



July 22, 2009

The Honorable Joseph R. Biden, Jr.
President of the Senate
Washington, DC 20510-0010

Dear Mr. President:

Enclosed is draft legislation to implement several proposals included in the President's Fiscal Year 2010 Budget that will improve management of the radio spectrum and represent sound economic policy. Specifically, these proposals amend the Communications Act of 1934 to provide the Federal Communications Commission (FCC) with permanent authority to auction spectrum licenses, which is widely accepted as the most efficient and effective means to assign such licenses; to provide the FCC with new authority to charge user fees for spectrum licenses as an additional economic mechanism to promote efficient use of this valuable resource; and to clarify the FCC's authority to use the auction process to assign orbital locations and spectrum used predominantly for domestic satellite communications services, after a court decision called this authority into question on technical grounds. The draft legislation would also authorize the National Telecommunications and Information Administration to extend the period of performance for individual investments approved under the Public Safety Interoperable Communications (PSIC) Grant Program on a case-by-case basis and make administrative funds available for the Program until expended.

Taken together, these proposals support the FCC's ability to implement efficiently and effectively telecommunications policies for the benefit of the users of telecommunications services. In addition, these proposals will ensure a fair return to taxpayers for use of spectrum resources, by providing estimated budget receipts of \$2.625 billion through 2014 and \$6.375 billion through 2019.

The first section of the draft legislation provides the FCC with permanent spectrum auction authority, which currently expires in fiscal year 2012. Spectrum auctions have proven to be an efficient method for assigning licenses or permits for spectrum-based services. Making the FCC's auction authority permanent will allow for more certainty in the auction planning process and will promote continued growth in the wireless sector.

The second section of the draft legislation provides the FCC with new authority to charge fees for spectrum licenses and construction permits not granted through auctions in order to promote efficient spectrum use. The FCC would be authorized to establish such fees on the basis of the public interest and spectrum management principles. The section also authorizes the FCC to establish a methodology for establishing spectrum user

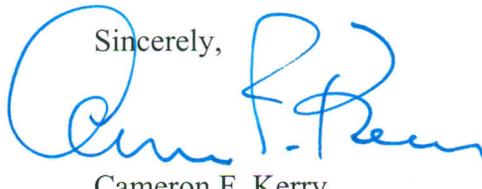
fees based on the value of spectrum held by satellite operators authorized to provide an Ancillary Terrestrial Component. While the Administration supports the use of auctions to assign spectrum licenses, the use of fees in such instances alleviates technical concerns and permits the use of an efficiency-inducing economic mechanism to be implemented expeditiously.

The third section of the draft legislation directs the FCC to use the auction process to assign orbital locations and spectrum used solely or predominantly for domestic satellite services. This section, however, permits the FCC to use an alternative approach to assignment of these orbital locations and spectrum, if such assignment would serve the public interest, convenience, and necessity.

The fourth section of the draft legislation would make administrative funds for the PSIC Grant Program available until expended. It would also permit NTIA to extend the period of performance for approved investments under the PSIC Grant Program on a case-by-case basis for a period not to exceed two years. Section 3006 of the Deficit Reduction Act of 2005, Pub. L. No. 109-171, authorized NTIA, in consultation with the Department of Homeland Security, to issue grants to assist public safety agencies to improve the state of communications interoperability. In September 2007, NTIA awarded \$968 million in grants under the PSIC Grant Program for projects to be completed no later than September 30, 2010, as required by the authorizing statute. Given the short period of time that grantees have been given to implement their projects, a number of the investments approved under the PSIC Grant Program will not be complete by the statutory deadline. To assure that the benefits of the PSIC Grant Program are achieved, this section would authorize NTIA to extend the period of performance for individual investments for a reasonable period of time.

The Office of Management and Budget advises that there is no objection to the transmittal of this legislative proposal to the Congress and that its enactment would be in accord with the program of the President. If you have any further questions, please feel free to contact me or April S. Boyd, Assistant Secretary for Legislative and Intergovernmental Affairs, at (202) 482-3663.

Sincerely,



Cameron F. Kerry

Enclosure

Identical Letters Sent to:

The Honorable Nancy Pelosi
Speaker, House of Representatives
Washington, DC 20515-6501

The Honorable Harry M. Reid
Majority Leader
United States Senate
Washington, DC 20510-7010

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

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, DC 20510-7020

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

The Honorable John D. Rockefeller, IV
Chairman, Committee on Commerce,
Science and Transportation
United States Senate
Washington, DC 20510-6125

The Honorable Kay Bailey Hutchison
Ranking Minority Member
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United States Senate
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The Honorable Henry A. Waxman
Chairman, Committee on Energy and
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House of Representatives
Washington, DC 20515-6115

The Honorable Joe Barton
Ranking Minority Member
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