GENERAL COUNSEL OF THE
UNITED STATES DEPARTMENT OF COMMERCE
Washington, D.C. 20230

September 11, 2008

The Honorable Richard B. Cheney
President of the Senate
Washington, D.C. 20510

Dear Mr. President:

Enclosed is draft legislation to implement Section 3005 of the Deficit Reduction Act of 2005, Pub. L. No. 109-171, 120 Stat. 4, 23 (2006) (the Act) to authorize the National Telecommunications and Information Administration (NTIA), the United States Department of Commerce, to use the balances in certain programs created by the Act, if needed, to administer the Digital-to-Analog Converter Box Program. Section 3005 of the Act authorizes NTIA to implement and administer a program through which U.S. households may obtain a maximum of two coupons of $40 each to be applied toward the purchase of a digital-to-analog converter box. These converter boxes are necessary for many American consumers to be able to continue to receive over-the-air television reception on their existing analog televisions after the February 17, 2009, transition to digital television broadcasting. This legislation is needed to provide NTIA with the flexibility to distribute more coupons to meet additional consumer demand.

The Act currently authorizes a total of $1.5 billion from the Digital Television Transition and Public Safety Fund for the Converter Box Program, and makes that funding available in two stages. Specifically, the Act authorizes NTIA to spend up to $990 million, including up to $100 million for administrative expenses, in a Base Funding Level. Additionally, upon a 60-day notice and certification to the Committee on Energy and Commerce of the House of Representatives and the Committee on Commerce, Science, and Transportation of the Senate that the $990 million is insufficient to fulfill coupon requests for eligible U.S. households, NTIA is authorized to spend an additional $510 million, including up to $60 million for administrative expenses, in a Contingency Funding Level.[1]

The combined sum of $160 million authorized for administrative expenses under the Base and Contingency Funding Levels covers all administrative costs, including, but not limited to, those associated with the distribution and processing (*i.e.*, not the underlying value) of each coupon. The remaining sum of $1.34 billion authorized under the Base and Contingency Funding Levels is sufficient to cover the value of up to 33.5 million redeemed coupons. When a coupon is issued, NTIA sets aside, or obligates,

[1] The Contingency Funding Level became available on June 24, 2008, following NTIA's certification to the Committee on Energy and Commerce of the House of Representatives and the Committee on Commerce, Science, and Transportation of the Senate that the conditions for such funding had been met.

the funding for the $40 value of the issued coupon. If a coupon is not redeemed within the statutory three-month expiration period, the funding associated with that coupon is de-obligated, thereby becoming available to cover the value of another coupon.

The Converter Box Program is very popular with consumers. As of September 10, 2008, coupons were being requested at a rate of 110,000 per day, and redeemed at a rate of approximately 49 percent. Assuming that the redemption rate will remain constant and that consumer requests for coupons will increase as the effective transition date nears, NTIA estimates that it could distribute more than 50 million coupons through March 31, 2009.[2] Under this scenario, NTIA would pay approximately $1 billion to retailers for redeemed coupons out of the $1.34 billion with a remainder of approximately $340 million in funds available.

To the extent additional sums may be needed to maximize the number of coupons distributed, such sums could come from certain programs funded from the Digital Television Transition and Public Safety Fund. In order to ensure consumers are served in the most fiscally responsible manner, the draft legislation would provide NTIA with the flexibility, if needed, to spend $7 million as may be necessary from balances in certain programs created by the Act to cover the administrative expenses of the Converter Box Program. The legislation would also authorize NTIA to spend additional sums from these programs, as needed, upon approval by the Director of the Office of Management and Budget and 15-day notice to the House Committee on Energy and Commerce and the Senate Committee on Commerce, Science and Transportation. This authority would provide NTIA with flexibility so that it can continue to distribute coupons to eligible U.S. households to meet additional consumer demand through the end of the Converter Box Program.

The Office of Management and Budget advises that there is no objection from the standpoint of the Administration's program to the transmittal of this legislative proposal to the Congress. If you have any further questions, please contact me or Nathaniel F. Wienecke, Assistant Secretary for Legislative and Intergovernmental Affairs, at (202) 482-3663.

Very truly yours,

Lily Fu Claffee

Enclosures

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[2] This estimate is based on the Coupon Program's current system processing capacity. NTIA's contractor, IBM, estimates that its system is capable of receiving and processing requests for coupons at a maximum rate of approximately 4.5 million per month.

Identical Letters Sent to:

The Honorable Nancy Pelosi
Speaker of the House of Representatives
Washington, D.C. 20515-6501

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, D.C. 20510-7010

The Honorable Steny H. Hoyer
Majority Leader
House of Representatives
Washington, D.C. 20515-6502

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, D.C. 20510-7020

The Honorable John A. Boehner
Republican Leader
House of Representatives
Washington, D.C. 20515-6537

The Honorable Daniel K. Inouye
Chairman, Committee on Commerce,
Science, and Transportation
United States Senate
Washington, D.C. 20510-6125

The Honorable Kay Bailey Hutchison
Ranking Member
Committee on Commerce,
Science, and Transportation
United States Senate
Washington, D.C. 20510-6125

The Honorable John D. Dingell
Chairman, Committee on Energy and
Commerce
House of Representatives
Washington, D.C. 20515-6115

The Honorable Joe Barton
Ranking Member
Committee on Energy and Commerce
House of Representatives
Washington, D.C. 20515-6115

The Honorable Edward J. Markey
Chairman, Subcommittee on
Telecommunications and the Internet
Committee on Energy and Commerce
House of Representatives
Washington, D.C. 20515-6115

The Honorable Clifford B. Stearns
Ranking Member, Subcommittee on
Telecommunications and the Internet
Committee on Energy and Commerce
House of Representatives
Washington, D.C. 20515-6115