is “sufficient” and “adequate to monitor competition and that additional data collection is not needed.” This mischaracterizes the Commission’s comments, which simply noted that there is an open proceeding considering the competitiveness of special access markets, that detailed information had been requested in that proceeding, and that the Commission will use “all available data” to fulfill its obligations to foster competition in telecommunications markets. The Commission made no comments or suggestions regarding the “sufficiency” or “adequacy” of any information received by the Commission to date.

⁵⁰ See *SBC Communications Inc. and AT&T Corp. Applications for Approval of Transfer of Control*, WC Docket No. 05-65, Memorandum Opinion and Order, FCC 05-183 at para. 37 n.98 (rel. Nov. 17, 2005) (*SBC/AT&T Merger Order*); *Verizon Communications Inc. and MCI, Inc. Applications for Approval of Transfer of Control*, WC Docket No. 05-75, Memorandum Opinion and Order, FCC 05-184 at para. 37 n.97 (rel. Nov. 17, 2005) (*Verizon/MCI Merger Order*); *AT&T Inc. and BellSouth Corporation Application for Transfer of Control*, WC Docket No. 06-74, Application, Declaration of Dennis W. Carlton and Hal S. Sider at para. 112 (filed Mar. 31, 2006).

⁵¹ *United States v. SBC*, Final Judgment, Civil Action No. 1:05CV02102 (EGS), App. A (filed Nov. 28, 2005) available at <http://www.usdoj.gov/atr/cases/f213300/213378.htm>.

⁵² *United States v. Verizon*, Final Judgment, Civil Action No. 1:05CV02103 (HHK), App. A (filed Nov. 28, 2005) available at <http://www.usdoj.gov/atr/cases/f213400/213413.htm>.

⁵³ *AT&T Inc. and BellSouth Corporation Application for Transfer of Control*, WC Docket No. 06-74, Public Notice, App. at Attach. B (rel. Dec. 29, 2006) (*AT&T/BellSouth Merger PN*).

⁵⁴ *SBC/AT&T Merger Order*, para. 51; *Verizon/MCI Merger Order*, para. 51; *AT&T/BellSouth Merger PN*, App. at 4.


⁵⁵ See Industry Analysis and Technology Division, Wireline Competition Bureau, Local Telephone Competition: Status as of December 31, 2005 at Table 1 (rel. July 2006); RBOC Form 477 Data as of December 31, 2005, available at <http://www.fcc.gov/wcb/iatd/comp.html>.

Nevertheless, I have asked Commission staff to take the following actions in response to the report's recommendations. First, I have asked staff to: (i) request access to all the data used by GAO to develop its conclusions in the GAO Report; and (ii) perform its own analysis of such data. To the extent that such data is covered by confidentiality or other agreements restricting access to and/or use of the data, we would agree to use the data subject to the same terms and conditions as agreed to by GAO and will sign any necessary confidentiality agreements. If such access is not possible, we would request that GAO provide Commission staff with the necessary contact information to acquire the data directly.

Second, I have asked staff to carefully examine the analysis GAO has performed and to consider GAO's analysis in the Commission's ongoing examination of competition in the market for all special access services. Finally, I have asked staff to determine if it is necessary to supplement the Commission's request for data in the Special Access proceeding discussed in Mr. Dale's November 13th response.⁵⁶

The Commission appreciates the opportunity to report on its actions to implement GAO's recommendations in this important area. If I can provide additional information concerning this or any other matter, please do not hesitate to contact me.

Sincerely,



Kevin J. Martin
Chairman

cc: Director, Physical Infrastructure, U.S. Government Accountability Office
Office of Management and Budget

⁵⁶ See *Special Access Rates for Price Cap Local Exchange Carriers*, WC Docket No. 05-25, RM-10593, Order and Notice of Proposed Rulemaking, 20 FCC Rcd 1994 (2005) (*Special Access NPRM*).