



UNITED STATES DEPARTMENT OF COMMERCE
National Telecommunications and
Information Administration
Washington, D.C. 20230

September 18, 2008

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

Dear Chairman Markey:

Thank you for the opportunity to testify before the House Energy and Commerce Committee on September 16, 2008, regarding the digital television transition. The hearing provided a valuable opportunity to update you and Members of the Committee on the status of the TV Converter Box Coupon Program, and to receive the questions and comments of the Members about the Program.

Enclosed are responses to your questions about the legislative proposal submitted to the Congress last week to provide the National Telecommunications and Information Administration (NTIA) with the flexibility to distribute more coupons to meet additional consumer demand.

NTIA will continue to update the Committee about the status of coupon funding. If you have any further questions, please contact me or Jim Wasilewski, NTIA's Director of Congressional Affairs, at (202) 482-1551.

Sincerely,

Meredith Attwell Baker
Acting Assistant Secretary for
Communications and Information

Enclosure

cc: The Honorable Cliff Stearns, Ranking Member
Subcommittee on Telecommunications and the Internet

**RESPONSES TO QUESTIONS OF
CHAIRMEN JOHN D. DINGELL AND EDWARD J. MARKEY**

- 1. On July 10, 2008, we sent NTIA a letter to better understand why there was a shortfall in administrative funds for a Program and how best to address it. In its July 25, 2008 response, NTIA explained that its contract with IBM for the Program was a Requirements Contract that “did not limit the Government’s ability to obtain additional coupons with funding resulting from coupons that were not redeemed and had expired. In this letter, NTIA failed to state that it anticipated needing Congressional assistance to obtain additional administrative funds to make coupons that were not redeemed and had expired available to other households. Why did NTIA fail to indicate in its July 25, 2008, response that it might require additional administrative funds to fulfill Congress’s mandate that coupons that are not redeemed and have expired be made available to other households?**

A: In her written testimony before the Energy and Commerce Committee on June 10, 2008, NTIA Associate Administrator Bernadette McGuire-Rivera indicated that “the program currently has limited administrative funds to distribute additional numbers of coupons that might be issued from the return funds.” She further indicated in the hearing that the program may require additional administrative funds to distribute coupons.

Strong consumer demand and a 49 percent redemption rate allows for funds from expired and unredeemed coupons to be used to distribute additional coupons. During meetings with Committee staff during May and June to provide an update on the program, NTIA officials informed them of the Department’s negotiations with IBM to distribute additional coupons. Because the Department was involved in procurement-sensitive negotiations with IBM at the time of the July 25, 2008 response, NTIA could not state with certainty that the agency might need additional administrative funds or provide an estimate of the additional amount the Coupon Program might need.

- 2. In a Washington Post article dated July 11, 2008, you were quoted as stating, “the Program has been very successful... We anticipated coupons would be recycled and prepared for it.” Please explain why, if NTIA prepared for the recycling of coupons, it is now seeking additional administrative funds from Congress.**

A: NTIA designed a sound program from the beginning that included the flexibility to distribute coupons from funds returned from expired and unredeemed coupons. The Coupon Program, however, is limited in the number of coupons it can distribute from such funds by the current administrative cap on the Program of \$160 million. The Department has placed an order with IBM to distribute up to 44.5 million coupons, including 11 million coupons from funds returned from expired and unredeemed coupons, within the funds available under the existing administrative cap. Given redemption rates and demand, NTIA might however need additional administrative funds to distribute even more coupons.

3. **NTIA's second quarterly letter to the Committee on Energy and Commerce regarding whether additional funds will be needed for the Program, dated July 18, 2008, stated that NTIA was "exploring options, and is exercising its rights under its contract with the IBM, to accommodate the incremental administrative expenses associated with the issuance of these additional coupons to new applicants... NTIA is committed to ensuring that the Coupon Program can meet the high consumer demand for the coupons." Why did NTIA's letter fail to explain to the Committee that NTIA's commitment to ensuring the Program can meet high consumer demand might include a request for Congressional action to address a shortfall of administrative funds?**

A: The Department recently concluded procurement-sensitive negotiations with IBM for a price to distribute additional coupons. Since the Department was involved in procurement-sensitive negotiations with IBM at the time of the July 18, 2008 letter, NTIA could not state with certainty that the agency would need additional administrative funds or provide an estimate of the amount the Coupon Program might need.

4. **Absent Congressional action, on what approximate date does NTIA anticipate it will run out of administrative funds for the Program?**

A: NTIA monitors coupon activity data constantly and is looking at various scenarios to project the number of coupons the program will be able to distribute. Within our existing administrative authority, NTIA has placed orders with IBM to distribute up to 44.5 million coupons. Assuming steady demand and an increase for the months of November, December and January, as well as a redemption rate consistent with that realized to date, NTIA estimates that the Coupon Program will be able to honor requests for 44.5 million coupons through the end of January 2009 within existing administrative funds. However, NTIA may realize up to \$6 million in savings over the period of this contract, which could enable it to distribute several million more coupons, possibly extending the program for several more weeks within current administrative resources.

5. **In light of the fact that households have requested more than 26.6 million coupons in the first eight and a half months of the Program and that six and a half months remain during which households may request coupons, how many coupons does NTIA predict will be requested over the life of the Program?**

A: The Coupon Program is dynamic, and NTIA monitors data constantly to project the number of coupons it will be able to distribute. Several factors affect the number of coupons NTIA projects it will be able to distribute including: consumer demand, the 90-day coupon expiration, and IBM's production capacity. NTIA estimates that the Coupon Program would be able to honor requests for 50.5 million coupons if it obtains additional administrative funds.

6. **Section 1(a) of NTIA's legislative proposal would grant NTIA the authority to avail itself of up to \$7 million from Sections 3005, 3006, 3008, 3009, and 3010 of the Deficit Reduction Act of 2005 (DRA) for administrative expenses**

of the Program. How many additional coupons does NTIA estimate that \$7 million would fund?

A: NTIA could distribute up to 3.25 million additional coupons with the \$7 million requested. NTIA would combine the \$7 million requested with \$6 million NTIA has identified in potential contract savings to distribute a total of 6 million coupons in addition to the 44.5 million coupons that NTIA has already ordered under the IBM contract and funded from existing administrative funds. Contract savings have resulted from mailing two coupons to each household, which is occurring at a higher rate than the contractor assumed in the original contract. These potential savings may be realized independent of statutory action on NTIA’s legislative proposal.

7. While Section 1(a) of NTIA’s legislative proposal is capped at \$7 million, Section 1(b) of the proposal would allow NTIA to use additional amounts from Sections 3005, 3006, 3008, 3009, and 3010 of the DRA to compensate for a shortfall in administrative funds. Assuming that NTIA was not permitted to use sums from Section 3005 of the DRA, please specify the amount of money NTIA believes it could reprogram from each of Sections 3006, 3008, 3009, and 3010 of the DRA for administrative expenses of the Program.

A: NTIA has estimated that the following amounts from the uncommitted balances in the various accounts of the Deficit Reduction Act could be available for transfer to provide additional administrative funds for the program. Although the Committee has expressed concerns about allocating coupon funds for administrative costs, NTIA has estimated that based on a 49-percent coupon redemption rate, \$340 million in coupon funds under Section 3005 would remain unspent. NTIA is willing to work with the Committee to provide further details about these potential funding sources.

Section – Program	Authorized Funding	Amount Available
3005 - DTV Coupon Program	\$1.34 billion	\$340 million
3006 - PSIC	\$1 billion	\$2 million (program mgt. saving)
3008 – LPTV Conversion	\$10 million	\$1.5 million
3009 – LPTV Upgrade	\$65 million	\$1 million (from the \$65 million uncommitted balance)
3010 – National Alert and Tsunami Warning	\$156 million	\$10 million (from the \$141 million uncommitted balance)