

COMMUNICATIONS ASSISTANCE FOR LAW
ENFORCEMENT ACT (CALEA)
Eighth Annual Report to Congress

Submitted to:

*Committees on the Judiciary
United States House of Representatives
and
United States Senate*

*Committees on Appropriations
Subcommittees for the Departments of Commerce, Justice, and State,
the Judiciary and Related Agencies
United States House of Representatives
and
United States Senate*

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United States Department of Justice

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I. PURPOSE

Section 112 of the Communications Assistance for Law Enforcement Act (CALEA), 47 U.S.C. §§ 1001-1010 (1994), directs the Attorney General to submit an annual report to Congress by November 30th of each year on the amounts paid during the preceding fiscal year (FY) to telecommunications carriers under section 2608 of Title 18, United States Code. The annual report, which is made available to the public, shall include:

- (A) a detailed accounting of the amounts paid to each carrier and the equipment, facility or service for which the amounts were paid; and
- (B) projections of the amounts expected to be paid in the current FY, the carriers to which payment is expected to be made, and the equipment, facilities, or services for which payment is expected to be made.

Pursuant to section 112 of CALEA, this eighth annual report is submitted to Congress. The report provides financial information regarding FY 2002 expenditures to telecommunications carriers, and projected spending levels for FY 2003.

II. BACKGROUND

CALEA was enacted to preserve law enforcement's ability to conduct lawfully authorized electronic surveillance in order to ensure national security and public safety. CALEA obligates telecommunications carriers to ensure that their equipment, facilities, and services are capable of expeditiously isolating and delivering to law enforcement agencies all communications and call-identifying information that law enforcement is authorized to acquire. CALEA embraces the fundamentals of privacy and United States' policies which encourage the provision of new technologies and services to the public. CALEA also provides for the reimbursement of certain telecommunications carriers for "reasonable costs" directly associated with implementing CALEA. Factors set forth in CALEA for determining whether a telecommunications carrier is eligible for reimbursement include: (1) the equipment, facility, or service being upgraded is a priority to law enforcement; (2) the equipment, facility, or service was installed or deployed on or before January 1, 1995;¹ and (3) the equipment, facility, or service has not been replaced, significantly upgraded or otherwise undergone a major modification.²

¹ With respect to any equipment, facility, or service installed or deployed after January 1, 1995, a telecommunications carrier may petition the Federal Communications Commission (FCC) to determine whether compliance with the assistance capability requirements is reasonably achievable. In those instances where compliance with the assistance capability requirements is determined not to be reasonably achievable, the Government may, subject to the availability of appropriations, agree to pay the telecommunications carrier for the additional reasonable costs of making compliance reasonably achievable.

² Switches that have been replaced, significantly upgraded or have otherwise undergone a major modification must be CALEA-compliant at the carrier's expense by the compliance date(s) established by the FCC

CALEA contains a number of reimbursement provisions that were designed to ease the transition to full compliance with the assistance capability and capacity requirements. First, to the extent that telecommunications carriers must make modifications to meet the capacity requirements, CALEA provides that the Attorney General may agree to reimburse eligible telecommunications carriers for certain reasonable costs under 47 U.S.C. 1003(e). Second, the Attorney General may agree to pay a telecommunications carrier for all reasonable costs directly associated with making modifications to its equipment, facilities, or services installed or deployed on or before January 1, 1995 (pre-existent equipment) under 47 U.S.C. 1008(a) & (d). Finally, if the FCC determines that compliance with the assistance capability requirements is not reasonably achievable with respect to a telecommunications carrier's equipment, facilities, or services installed or deployed after January 1, 1995 (post-equipment), the Attorney General may agree to pay the telecommunications carrier for the additional reasonable costs of making compliance with the assistance capability requirements reasonably achievable under 47 U.S.C. 1008(b). Detailed procedures and standards for the reimbursement of carriers were promulgated by the Federal Bureau of Investigation (FBI) in the Cost Recovery Regulations (28 C.F.R. Part 100). In addition, the FBI is authorized to utilize firm, fixed-price agreements and to pay or reimburse directly to manufacturers, telecommunications carriers, or telecommunications support service providers under 47 U.S.C. 1021, as amended.

To facilitate CALEA's implementation, Congress authorized \$500,000,000 to be appropriated to reimburse the telecommunications industry for certain eligible costs associated with modifications to their networks. The Omnibus Consolidated Appropriations Act of 1997 (the Act) (P.L. 104-208)³ amended CALEA by adding Title IV which created the Telecommunications Carrier Compliance Fund (TCCF) to facilitate the disbursement of funds available for CALEA implementation. Additionally, the Act authorized agencies with law enforcement and intelligence responsibilities to transfer unobligated balances into the TCCF, subject to applicable Congressional reprogramming requirements. A total of \$499,557,146 has been made available in the TCCF through the end of FY 2002. Of this amount, \$456,976,876 was the result of appropriated funding; \$40,000,000 was provided through the Department of Justice (DOJ) Working Capital Fund; \$1,580,270 was provided through a transfer from the United States Customs Service; and \$1,000,000 was provided through a transfer from the United States Postal Inspection Service. As of September 30, 2002, the unobligated balance of the TCCF was \$76,150,439. Additionally, \$20,416,100 was committed, but not obligated during FY 2002, resulting in an available balance of \$55,734,339.

III. STATUS OF CALEA

A. Status of Section 103 Assistance Capability Requirements

unless the FCC determines that compliance is not reasonably achievable according to section 109(b) of CALEA.

³ The Omnibus Consolidated Appropriations Act of 1997; P.L. 104-208, 110 STAT 3009 (1996).

On August 31, 1999, the FCC issued its Third Report and Order⁴ regarding CALEA's section 103 assistance capability requirements. Subsequent to the FCC's determination, members of the telecommunications industry and privacy groups filed an appeal in the District of Columbia Court of Appeals seeking judicial review of the FCC's Third Report and Order. Specifically, the industry challenged the FCC's inclusion of four assistance capability requirements, packet-mode communications, and location information.

1. Four Challenged Assistance Capability Requirements

In its Third Report and Order, the FCC determined that the industry-developed technical standard (J-STD-025) was deficient based on the exclusion of six technical capabilities identified by the DOJ and FBI, commonly referred to as the "punch list." The petition filed by the telecommunications industry and privacy groups challenged the following four of six assistance capability requirements:

- C Post-cut-through dialed digit extraction
- C Party Hold/Join/Drop information
- C Subject-initiated dialing and signaling information
- C In-band and out-of-band signaling

On August 15, 2000, the United States Court of Appeals for the District of Columbia Circuit opined that the FCC ". . . concluded, with neither analysis nor explanation, that each capability is required by CALEA." (Opinion at 15) The Court of Appeals vacated the provisions of the Third Report and Order dealing with the four challenged punch list capabilities and remanded them to the FCC for further proceedings. Two other punch list capabilities required by the FCC, subject-initiated conference call surveillance and timing information, were not before the Court and were thus left unaltered by its decision.

On September 21, 2001, the FCC issued an Order⁵ deferring the compliance date for the two unchallenged technical capabilities and the four challenged technical capabilities.

On April 11, 2002, the FCC concluded its deliberations regarding the four vacated technical capabilities and re-affirmed its previous conclusion that each of the four challenged

⁴ Third Report and Order, *Communications Assistance for Law Enforcement Act*, CC Docket No. 97-213 (rel. August 31, 1999), FCC 99-230, (Third Report and Order). The FCC determined that, in addition to the assistance capabilities included in the industry-developed standard (J-STD-025), wireline, cellular, and broadband Personal Communications Services (PCS), carriers must provide six additional assistance capabilities sought by DOJ and FBI. The six assistance capabilities are: (1) Content of subject-initiated conference calls; (2) Party Hold/Join/Drop information; (3) Subject-initiated dialing and signaling information; (4) In-band and out-of-band signaling; (5) Timing information; and (6) Post-cut-through dialed digit extraction.

⁵ Order, *Communications Assistance for Law Enforcement Act*, CC Docket No. 97-213 (rel. September 21, 2001), FCC 01-265.

technical capabilities are in fact authorized by CALEA. In its Order on Remand,⁶ the FCC established June 30, 2002 as the date by which telecommunications carriers must provide all six capabilities (i.e., two unchallenged and four challenged technical capabilities) to law enforcement.

2. Packet-Mode Communications

Technical challenges to law enforcement's conduct of electronic surveillance continue to mount as the industry develops and adopts technically-advanced and efficient methods of providing services. The current technological migration within the telecommunications industry to packet-mode communications will nullify the effectiveness of electronic surveillance unless the industry actively incorporates the intercept needs of law enforcement into the development and deployment of packet-mode telecommunications technology into telecommunications networks.

In its Third Report and Order, the FCC determined that wireline, cellular, and broadband PCS carriers could provide the capability to intercept packet-mode communications in accordance with J-STD-025. J-STD-025 provides descriptions of capabilities that wireline local exchange, cellular, and broadband PCS carriers need to make available to law enforcement regardless of the transmission mode (circuit-mode or packet-mode) utilized by carriers when providing service(s). The FCC invited the Telecommunications Industry Association (TIA) “. . . to study CALEA solutions for packet-mode technology and report to the Commission in one year on steps that can be taken, including particular amendments to J-STD-025 . . .”⁷ Also in its Third Report and Order, the FCC mandated that the capability to intercept packet-mode communications be made available to law enforcement by September 30, 2001.⁸

Following the Third Report and Order, the industry initiated a number of standardization efforts to develop technical requirements for packet-mode communications. However, CALEA envisioned the possibility that technical standards would not be developed for: (1) carriers to meet the assistance capability requirements of section 103, or (2) manufacturers of telecommunications equipment and providers of telecommunications support services to satisfy the obligations of section 106.⁹ Section 107(a)(3) of CALEA, Absence of Standards, states that “[t]he absence of technical standards for implementing the assistance capability requirements of section 103 shall not . . . relieve a carrier, manufacturer, or telecommunications support services

⁶ Order on Remand, *Communications Assistance for Law Enforcement Act*, CC Docket No. 97-213 (rel. April 11, 2002), FCC 02-108.

⁷ Third Report and Order, ¶ 55.

⁸ *Ibid.*

⁹ Section 106 of CALEA outlines the responsibilities of manufacturers of telecommunications equipment and providers of telecommunications support services.

provider of the obligations imposed by section 103 or 106,¹⁰ as applicable.

To date, the industry has initiated the development of technical standards for surveillance of several packet-based communications services. On November 6, 2001, the FBI released a Packet Surveillance Fundamental Needs Document (PSFND) which contains high-level descriptions of the capabilities needed by law enforcement to conduct effective electronic surveillance in a packet-mode environment.

In its September 21, 2001 Order, the FCC denied the industry's request for a blanket extension of the September 30, 2001 compliance deadline for all wireline, cellular, and broadband PCS carriers to implement a packet-mode communications electronic surveillance capability mandated by its Third Report and Order. The September 21, 2001 Order deferred the packet-mode communications compliance date to November 19, 2001. With respect to the industry's petition challenging the FCC's Third Report and Order, the Court of Appeals declined to vacate the FCC's determinations as to packet-mode communications.

3. Location Information

With respect to the industry's petition challenging the FCC's Third Report and Order, the Court of Appeals declined to vacate the FCC's determinations as to location information.

B. CALEA Solution Availability

As reported in previous CALEA Annual Reports to Congress, manufacturers of telecommunications equipment used by wireline, cellular, and broadband PCS carriers were expected to develop and make fully compliant CALEA solutions available over several generic software releases. Each successive generic software release was to contain partial CALEA functionality until fully compliant CALEA solutions were available. To date, most manufacturers have either complete, or nearly complete, CALEA solutions available for their carrier customers.

C. Reimbursement Activity

Two alternative reimbursement approaches are utilized by the FBI for the implementation of CALEA software solutions: (1) Right-to-Use (RTU) software license agreements; and (2) switch-by-switch reimbursement. Both approaches are consistent with the FBI's goal of maximizing return on TCCF dollars while responding to industry concerns about CALEA compliance costs and deployment schedules.

¹⁰ Section 107(a)(3) of CALEA, 47 U.S.C. §1006(a)(3).

The reimbursement approach chosen by the FBI depends on several factors. These factors include, but are not limited to: (1) the availability of TCCF funds; (2) the per-switch commercial prices for CALEA software solutions; (3) the reimbursement cost for an RTU software license for a CALEA solution; and (4) the switching platform's priority status to law enforcement.

Under the RTU software license agreement approach, the FBI reimburses a facilitating carrier¹¹ for that carrier's purchase of the CALEA RTU software license for a switch installed or deployed on or before January 1, 1995. The license fee covers the manufacturer's CALEA software development cost for the switch's platform type. Under this reimbursement approach, a manufacturer grants CALEA RTU software licenses to other carriers at no charge for all switches of the same platform type installed or deployed on or before January 1, 1995. Under a switch-by-switch reimbursement approach, the FBI reimburses carriers for CALEA software on an individual, switch-by-switch basis at solution deployment.

To date, the number of priority switching platforms for which the FBI has committed reimbursement funds totals eleven (i.e., four in FY 1999, four in FY 2000, and three in FY 2001). Telecommunications carriers are expected to install the developed CALEA solutions. Carriers with pre-existent equipment are eligible for reimbursement.

D. Pursuit of "Dial-Out" RTU Software License Agreements

Existing technical electronic surveillance solutions provide a limited set of options regarding transporting intercepted information¹² to law enforcement. Current technical electronic surveillance solutions require law enforcement to have in place necessary equipment, facilities, and services (herein referred to as facilities) to transport intercepted information from a carrier's switching (or delivery) equipment to a collection site. The installation of those facilities is both time-consuming (if not already in place, it must be ordered weeks or months in advance) and expensive (installation and monthly recurring charges can be cost prohibitive). An enhanced capability, commonly referred to as a "dial-out," represents a dramatic departure from existing delivery mechanisms. As its name implies, a "dial-out" solution takes advantage of the public switched telephone network (PSTN) already in place between carrier equipment performing an intercept and a law enforcement collection site. The "dial-out" solution allows for the following efficiencies: (1) intercepted information is transmitted to law enforcement over the existing PSTN soon after a lawful authorization is obtained and provided to a carrier without the requisite

¹¹ The CALEA statute requires that TCCF payments be made to telecommunications carriers for the reasonable costs associated with modifications to equipment, facilities, and services installed or deployed on or before January 1, 1995. In addition, the FBI is authorized to utilize firm, fixed-price agreements and to pay or reimburse directly to manufacturers, telecommunications carriers, or telecommunications support service providers under 47 U.S.C. 1021, as amended.

¹² The term "intercepted information" refers to either the content of intercepted communications, the call-identifying data associated with the communications, or both.

prolonged time delay to establish specialized facilities between carrier switching (or delivery) equipment and a law enforcement collection site; and (2) there is no additional cost to use pre-existing facilities. In short, the “dial-out” solution results in long-term financial savings for law enforcement agencies conducting electronic surveillance while simultaneously reducing the time delay between lawful authorization and electronic surveillance implementation.

Based on current solution configurations, the delivery facilities between a carrier’s switch and law enforcement collection site are required to be high-capacity T1 lines. T1 (or T-1) lines are the most commonly used digital transmission line in the United States. T1 lines carry 24 individual pulse code modulation (PCM - a digital scheme for transmitting analog data) signals using time-division multiplexing at an overall rate of 1.544 million bits per second. The exact number of T1 lines between any given switch and law enforcement’s collection sites will vary according to the number of electronic surveillance orders authorized to be conducted; the timeliness of a carrier’s ability to install T1 lines; the ability of a law enforcement agency to afford the installation and ongoing monthly recurring charges associated with T1 lines; and the number of distinct law enforcement agencies conducting electronic surveillance. The installation and provisioning of T1 lines has been known to cost as much as \$1,500 and take as long as 90 days. This cost and timetable could result in some law enforcement agencies concluding that electronic surveillance is beyond their financial means and lacks the timeliness to be an effective tool in the prevention, disruption, and investigation of crime.

Each of the manufacturers of telecommunications equipment with which the FBI has held discussions regarding a “dial-out” solution was considered based on one or more of the following factors: (1) the manufacturer’s equipment represents a significant portion of the marketplace of switching equipment; (2) the switching equipment provides service in geographic areas of interest to law enforcement; (3) the technical solution currently employs a transport mechanism with inherent delay and costs which may be cost prohibitive for some segments of law enforcement; and/or (4) the “dial-out” solution replaces expensive adjunct equipment required by the manufacturer’s existing electronic surveillance technical solution.

Using the CALEA RTU software license agreement approach for “dial-out” solutions, in FY 2002, the FBI obligated or committed funds to reimburse telecommunications carriers on the following three switching platforms: (1) on September 23, 2002, in anticipation of entering into an RTU software license agreement with Siemens AG and its facilitating carrier partner, the FBI committed \$15,000,000 for Siemens’ EWSD wireline switching platform; (2) on September 25, 2002, Qwest Communications (Qwest), Nortel Networks (Nortel) and the FBI entered into a RTU software license agreement for Nortel’s DMS-100 wireline switching platform resulting in an obligation of \$4,200,000; and (3) on September 30, 2002, TDS Telecommunications (TDS), Lucent Technologies (Lucent) and the FBI entered into a RTU software license agreement for Lucent’s 5ESS wireline switching platform resulting in an obligation of \$19,412,000.

E. CALEA Solution Flexible Deployment Initiative

In FY 1999, the Attorney General announced that DOJ intended to work with telecommunications carriers to establish flexible schedules for carriers' deployment of CALEA solutions in their telecommunications networks. In an attempt to minimize the costs and operational impact of CALEA compliance on carriers, DOJ and FBI adopted a CALEA Flexible Deployment Initiative. The Flexible Deployment Initiative works within a carrier's normal business processes and software roll-out schedules, resulting in substantial cost savings to the industry and the Government, while allowing carriers to target resources at those switches which are of highest priority to law enforcement.

This initiative has benefitted, and continues to benefit, carriers by working within their normal deployment schedules, and limiting a carrier's legal exposure under CALEA for post-January 1, 1995 switches¹³ not made CALEA-compliant by either the June 30, 2000, November 19, 2001, or June 30, 2002 compliance date(s). Law enforcement benefits from the plan by ensuring that its priority switches are made CALEA-compliant in a timely manner. Specifically, those carriers wishing to participate in the Flexible Deployment Initiative were given the opportunity to provide the FBI with projected CALEA deployment schedules for all host and stand-alone switches in their networks.

1. June 30, 2000 Compliance Date

In January 2000, the FBI provided the telecommunications industry with a *Flexible Deployment Assistance Guide* (June 30, 2000 Guide) to facilitate telecommunications carriers' submission of information. The June 30, 2000 Guide requested telecommunications carriers to voluntarily submit certain information to the FBI, and explained under what circumstances, based on a review of that information, the FBI might support a carrier's request to the FCC for an extension under section 107(c) of CALEA. The June 30, 2000 Guide also provided some general background information regarding CALEA and discussed lawfully-authorized electronic surveillance, technical solutions being developed by the industry, and cost reimbursement provisions of CALEA. The FBI disseminated over 3,500 copies of the June 30, 2000 Guide to the telecommunications industry and other interested parties.

Upon receiving a carrier's projected CALEA deployment schedule, the FBI and the carrier jointly developed a final CALEA deployment schedule that provided appropriate consideration of Federal, state, and local law enforcement's priority switches.

¹³ Under CALEA, the Government cannot obtain an enforcement order against a carrier for switches that were installed or deployed on or before January 1, 1995 until: (1) the FBI agrees to reimburse the carrier for eligible costs directly associated with making CALEA modifications; or (2) they are replaced, significantly upgraded, or otherwise undergo a major modification. Switches that were installed or deployed after January 1, 1995, (post-1/1/95 switches) or switches that have been replaced, significantly upgraded or have otherwise undergone a major modification, must be CALEA-compliant at the carrier's expense by the compliance date(s) established by the FCC unless the FCC has granted the carrier an extension of the compliance date under section 107(c) of CALEA or the FCC has determined that compliance is not reasonably achievable according to section 109(b) of CALEA.

Telecommunications carriers also had the opportunity to submit a petition to the FCC for an extension of the June 30, 2000 compliance date. Once a carrier and the FBI agreed on a final CALEA deployment schedule, the FBI provided the carrier with a letter of support acknowledging the final, agreed-upon deployment schedule. The letter of support was to be used in conjunction with the carrier's extension petition filed before the FCC. The FBI's agreement to support a carrier's petition for extension is subject to the carrier's adhering to the agreed-upon deployment schedule. The FBI believes that the foregoing process provided carriers with significant cost savings and operational flexibility, while simultaneously providing law enforcement with the assurance that priority switches will be CALEA-compliant in a timely manner.

2. Packet-Mode Communications Compliance Date

In August 2001, the FBI provided the telecommunications industry with a second edition of its *Flexible Deployment Assistance Guide for Packet-Mode Communications* (Packet-Mode Communications Guide) to facilitate telecommunications carriers' submission of information. The Packet-Mode Communications Guide is similar in purpose and scope to that of the June 30, 2000 Guide in that it facilitates telecommunications carriers' submission of information. The Packet-Mode Communications Guide requests telecommunications carriers to voluntarily submit certain information to the FBI, and explains under what circumstances, based on a review of that information, the FBI might support a carrier's request to the FCC for an extension of the Packet-Mode Communications compliance date under section 107(c) of CALEA. The FBI disseminated over 3,000 copies of the Packet-Mode Communications Guide to the telecommunications industry and other interested parties.

3. June 30, 2002 Compliance Date

In May 2002, the FBI provided the telecommunications industry with a third edition of its *Flexible Deployment Assistance Guide for Extensions of the June 30, 2002 Missing Capability Compliance Date and Further Extensions of June 30, 2000*¹⁴ (Third Edition Guide) to facilitate telecommunications carriers' submission of information. The Third Edition Guide continues the implementation efforts of the FBI with respect to extensions of the June 30, 2002 compliance date for six technical capabilities affirmed by the FCC to be authorized by CALEA and further extensions of June 30, 2000, for certain telecommunications carriers.

F. Status of Cost Recovery Regulations and Final Notice of Capacity Litigation

In 1998, telecommunications industry associations and carriers sought judicial review of

¹⁴ A telecommunications carrier participating in the third iteration of the FBI's Flexible Deployment Initiative may have already received a two-year extension of June 30, 2000, from the FCC (extending its compliance date to June 30, 2002). A participating carrier is seeking the FBI's support of a petition to the FCC for either (1) a further extension of the June 30, 2000 compliance date, or (2) an extension of the June 30, 2002 compliance date associated with the "punch list" technical capabilities.

the FBI's cost regulations and the Final Notice of Capacity ("Final Notice"). In 2001, the district court granted summary judgment for the FBI. One of the plaintiffs, the United States Telecommunications Industry Association, appealed the court's decision upholding the Final Notice. On January 18, 2002 the Court of Appeals substantially affirmed the lower court, but decided to remand two issues to the FBI for a further explanation. The Court of Appeals returned the case to the lower court in June, 2002. The FBI is currently engaged in drafting a response to the remand which will be published in the *Federal Register*.

IV. PAYMENTS TO TELECOMMUNICATIONS CARRIERS

As required by CALEA, the following sections provide: (1) a detailed accounting of the amounts paid to each carrier and the equipment, facility or service for which the amounts were paid; and (2) projections of the amounts expected to be paid in the current FY, the carriers to which payment is expected to be made, and the equipment, facilities, or services for which payment is expected to be made.

A. Telecommunications Carrier Compliance Fund Activity: FY 1997 - FY 2002

As of September 30, 2002, the unobligated balance of the TCCF was \$76,150,439. Additionally, \$20,416,100 was committed, but not obligated during FY 2002, resulting in an available balance of \$55,734,339.¹⁵ The following table depicts the account activity:

TELECOMMUNICATIONS CARRIER COMPLIANCE FUND ACTIVITY: FY 1997 - FY 2002		
FUNDING SOURCE	FY	AMOUNT
Direct Appropriation	1997	\$60,000,000
Department of Justice Working Capital Fund	1997	\$40,000,000
United States Customs Service Transfer	1997	\$1,580,270
United States Postal Inspection Service Transfer	1997	\$1,000,000
Direct Appropriation	2000	\$15,000,000

¹⁵ Funding sources, payments, obligations, and balances associated with the TCCF have been rounded to the nearest dollar.

Supplemental Appropriation	2000	\$181,000,000
Direct Appropriation	2001	\$200,976,876
TOTAL DEPOSITS		\$499,557,146
PAYMENTS to carriers purchasing CALEA-compliant solutions	FY	AMOUNT
Nortel Networks, Inc. (Nortel) via Ameritech Services Inc. (Ameritech) for Release NAO10 CALEA functionality	1999	(\$15,000,000)
Nortel via Ameritech for Release NAO11 CALEA functionality	2000	(\$5,000,000)
Nortel via Ameritech for Release NAO12 CALEA functionality	2000	(\$5,000,000)
Nortel via AirTouch Cellular (now Verizon) for Releases MTX-08 and MTX-10 CALEA functionality	2000	(\$26,000,000)
Nortel via Nextel for Release GSM 10 CALEA functionality	2001	(\$13,400,000)
Nortel via Ameritech for Release 501 CALEA functionality	2001	(\$18,000,000)
Motorola via Nextel for Release 9.15 CALEA functionality	2001	(\$25,000,000)
Siemens via Loretto for DCO Release 22 CALEA functionality	2001	(\$15,000,000)
AG Communications Systems (AGCS) via Verizon for Release SVR 4004 CALEA functionality	2001	(\$25,000,000)
Lucent Technologies, Inc. (Lucent) via Verizon for Release 5E14 and 5E15 CALEA functionality	2001	(\$95,000,000)
SBC Communications, Inc. (SBC) for its role as a facilitating carrier partner in testing CALEA solutions	2001	(\$19,721)
Motorola via Verizon for Release 15/16 CALEA functionality	2001	(\$20,000,000)
Ameritech for its role as a facilitating carrier partner in testing CALEA solutions	2001	(\$126,850)
Late Payment Penalties	2001	(\$5,198)
Qwest for CALEA implementation in Salt Lake City for the 2002 Winter Olympics	2002	(\$2,221,241)
TELECOMMUNICATIONS CARRIER COMPLIANCE FUND ACTIVITY: FY 1997 - FY 2002 (continued)		
PAYMENTS to carriers purchasing CALEA-compliant solutions (continued)	FY	AMOUNT
Motorola via Verizon for Release 15/16 CALEA functionality	2002	(\$10,000,000)
Siemens via Loretto for DCO Release 23 CALEA functionality	2002	(\$5,000,000)
Nextel for its role as a facilitating carrier for the Nortel DMS-MSC	2002	(\$186,901)
Lucent via Verizon for Autoplex-1000 wireless core functionality	2002	(\$54,000,000)

Verizon as Lucent's facilitating carrier partner in testing for the 5ESS Release 5E14	2002	(\$27,808)
Siemens via TDS for EWSD CALEA functionality	2002	(\$12,500,000)
Verizon for its role as a facilitating carrier partner in testing CALEA solutions EMX2500/5000	2002	(\$307,646)
Nortel via Ameritech for CALEA functionality on the DMS-10 Release 502	2002	(\$2,900,000)
Nortel via Ameritech for CALEA functionality on the DMS-100 NAO14	2002	(\$5,000,000)
Nortel via Nextel for CALEA functionality on the DMS-MSD	2002	(\$4,500,000)
Nortel via Verizon for CALEA functionality on the DMS-MTX	2002	(\$7,000,000)
AGCS via Verizon for CALEA functionality on the GTD-5	2002	(\$5,000,000)
TOTAL PAYMENTS		(\$371,195,365)
OBLIGATIONS to carriers purchasing CALEA-compliant solutions		
Verizon for its role as a facilitating carrier partner in testing CALEA solutions	2000	(\$69,993)
Lucent via Verizon for CALEA functionality on the 5ESS	2000	(\$15,000,000)
Siemens via Farmers for CALEA functionality on the EWSD	2000	(\$7,500,000)
Lucent via Verizon for CALEA functionality on the Autoplex-1000	2001	(\$6,000,000)
Verizon for its role as a facilitating carrier partner in testing CALEA solutions EMX-2500	2002	(\$6,750)
Nortel enhanced dial-out capability via Qwest on the DMS-100	2002	(\$4,200,000)
Lucent enhanced dial-out capability via TDS on the 5ESS	2002	(\$19,412,000)
Qwest for its role as facilitating carrier partner in testing for the Nortel enhanced dial-out capability on the DMS-100	2002	(\$22,599)
TOTAL OBLIGATIONS		(\$52,211,342)
UNOBLIGATED BALANCE AS OF SEPTEMBER 30, 2002		\$76,150,439
TELECOMMUNICATIONS CARRIER COMPLIANCE FUND ACTIVITY: FY 1997 - FY 2002 (continued)		
COMMITMENTS to carriers purchasing CALEA-compliant solutions	FY	Amount
Siemens enhanced dial-out capability on the EWSD. The facilitating carrier partner is yet to be determined	2002	(\$15,000,000)
Qwest for CALEA implementation in Tucson and Phoenix, AZ	2002	(\$4,433,300)

Verizon for adjunct equipment for testing CALEA technical solutions for GTD-5	2002	(\$800,000)
TDS for its role as facilitating carrier partner in testing for the Lucent enhanced dial-out capability on the 5ESS	2002	(\$182,800)
COMMITMENTS AS OF SEPTEMBER 30, 2002		(\$20,416,100)
AVAILABLE BALANCE AS OF SEPTEMBER 30, 2002		\$55,734,339

B. Current Year Estimates: FY 2003

Carriers, after reaching a reimbursement agreement with the FBI, will incur reimbursable costs associated with (1) the deployment costs on equipment, facilities or services installed or deployed on or before January 1, 1995, and (2) the capacity costs for systems and services identified on a carrier statement pursuant to sections 104(d) and 104(e) of CALEA. In FY 2003, the FBI intends to utilize available funding of \$55,734,339 to reimburse carriers for the deployment of technical solutions through carrier-specific reimbursement arrangements. During the course of consultations between the FBI and various major telecommunications carriers, the concept of carrier-specific reimbursement arrangements has emerged as a potential method for reimbursing carriers for the costs associated with deploying CALEA-compliant software solutions and capacity into carrier networks. Carrier-specific, network-wide reimbursement arrangements may include: (1) deployment of solutions for all pre-January 1, 1995 switches; (2) related hardware necessary to comply with section 103 capability requirements; (3) costs associated with any necessary modifications to meet capacity requirements; and (4) other associated reimbursement costs.

In accordance with the provisions of section 109 of CALEA, a carrier will be deemed in compliance with the assistance capability requirements when the FBI does not agree to pay the carrier for costs associated with retrofitting equipment, facilities, and services installed or deployed on or before January 1, 1995, until the equipment is replaced, significantly upgraded, or has otherwise undergone a major modification by the carrier.