Commerce Spectrum Management Advisory Committee Meeting

Department of Commerce

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For

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[Convened at 10:13 a.m.]

JOHN KNEUER: Good morning, everyone. We'll get started. First of all, thank you all for coming, this is a very important part of the -- and having an opportunity to meet with all of you, and talk with all of you, and get feedback from the public is very, very important.

My name is John Kneuer, I'm the Assistant Secretary for Communications and Information here at the Department of Commerce and also serve as the Administrator at NTIA.

Over the past 18 months, we've been leveraging our expertise in the area of public safety communications, and our relationships with the public safety community, and with our partners and colleagues of the Department of Homeland Security to implement the Public Safety Interoperable Communications Program, or the PSIC Grant Program.

This program will cover the public safety agencies in all 56 States and territories, and will assist public safety agencies in the acquisition of, deployment of, or training for the use of interoperable communications

systems that can utilize, or enable, interoperability with reallocated public safety spectrum in the 700 megahertz radio band.

We intend to use this program to explore technologies that are available to first responders to advance overall interoperability. We're committed to designing this one-time grant program to move our state of interoperable communications readiness as far as we possibly can.

To help us frame our schedule today, we're going to begin with our first session, with a presentation by Laura Pettus, who works with us here at NTIA. Laura joined NTIA in February of 2007, and she is the Communications Program Specialist for the PSIC Grant Program. Essentially what that means is she's in charge of everything, so she's going to be key for all of you -- not just today, but in any questions you have, and communications you have going forward.

Also very happy to have with us today John Bunting, who serves as a Regional Inspector General for audits in the Office of the Inspector General within the U.S. Department of Commerce. He has over 25 years of audit

experience, conducting financial and compliance audits, and performance audits for three major Commerce agencies with financial assistance programs -- the Economic Development Administration, the National Institute of Standards and Technology, and the National Oceanic and Atmospheric Administration. His presentation is entitled, "How to Avoid Audit Problems," and I think that speaks for itself, and it's going to be critical in a successful completion of this program.

After these presentations, we're going to have the last hour for Q&A, so you all can get a better sense of what our thoughts are on the program, what the strictures of Federal grant law are, and I think having both John and Laura here is going to be key to that.

So again, I don't want to take up any more of their time or your time, but I want to thank you all, again, for coming, and I hope this is a very beneficial use of your time, and I know that we're going to benefit from having you here, and answering your questions.

So, without further adieu, I'll turn it over to Laura, thank you.

LAURA PETTUS: Welcome, it's a pleasure for all

of you to be here, we're so happy that you could join us, we also want to welcome our people watching on the Webcast who could not be here, but hopefully this will be archived, so that everyone can refer back to it, if need be. Everything that we present here today via the agenda and the two Power Point presentations will be available on our NTIA website, so those are also for your reference.

Okay. The Deficit Reduction Act of 2005 provided NTIA with the authority to establish the PSIC Grant Program. In this Act, there was a firm deadline established to transition analog broadcasters, and return 24 megahertz of spectrum, of which public safety will be using that. The Act also gives NTIA the authority to borrow $1 billion from the anticipated auction proceeds.

The Call Home Act, passed in December of last year actually adds another layer, which requires all funding to be awarded by September 30th of this year. So, those are the two public laws for which we're working under, to dictate how this program will be run.

Through an MOU, NTIA partnered with Department of Homeland Security Offices of Grants and Training, and they're going to provide for us the grants related,

administrative services, and their expertise on public safety and interoperability. We're going to, hopefully by using and working with DHS, minimize the paperwork for the applicants, and reduce the administrative burden in participating in this program. It's also going to provide our applicants with a familiar interface for the grantees, and it will hopefully provide them with a familiar grant reporting tool. So, those were all reasons -- and we're very happy to be partnered with DHS to help us move forward. And a lot of what you'll see here, and in the actual grant guidance will help you, and will show you that it looks very familiar to public safety.

A total of approximately $959 million will be awarded through this grant program in the next few months here.

Our current timeframe, is that we're currently developing and finalizing the grant guidance. In mid-July, they have to go through a Federal review process through DHS, Department of Commerce and the OMB branch, and then once all of that is cleared, we will release the grant guidance in mid-July, along with the funding allocation for the 56 States and territories. Approximately 30 days after

that mid-July release, the States will have to return to us an application, and a brief narrative that basically accepts the funds, and agrees to the 20 percent match, statutory for this grant program.

And then the next big deadline for our grantees is November 1st, where the Statewide Communications Interoperability Plans, and the investment justifications for the PSIC funds will be due. So, those are the -- this is the general timeframe, and we'll go through this throughout the presentation.

The key features of the PSIC grant program is that we're going to be awarding, through a funding formula, to the 56 States and territories. The performance period will be that we're going to award the grants no later than September 30th of this year, to meet the Call Home Act, and by statute, the period of performance will end on September 30th, 2010. So that's approximately a three-year granting period.

Up to 5 percent of the total funds allocated to the State will be allowed to be used to complete the Statewide Interoperability Plans, as they relate to the PSIC requirements. Technical assistance will be available

for the grantees, through the typical DHS technical assistance, ICTAP or ICTAP program, to help them finish the Statewide Plans, and to help them develop their investment justifications.

There will be a technical review, the remaining funds not used for the Statewide Plans, approximately 95 percent, will be contingent upon submission of November 1st of the Statewide Plans, and the investment justifications, and the approval of those two items.

The use of funds, as John mentioned, is for the acquisition of deployment of, or training on, interoperability communications systems that use or enable the use with the 700 megahertz system. I know that's going to be some big questions, so I'll talk about that in a little more depth.

And then finally, there's a statutory requirement on this grant of not less than 20 percent match.

NTIA is not going to dictate the technology or the approach that public safety uses in order to solve their interoperability problems. However, for this program, we are going to outline, or considering two goals, and five objectives.

The first goal is to achieve meaningful and measurable improvement in the state of interoperability for public safety agencies. The second goal is to fill the interoperability gaps identified in the Statewide Plans. So, those are the big, overarching goals of what we're trying to accomplish.

And then we're going to get into two different approaches for priorities -- the first is the technological approach. We would like to see, in this grant, people trying to, encouraging -- we're looking for people to adopt advanced technologies.

Some examples would be, Next Generation Solutions, some commercial services, where it's appropriate, some IP-based technologies, or solutions with open interfaces to enable efficient transfer of voice data or video signals.

The second objective would be spectrum efficiency. We were looking for people to find solutions to interoperability that consume the least amount of spectrum to meet the user's requirement. We want them to look at or consider spectrum-conserving techniques, such as shared systems, or multiple access technologies.

They could also consider using such things as compression, or other processing techniques that increase the throughput. So, we're going to provide some suggestions, and we're going to encourage people to consider such things that will be the most spectrum-efficient use for this program.

And then finally, for the technical approach, we're going to have people -- public safety agencies -- look at the cost-effectiveness of their solutions. Some thoughts on that might be that you do a cost-per-user assessment, you do a cost-benefit analysis that looks at the cost plus what you're getting -- voice, video and/or data signals. So, those are going to be some of the things that we ask the grantees who are putting forth funding proposals to consider.

The next priority grouping is called geographical approach, or objectives. We're looking to improve communications in areas at risk for natural disasters, and we want to continue to improve interoperability efforts in urban and metropolitan areas, which many of them have got through the TICP process, and so we'd like to consider and move, move forward those different gaps that have been

identified through that DHS process.

As I mentioned earlier, this grant will be awarded to the 56 State and territories. The Governor of each State has designated the State administrative agent to apply for, and administer, the funds under the PSIC program. This is going to be a grant formula allocation -- we're going to be giving money to the States, and they're going to have to come back and tell us, "Yes, we want the money, no, we do not. Yes, we're going to meet the 20 percent match." Then it's going to be a mandatory pass through percentage to local entities, local public safety agencies.

So, we're, we're looking to propose that we make no less than 80 percent of the total award granted to local public safety. Which would mean that 20 percent stay at the State -- that would be up to 5 percent for the Statewide Plans, 3 to 5 percent for management and administration, and then about 10 percent for Statewide projects, if they so desire. Which would then leave 80 percent for local public safety projects, and interoperability.

There's also -- we're considering part of this

grant, the typical memorandum of understanding between State and locals, so that if the locals want the money to be retained at the State for them to do large, Statewide purchasing, they're building out State systems that hook up and the locals want, they also benefit from -- we will consider continuing to do the MOU process that's currently in place with the DHS grants. So that's the pass through.

There is a statutory match for this program. Anyone receiving project funds, whether it be the grantee or the sub-grantee, is required to meet 20 percent match on those Federal funds. The SAA is required to track, so at the State level, they're required to track and report those funds, but each project would have to meet that 20 percent.

They have to be non-Federal source match funds, and the only exception to this is that training activities do not require a match under the statute. So, that's a bonus for public safety. And John will speak more about the match requirements and any questions.

We are considering moving to a cash, or in-kind, match. And I know there are a lot of thoughts about that, but we are moving towards that direction, and would like to hear your questions about that, if you have any, later.

One of the big evaluation criterias for the PSIC grant program is the Statewide communications interoperability plan. The Statewide Plan was already required by DHS for their 2007 grant cycle, so this is not a new requirement, but we are using it as an evaluation criteria, because we feel like it's a very important tool, in order to outline what's currently out there, and then to identify the gaps, and then to be funding to fill those gaps. So the Statewide Interoperability Plan is going to be evaluation criteria for this program.

Now, there are three pieces that need to be in the plan, in order to be considered eligible for the PSIC funding. The first one is how public safety agencies operate on, or interoperate with the 700 megahertz frequency band, via voice, data, and/or video signal. So, that's statutory, this grant is tied to the 700 auction, and so we are looking for the States to talk to us in their Statewide Plans about the solutions for interoperating the 700.

Next, in our grant program, both local and tribal Government entities are eligible for, to be sub-recipients, and so the Statewide Plans need to incorporate those two

groups -- locals and tribal government entities.

And then finally -- this is statutory as well -- non-governmental public safety organizations have to be included in the Statewide Plan. Non-governmental public safety organizations under the statute are authorized by State, local or tribal government entity whose sole or principal purpose is to protect the safety of life, health or property. So, you could think of a couple which would be a volunteer fire department, a not-for-profit ambulance service, or other 911 system that act as first responders. This would be, if you didn’t have a career fire department, and instead you relied on volunteers, you'd want them to also be interoperating with law enforcement and other such public safety.

So, those three criteria need to be involved in the Statewide program. All of this criteria was released in March of this year, to the 56 States and territories at an annual -- at a conference that, National Governor's Association, and Safecom put on to talk about the methodology used -- that they could use in order to develop these plans.

The next evaluation criteria which is, kind of,

most important for the States, and for the local entities, are the investment justifications. These are currently required under Homeland Security grants programs, and we are also using the same model. It will be slightly adjusted for PSIC-specific requirements, but basically, the investment justifications will be required to talk to us about how they're going to spend the money. They need -- there's going to be a template, and the applicants have to fill out this template, and there'll be a limit on the number of investment justifications the State can present to us.

We would expect the States to compile a set of proposed project funds, so some of them will be State projects, some of them will be local projects, to put into an overall package, so there's going to have to be some process at the State level to solicit local, tribal and non-governmental organizations funding proposals. There's got to be some review of those proposals, and then, they need -- the State is responsible to select and compile and package, and submit that to us for review and approval.

The proposals for those local entities that are interested, the proposals should be multi-jurisdictional,

multi-discipline -- where possible, they should address voice data and/or video. And each of these investment justifications also has to talk to 700 megahertz -- how are you going to interoperate with 700 megahertz?

So, we realize that it's not practical for everybody to be moving to 700 megahertz, but what we want to do is talk to you -- what are the solutions for interoperating the 700? Specifically, if you need additional resources for a natural disaster, a man-made disaster, you have to call in Federal, State or other local entities to help you, you don't know what megahertz they're going to be using. This is a way for you to start to talk to the solution of interoperating outside of your system. We hope that your solutions can even move beyond the 700 -- working 100, 400, 700, 800. But for this grant program, you just have to speak to us about your solution for 700. That might be an IP-based technology, it could be a gateway, it could be swapping radios -- whatever that solution is, we won't dictate it, but you need to talk to us about what is your solution. And this is statutory, but it's also the right thing to do, so, each investment will need to address that.

Finally, your investment justification is going to have to talk to the stakeholders that are involved. So, you're going to have law enforcement, fire, EMS, emergency management, public health, public works -- any number of different entities that respond in an emergency, the best way to know who those agencies are, who those stakeholders might be, is to look at your emergency operation plan. For pandemic flu, for floods, for all-hazards approach, you have responding agencies that you need to communicate with. Those are the different people that you need to create you interoperability solutions around, those are your gaps, those are what you want to fill. So, we want to hear you talk to that in the investment justification.

The outline that we're looking at proposing is the basic project narrative, which talks to your proposal, your problem, your proposed solution, and your expected outcomes, your baseline which is going to be your history of funding, your description of needs and that stakeholder involvement that I just spoke about.

For your strategy -- that's the technical and geographical approach that I spoke about -- advanced technologies, spectrum efficiency, cost-effective measures,

areas at risk for natural hazards, and urban and metropolitan areas.

Then the funding plan, you need to talk about what other funding sources you have for this, what is the total cost, is it feasible, where are you getting your match. You want to outline your milestones, your project management portion, who's going to be doing it, how are you going to manage this, your investment challenges, your level of impact. This is where we want to talk about and hear from you about how are you going to measure your effectiveness, because one of the overall goals of the program is to have measurable and meaningful impact in interoperability for public safety.

So, those are just some of the directions that we're trying to move towards. All of the things that I've just discussed are actually pre-decisional, but we're -- this is the direction we're moving in. We expect the guidance to be released in mid-July, so that you can kind of see it in writing of exactly what we're looking for.

I've also included my e-mail address, and the Website where all of this, these presentations and additional information fact sheets can be found.

So, with that, I'm going to turn it over to John Bunting, our Office of Inspector General, then I'll come back up fro questions.

JOHN BUNTING: Thank you, Laura.

If you're a regular attender of many of these sessions around Washington, D.C., you may find it a surprise to have the Office of the Inspector General participate in one of these sessions.

This is a one-time program, and for the Office of the Inspector General that represents a unique opportunity to emphasize prevention, because we have one time, and one time only, to get this right. We know that this is as much of a commitment from our office that it is for yours, and we want to get things right the first time. So we're out here today, and hopefully we'll see you, maybe, in some regional meetings, as this goes across the country. Next slide, please.

The areas that I've been asked to talk about are the matching share and the cost principles. Laura's already touched on the statutory matching share, the cost principles for State and local government, our Office of Management and Budget circular aid 87, I have included the

last slide as the Website for those, and we can get to those. Next slide, please.

Again, the statutory match is 20 percent -- to give you some perspective on this, in Department of Commerce, we have programs that one-third Federal, and two-thirds State and local, or non-Federal match, so we do have programs that are more arduous than this one -- a 20 percent match in this particular case, does not look unusually difficult.

To give you a sense of things on how this may operate in terms of an example, if you're looking at equipment on the order of $800,000 -- and I'm doing this to make the math and the percentages come out rights -- if you're a local community, you may want to think about $80,000, if you're a State maybe you're talking about $8 million -- as being the principal Federal component. You may be looking at site preparation, installation, testing, something to get this into an operational environment, because all the $800,000 is going to do is give you a box delivered to your doorstep. So, maybe you have $100,000 in wages and salaries, and preparation costs to get this operationally ready. You would add on to that your fringe

benefit cost -- if we use a fringe benefit ratio of 20 percent, and that's not unusual, you'd be looking at $800,000 for your initial equipment, $100,000 for your installation, wages, and salaries, another $20,000 for fringe benefits, and on top of that, most State and local governments have an indirect cost rate -- if you think of that as 10 percent or more, you could be at a million dollars, a million twelve thousand.

And so, you'd have your local match composed of the wages and salaries, and the fringe benefits. In 87 they're grouped together in something called "Compensation for Personal Services," as well as your indirect cost rate. I would expect that probably half of the cost that's going to be put up as match is going to be the indirect cost rate. I understand from the focus groups there was some concern about cash-match and in-kind, and that, you know, we're going to roll out a card table or something like that, and people would be asked to stack their cash on it to show that they had actual match. We're looking at something that's going through your accounting system, that's being accounted for in financial transactions. Certainly the wages and salaries are going to be paid,

we're looking at the fringe benefits, which are normally things like your health plan, retirement plans, employee benefits, as being part of that cost that, again, is flowing through the State and local Government, to be paid on top of wages and salaries.

And the indirect cost rate covers things like, the accounting department is going to keep track of all of these costs for you, the contracting and procurement office that's going to be doing the acquisition of equipment, maybe the Public Works Department is going to be doing some of the site preparation, or installation, for fixed facilities, maybe the motor pool is going to do some of the installation for mobile communication.

So, again, looking at it in terms of -- not problems, but solutions -- the solutions are out there, I think the thing to do is to identify those up front, to give you ideas of what those can be. They certainly can be designed for your individual situations. The general principles that we have to go by are the Office of Management and Budget Circular A-87 for the cost principles, and of course, the program requirement for the matching share. Next slide.

Some of the other things that we're looking at in terms of the matching share -- again we're looking at allowable cost, if you're looking at what is allowable, again, A-87 is the guidance for State and local governments. We're also looking at, as it says down at the bottom bullet there, that you're using this matching share as the match for only one Federal financial assistance award, you aren't matching several Federal awards with a, say, matching share. So, it's clearly identifiable, and that we'll be looking at making sure that, again, as this flows up from the State -- from the local Government to the State Government, it's not being used for multiple programs.

In terms of Department of Commerce, we have standard terms and conditions. In the first bullet, basically says we expect you to use your matching share at the same rate as the Federal share, and not use up all of the Federal funds before you provide a matching share. Again, this is going to be almost automatic, if you're using an indirect cost rate, because every time you spend Federal funds, you're going to be looking at applying an indirect cost rate to those funds, in terms of a -- your

match.

The second bullet talks about the allowable cost being less than the total approved budget. I think with the State's managing the program, that's going to be less of a concern than the last bullet there, which talks about, if your costs are greater than the Federal share, there isn't any more Federal funds here.

Basically, again, this is one-time program, we're looking at getting things right the first time, so if you do have overruns in this program, it basically falls back on Sate and local Government to absorb those costs. A one-time program, there isn't any additional reserve back here. As Laura mentioned, this is a formula grant, the amounts are being allocated to the States, and if there is an overrun at the local level, basically what you're looking at is reallocating funds at the State level.

The typical issues we've found in the past, dealing with the matching share issue, have talked about documentation, valuation, and some past provisions of sub-grantees, and monitoring sub-grantees. The principle documentation issue is when some costs don't go through the accounting system.

In this case, since the principle items you're looking at are communications equipment, and those purchases would be going through the accounting system, I expect that to be less of an issue than it is in some of our other programs. Valuation, again, being resolved because most of the emphasis is on equipment. And if you're doing things by contract, you will have a contract that goes through your procurement office, as well as having the cost paid through your accounting system.

So, the documentation issue here seems to be less than you might be looking at in some other programs, where we're looking at genuine in-kind contribution being provided by third parties.

In terms of some best practices for you, I gather, again, from the focus group that was conducted earlier that we had a lot of concern at the local level, people that were directly involved, either on police or fire departments, about putting this together -- that Homeland Security's typical awards are 100 percent, and don't require a match. Basically, here with a matching share, half or more of your work may have been done for you at the local level or the State level.

If you contact your Chief Financial Officer, the certified public accountant that does the financial statements for the organization, and they ought to have, readily available for you, an indirect cost rate, as well as a fringe benefit rate. There's no need to reinvent the wheel here -- if your community is already receiving Federal funds from other sources, it's likely that the indirect cost rate is being used already.

And again, there are other Federal awards that require a matching share, you may indeed already have the fringe benefit rate developed for you. So, it's an emphasis that you're going to need a few more players to the team of pulling together your proposal, but it'll save you a lot of time and energy in terms of number-crunching if you go that way.

It also helps if you're discussed, again, your options at the local level in terms of cash and in-kind match in preparing your proposal. Again, I wanted to dispel the notion that we're looking at piling cash on a desk or a table a one particular point in time, that what we're looking at is transactions that flow through the accounting system, they can be paid for with local tax

revenues, and other non-Federal sources, to be part of your matching share.

One key element here, before it gets to the accounting department, there should be someone designated in charge of this proposal at the local level, in terms of approving payment for the project cost, and looking at the invoices as they come in for the equipment and other expenditures, and that gets done before it would be approved for payment, and that's a good deterrent to make sure that, you know, unauthorized costs don't get charged to this project, and we make the most effective use of the funds available.

In terms of cost principles, again, many of you may be already familiar with Office of Management and Budget circular 87. If you're the local fire department or local police department, this may not be on the top of your reading list, but those in your local office that deals with finances and accounting, should have a copy available to you. Again, we've listed as of the last slide on the Website where you can download a copy.

The three overriding principles that we're looking at in terms of guidelines -- looking at allowable

costs being necessary, consistent treatment is a big issue. If we're charging indirect costs to several different Federal awards, we should be using the same rate and you should be able to use that rate that's already been developed -- again, the idea, it's a one-time program, we're not asking you to reinvent the wheel. You should be able to use some things that are already out there.

And again, the last part of that, not sued as a match for any other Federal award. We want this to be clearly identifiable, it's for this particular Federal award.

Reasonable costs, ordinary, necessary -- we ask in terms of procurement, you're looking at market prices, competitive procurement is involved in this, in the circulars, using established practices -- if it were your money, would you spend it that way? Prudent person test.

In terms of allocable costs, we're asking that the relative benefits of this program bear their burden in terms of what the costs are, particularly indirect costs, and that all activities -- Federal and non-Federal -- share those same costs.

Typically, what's happened is the cost allocation

plan are indirect costs. For those of you wanting guidance on specific items of cost, Attachment B in the OMB circular 87 provides for 43 cost categories, talks about direct and indirect costs, those do flow through down from the State to local units of Government. Next slide.

In terms of best practices for accounting for grant costs, the first thing we'd look for is to make sure that the costs -- both Federal and non-Federal -- are clearly verifiable from the accounting and financial records. Again, as I talked about earlier, the principle concern we've had in the past, in terms of program vulnerabilities, is a lack of documentation to support the cost.

We've also talked about having costs clearly identifiable, project cost accounting is one way of doing that. That may not be something that's routine, either by the police department or the fire department, but it may be something that is routine for those that are in the accounting and finance office that are periodically preparing Federal financial status reports, or requesting draw downs, or requests for reimbursements.

In this particular program, because we have a

one-time appropriation, having costs that are within the approved budget are a guiding principle here.

And, finally, as I've mentioned two or three times, we don't want the matching share to be used for a match on other Federal awards.

In terms of procurement, it's good to discuss your procurement needs ahead of time, as Laura mentioned. The area-wide, regional or Statewide approach may be used, and particularly with an MOU, the State may be more involved here than others.

Typically, what we're looking for in terms of competitive procurement is quotes from vendors. If you can get those before you submit your proposals, so much the better, but certainly before you execute the procurement.

And the last slide there is the Website for the OMB circular A-87, with the cost principles, and those can be downloaded, and I've tried to provide you with some references in terms of particular parts that may be of more interest than others.

If you have specific questions, I think Laura takes over from here, and we go to the question and answer period.

LAURA PETTUS: Okay, we have two microphones set up for people to ask their questions regarding the presentations and the materials that just heard, we'll d our best to answer your questions, or if we don't have hem, find an answer for them, so --

Okay, could you please State your name, organization and your question?

JIM COREY: Jim Corey from MSB. Is there a difference between -- under these grants -- a difference between equipment and ongoing service? And how the money gets applied?

LAURA PETTUS: That's a very --

JIM COREY: And how they apply for that money?

LAURA PETTUS: That's a very good question.

This grant program will probably support operating expenses, as it relates to the interoperability communications solution. With that, operating expenses are those ongoing fees, what you're talking about are new, new costs, not stuff from the past, but new operating expenses. You're not supplanting, so you have to show us that, this wasn't currently planned, and now you just found Federal money, and you would need to have a sustainability, because

it is a one-time grant program. So, typical ongoing expenses would not be covered, but if you had satellite fees, or hosting costs, or personnel to get this up and running, those would be eligible, we believe. That's the way we're moving.

JIM COREY: And one follow-up, I'm a little curious about -- industry partner discounts, cost of the equipment, typical costs, like 20 percent, and that could be used as part of the matching? Or would it just be defined as in-kind, and allow our sources of in-kind contribution --?

LAURA PETTUS: I will answer that, and then I'm going to defer about the -- some of the in-kind that you might typically see, is if you buy, you end up buying some equipment, and you need to install that. So, your grant covers, up to a certain point, you have a grant allocations of $2 million. And it only covered for you to buy the radios, and put up some widgets, and you needed to actually have the labor to install it, to, you know, reconfigure -- if you didn't build that into your budget, or you didn't quite get enough money to complete the whole project, your portion, as the local or the State entity - your portion of

completing that interoperability solution would be considered in-kind, or in that case, actually cash. But, the in-kind is a lot of the labor that's incorporated with getting the program moving. So, but I'm going to let him specifically answer about the discounted.

JOHN BUNTING: If you go back to the cost principles, the example you raise of a manufacturer offering a, perhaps a list price, and then offering a discount -- the way A-87 is set up, any credits that come about from discounting products that are normal or routine in the industry, would be a credit back to the program, and would not be included as part of your matching share.

I genuinely believe that based on the heavy equipment emphasis that this program has, that using indirect cost is probably going to come to well over half of your matching share. And that the components that you're looking at to pull in in-kind match, are typically outside the local level of Government. As you say, if the vendor, instead of giving you the discounted price, donated all of the equipment, that would be an in-kind match, but at the market price, less the credit. But the credit itself would not be eligible for the matching share.

AUDIENCE MEMBER: [Question off mic.]

JOHN BUNTING: I think there's a range of possibilities that are allowable under the cost principles. But again, the most readily available to State and local governments and ones that would require a little additional out-of-pocket expense, would be costs that are already there. And those are typically the indirect costs, and the fringe benefit costs on any labor incurred at the State and local level.

For those of you in the Webcast, the question came up, instead of having a credit on equipment, what if the manufacturer donated 20 of the cell phones, or radios, and you purchased the other 80 of 100? And, in that particular case, again, you'd be going back -- is the manufacturer offering you those, really, as donated, or is it just a reallocation of what credit is being given at a reduced from commercial price for others that are procuring the same cell phones?

If they're, indeed, the full commercial price, and there were no discounts, then yeah, the other 20 would be matching share.

LAURA PETTUS: Okay, next question, sir?

TOM COPCO: My name is Tom Copco, I'll stand back from the microphone a little bit.

I'm from LGS Innovations, which is the Federal subsidiary of the Alcatel/Lucent Corporation. Also, the awardee, the contractor who is deploying the 700 megahertz system in the National Capitol region.

I have several questions, maybe we can take them just one at a time, quickly, they're relatively easy.

I was interested in what the decision process is to split up the, roughly, $1 billion between the 50 plus entities -- whether there's a target for each of the entities that will be applying, or whether it's going to be -- you'll be looking at all of the applications as a group, and then dividing the money up?

LAURA PETTUS: Okay, in a perfect world, we would look at the Statewide Plans, see what the gaps are, look at the investment justifications and what is being proposed funding, and then we would base our funding allocations to fill those investment justifications.

This is not a perfect world, and we have to get the grants out by September 30th, so the funding formula is actually going to be based on simply a distribution of the

56 State and territories. You know, how that formula is actually developed, and what we use, and what it's actually going to look like for the 56 State and territories will almost be separate from their investment justifications and their Statewide Plans, because those come later. So, they're not directly tied.

And that's an imperfect world, but a way to get the money to the public safety quickly, but then be very thoughtful about, that we're funding the right project.

TOM COPCO: So, for example, will there be a priority put on population, you know, maybe the higher population areas, metro areas of emphasis, maybe based on DHS emphasis areas, things like that?

LAURA PETTUS: Certainly everything we're considering.

TOM COPCO: Okay, thanks.

My second question is about non-governmental organizations outside of, perhaps, the first responders, such as utilities. In the DHS Symposium on Public Safety, recently, there was an emphasis by many of the speakers to have interoperability with utilities, which, you know, form a great basis for foundation for the communities.

So, is there -- how has that worked out in the PSIC program?

LAURA PETTUS: Yeah, I think that will have to be addressed in the grant guidance, but I would imagine that they're not going to be direct sub-recipients, but certainly, if a local Government wanted to include them in the overall interoperability scheme, and it was part of a proposal that the local public safety put forward that included, like a Red Cross, or a utility, or, that that would not be objected, but they would not be a direct sub-recipient from the State. Does that help answer that?

TOM COPCO: It does, thank you.

And then last one -- I'm sorry to be monopolizing people's time, but I wanted to ask about, specifically about gateways. Again, we do manufacture a 700 megahertz system. Gateways seem, to me, perhaps the quickest way for any first responder organization, Statewide, or local, or regional, to obtain interoperability, or have a interoperability capability.

Is it a possibility, is it envisioned in the grant process to have gateways be a first phase to, perhaps, the ultimate deployment of an actual 700 megahertz

system?

LAURA PETTUS: Gateways are certainly an option for interoperating with 700 in between the various frequency bands the public safety operates. So that would be, definitely something that we would see a lot of entities looking at, in order to interoperate the 700. It may not be the only solution, an IP-based solution may work. Some areas, like the National Capitol Region, that does swapping radios, that might be an option for some. We're not going to dictate that solution, but certainly gateways will be one of the top, and easiest ways, to meet the interoperating between bands. So, we would expect to see that, we're not going to dictate it, though. We're going to ask them to tell us their solution.

TOM COPCO: Well, my question is more about whether gateways -- though they would certainly provide interoperability, whether the program would sort of stop at that point of interoperability, or whether that could just be Phase One of a full program to ultimately deploy an actual 700 system?

LAURA PETTUS: I would hope that it would be Phase One, it might be the ultimate solution for some areas

--

TOM COPCO: Sure.

LAURA PETTUS: -- if that makes sense. So, again, we're not going to dictate it, but, you know, that would be a very quick way for someone to interoperate with 700, and then move to an IP-based, or some other solution. But, for some areas, some rural areas, that might be the best, most cost-effective way in order to interoperate with other bands.

TOM COPCO: Great, thank you.

LAURA PETTUS: Yep.

Yes, ma'am?

AUDIENCE MEMBER: What will be the structure and criteria of the Statewide plans?

LAURA PETTUS: Actually, could you move closer to the mic? We apparently can't hear you on the Webcast.

AUDIENCE MEMBER: [Question off mic.]

LAURA PETTUS: Absolutely. This is not a separate and distinct Statewide Plan. This is the required Homeland Security Statewide Plan. So, the States have to develop it according to the Safecom criteria, and turn it into DHS.

There are three components that have to be

incorporated now that it's part of the PSIC-elig -- to be eligible under the PSIC grant program. But, you would just incorporate that into your larger Homeland Security Statewide Plan, you would make sure that those three components -- 700 megahertz, local and tribal and non-governmental, are included. So, it's one document.

It would be transmitted to DHA for them to approve, and they would tell us yes or no, did you meet the three PSIC requirements. So, it's not a separate document, it's one in the same, you just have to, in your document that you're creating, make sure to address those three pieces.

TRISHA: Thank you.

LAURA PETTUS: You're welcome.

ED VIA: Perhaps it's me? Oh, mine works.

LAURA PETTUS: Your turn.

ED VIA: Ed Via, Griffin Engineering, just have a couple of questions.

One would be, with regards to States that have already committed to Statewide systems, primarily voice systems with some data capabilities that may be proprietary and non-open systems -- to the degree that they can

continue to purchase equipment, because that fits into their Statewide Plan that is of that caliber, versus equipment obviously that they can put onto it, gateways and other equipment that make it an IP-based system, and an open source system, perhaps compatible with P-25 -- is there going to be a distinction, again, with States that have already committed to systems that may not meet those standards?

LAURA PETTUS: Yes, we're not going to dictate the solution. And so if the State if moving forward on a path and a strategy to solve interoperability for their State, we're not going to ask them to turn a different direction, and change their whole course.

We are asking them to consider whether an advanced technology or the next generation technologies could be applicable for them. We're going to ask them if their solutions are spectrum efficient, and if they're not, is there a way for them to make them more spectrum efficient, such as shared systems or what have you? And we're going to ask them to at least talk to us about the cost effectiveness of their solution.

But, for us dictating them to move to a solution,

we're not going to do that. But, we will ask them to address those different pieces that are a concern to us, and important for public safety.

ED VIA: That's in the investment justification, they're supposed to look at technology, and then explain why this is a cost effective way forward, and in fact if they could find a way to, to make it more cost effective by putting in ancillary equipment, okay.

LAURA PETTUS: That's what we would like to see. So, they are on a path, and we're trying to encourage them to evaluate that path, and possibly continue to move forward, but if they are moving to a proprietary system, maybe asking for an open interface to exchange data and video would be appropriate. Or something along those lines.

So, it's just our requesting and encouraging them to consider all of their options.

ED VIA: May I, another question?

Needless to say, this is very accelerated for government of all types, especially, I think, local government, and that's one of my concerns, and the concerns of my clients. The MOU process, and -- to the degree that

the locals really -- and I'm, the locals and the regionals will have real input into the State, and not be in a situation where the State is saying, "Well, we've got this plan, we put all of this effort into it, however, on the one hand it seems reasonable, on the other hand, the locals haven't participated, and have not signed off on MOUs." To what degree, maybe that's more a question to John -- is that something that's going to be taken into consideration? And again, most of my clients are locals and regionals, and although we really respect the work that's being done at the State levels, there's some concern that there's not enough input at that level, and we'd like to know that if we put together a plan that, in fact, meets all of the criterias -- it's open-source, IP, really what I think this program's looking for, that we have an opportunity to benefit from this program.

LAURA PETTUS: Yes, I'll see if I can answer all of those, there are a lot of different pieces in that.

ED VIA: Could -- maybe I could clarify -- I mean, it's just, how do we assure that the locals, particularly if they're compliant, participate in a way that is, that they have, yes.

LAURA PETTUS: Okay, so what we have, what we're looking at doing, is an 80/20, which is, 20 percent is kept at the State and 80 percent is passed through to the locals. So, whether the State is building out a system or not, whether the State wants to retain that 20 percent, is their choice. But, the 80 percent will be a mandatory pass through to the locals, unless the locals say, "Actually, we want to be a part of your larger system, we want you to keep the money up there." And there are some States that use this regularly, because they buy on a Statewide system, they buy equipment and push it down to the locals, so the locals feel like its better for them, they don't have to do the work, they don't have to deal with the grants contracting, all they have to do is get the radios, or get the, you know, the tangible widget that will help them.

So, the 80 percent, if that's the direction we finally move towards and finally decide, would have to be pushed down to the locals, and if the locals don't sign on for a sign back up to the State, they're going to receive that money.

It is the State's responsibility to choose the proposals to put forth into a package for us. What we're

looking at right now is helping the States design a process that would be equitable and fair, so that all of the proposals would have to be accepted, solicited, accepted, reviewed with a local body, so you're hoping that a Statewide Executive Interoperability Committee, or some kind of larger body that's not State only, gets to help decide where the funding goes. And then we're looking at whether that process has an audit trail or something, so that if there are complaints that, "We weren't considered, we met all of the priorities," what that might look like. We're not quite there yet, exactly what that would look like, but we're trying to consider that possibility that, you know, how do the States, how do we ask the States to do this fairly?

ED VIA: Now, are they going to have to do that before September, or the November timeframe, or that's just a general commitment to the program, and then they have up to 3 years to implement?

LAURA PETTUS: No, they would have to do that between mid-July and November first. So, that's a very aggressive timeframe for anybody. And we're very aware of that. So that's one of the reasons we're looking at

putting out an additional addendum of guidance that talks about that process of how, what that might look like. Some States are doing it very well, some States have never done this, they just do a per capita dump, and that's not this program.

So, we understand that that's going to be very difficult in practice, for the States and the locals.

ED VIA: If I may? One more question? The distribution of the funds are going to be at the State level, and then, within that State, would it be further broken down -- urban areas, suburban, more rural? Because that would also impact the amount, I guess, that would go to the locals, depending where the locals and the regionals are?

LAURA PETTUS: At this time we are not looking at earmarking any of the money that goes to the States. We're asking them to review it based on their Statewide gaps and the proposals they receive, versus our priorities for the program. That could change, but at this point, we're not moving towards an earmark.

ED VIA: Thank you very much.

LAURA PETTUS: Yes?

LAURA PHILLIPS: Laura Phillips with the City and County of San Francisco, Department of Emergency Management, and I'm here representing the East Bay and West Bay radio communications systems in the Bay area, which is a collaboration between five counties, Alameda, Contra-Costa, Solano, San Francisco, and San Mateo. And we've been building out for about the last three years using Department of Homeland Security funds and then our local funding. So, the question I have for you today, and perhaps it's for Mr. Bunting, that's on the in-kind, you talked about the in-kind, you expect that to be about, it could be about 50 percent, in terms of the overall matching requirement. Is there a cap on that to be 50 percent? It's my first question.

LAURA PETTUS: At this point it's not decided. We're certainly considering whether there should be a cap or some sort of balance between cash and in-kind, but it hasn't been decided. We're just considering that as an option. It might be 100 percent in-kind as an option, but we're not clear on that yet.

LAURA PHILLIPS: And then the other question I have is in terms of the State will receive its allocation

amount in mid-July. Would you expect that the investment justifications moving forward from each State would not exceed that cap, at least the projects being reviewed, or would it fall within that cap?

LAURA PETTUS: Could you actually you repeat your question? I'm not sure what you're asking.

LAURA PHILLIPS: Okay, let me give you an example, that might be easier. Let's say the State of California gets $200 million, although I hope it's more than that.

[Laughter.]

LAURA PHILLIPS: Let's say they get $200 million, would the State of California then move on projects totaling $200 million or could they be sending on projects totaling $300 million?

LAURA PETTUS: They would submit for their allocation, so they would submit their investment justification for the amount they've been allocated, plus the portion of their match. So, if they were to receive, you know, x hundred million dollars, they would need to submit that and only that in projects because they don't get more. Once you get allocated and you accept that,

that's obligated to your State and that's it under this program.

LAURA PHILLIPS: Great. Thank you, Laura.

JOHN BUNTING: Just to address your first question. You mentioned you had a program going for several years now. One of the issues there if you're looking at an in-kind match is, that would be prior to the effective date of these awards. We're looking at something that's provided during the three year period of the awards, which would be basically from about the first of October of 2007 through the end of September of 2010, when the three year award period ends. And, not having pre-award or prior cost being used as match and share.

LAURA PETTUS: Yes, sir.

STEVE CIRILLO: Hi, good morning, Steve Cirillo from Bearing Point. I have two questions. One, I just to make sure I understand the number of limitations or the limitation that would be placed either the number of programs in the investment request. You had mentioned something about, there will be a limitation on, included in the investment request. I just want to understand that.

The second one is, I'm not sure this is

appropriate for you, but do you have any chains to ICTAP's budget, to improve their ability to assist with programs like this?

LAURA PETTUS: I can answer both of those. The ICTAP is actually easier. Under the PSIC Administration and MOU process with DHS, we have put multi-million dollar into the ICTAP program for PSIC related activities. So, if someone is wanting support to develop their State, to finalize their Statewide Plans, to make sure that they incorporate PSIC requirements, they can request ICTAP and we have a special budget in ICTAP for that purpose.

Additionally, if you have investment justifications that you want to develop and you need help with those and you need technical assistance, we have PSIC money set aside under ICTAP for those PSIC activities for the investment justifications. And that is, in the multi-million dollar, over the period of the grant, so that is a significant increase for that program so that we can provide that technical assistance.

Your second question was regarding the limitations on the investment justifications. The States may decide how they want to put different proposals

together. So, one investment justification might include multiple projects under one umbrella of activities, but for an efficiency of reviewing them and turning them around, approving projects so people can start to move forward and start spending the money and getting these projects implemented, we don't want a State to submit us 15 investment justifications. If they get an allocation of $10 million, it would be some limit on the number, so that we would be looking at 500 or 600 applications, not 5,000 or 6,000. So, the idea is that we're tossing around, typically in Homeland Security Grant Program, you're allowed 15. We're tossing somewhere between 15 and 10 or 8 and 15 or, so we're working in that area. We haven't made a decision yet, but we're looking a State compiling a package of investment justifications with a limit on the number. And that would include State projects and local, so it would be a package of IJs.

Does that answer your question?

STEVE CIRILLO: Yes.

AYANA NAHMIAS: Hello, my name is Ayana Nahmias and I'm with the Office of the Chief Technology Officer, the District with the regional wireless broadband project

and my question is, you're going to give an allocated amount for each State. What if some States, for whatever reason, choose not to use that money or feel unable to meet the aggressive timeline, then do the funds allocated to that State go back into the general fund to be dispersed amongst the remaining States?

LAURA PETTUS: Right now we are working on a contingency plan, if a State decides not to apply. Because the implication of that is the locals in that State have no direct ability to apply for this money. So, it doesn't just affect the State, it affects all the local counties and governments and public safety in that State. So we're looking at contingency plans, but if a State decides they absolutely do not want to apply, then we would have to find someway to reallocate that money.

AYANA NAHMIAS: And if it's, and if it's not only that they don't want to apply, but what if they're non-responsive, what if they don't meet the three basic requirements?

LAURA PETTUS: You're very persuasive. I mean, we're certainly in contact with all of the States. We, at the conference in March, we had 52 of the State and

Territories represented and they were all very enthusiastic about the program. They were all actively engaged in the Statewide Plans. We've been in contact with the other, you know, four that were unable to attend. So, I mean, this isn't going to be news to them, I think that most of the States, this will not be an issue.

There's obviously, we have to develop a contingency plan in that situation. It's still in the works though because it's, it's not pretty for those local governments because this granting to the 56 State and territories is an efficiency so that we can get the money out by the Call Home Act deadline of September 30, 2007. It's not ideal, though.

AYANA NAHMIAS: Thank you.

LAURA PETTUS: Yep.

Sir?

JIM COREY: Jim Corey from MSV again. You talked about spectrum efficiency and it strikes that spectrum efficiency is in the eye of the beholder. For purposes of this program, could you give me some idea of what you think spectrum efficiency is or what the evaluation criteria are on a proposal related to spectrum efficiency?

LAURA PETTUS: Spectrum efficiency is not an easy topic, it's not easy to define and it's certainly not easy in practice. We are not, I'm going to be judging spectrum efficiency in a sense of, you don't get funded because you're not spectral efficient. What we're asking you to do is to address the use of spectrum for your interoperability solution so that we know you're being thoughtful about the use of spectrum to meet the needs of the public safety agencies that you're serving so that, you know, you don't cut short, short their mission. But at the same time, you're looking at, what is our consumption of spectrum and is there a better way.

So, we will have guidance on spectrum efficiency and some of the things that you can consider and some techniques to be more spectral efficient, but certainly we're not going to say, "No, you can't get funded because, you know, that cache radio, that's just not good enough." What we're going to say is, can you talk to us about those cache radios and why that is the best solution for you given the use of spectrum, the cost effectiveness, that kind of thing. So, it's more of an addressing the issue and starting to think about it and be very thoughtful about

our solutions.

ROCKY LOPES: Hi, I'm Rocky Lopes with the National Association of Counties. And, getting back to the local level issue, I've got two questions. I just want to clarify with the local pass through. You said that if there is an agreement, a memorandum of understanding between a locality and the State. In order for the State to retain some of the money to put together a project that that MOU must be in place by November 1st of this year, is that correct?

LAURA PETTUS: We're working on that particular detail, but under the current schedule, it would need to be in place in order for us to then accept your investment justifications as State projects and not incorporative of local projects. But we understand that that's very aggressive and very difficult and so we're trying to look at that. My advice right now to locals and States is if you're moving towards the MOU process, you should move quickly because it takes a very long time to get those established and it's not ideal. We're aware of that.

ROCKY LOPES: And to further that point, just for your edification, many county governments take leave.

Their, the commissions and the boards of supervisors and county commissioners are not in the position to approve an MOU, often during the summer.

LAURA PETTUS: You would have it by November 1st.

ROCKY LOPES: Right.

LAURA PETTUS: Most State and counties would be back in session.

ROCKY LOPES: Right.

LAURA PETTUS: But no, they wouldn't have to tell us by September, mid-September, they would have to tell us, under the current schedule, by November 1st. But that is, by the way, one of the reasons why we're moving for an in-kind, as well as cash, is because we're very aware that most State and local legislative process, the county members that do the, actually elected officials aren't meeting. And so, to actually get commitment on cash for a very multi-million dollar project is difficult. So we're well aware that August is a difficult time to be submitting an application within 30 days.

ROCKY LOPES: Right, and I appreciate your sensitivity to that. There's, it's not only the needing time, but the budget cycles are out of whack because any

counties and cities develop their budgets for a July one fiscal year --

LAURA PETTUS: Right.

ROCKY LOPES: -- and they're not in a position to approve allocations unless they go through a process.

LAURA PETTUS: Which is one of the reasons we're leaning towards in-kind, because we realize that most budget sessions for the local and State are the January through March time-frame, which would be completely off from our granting and our accepting.

ROCKY LOPES: Right.

LAURA PETTUS: And so, we feel like an in-kind would be an easier thing for a local or a State to commit to and then move it into their budget process. Again, you have three years to meet the match requirement, but we're, we were very cognizant of the schedule and tried to be very thoughtful about our program, given the constraints of the public safety, local and State governments that we're trying to work with.

ROCKY LOPES: Okay, and then my second question or point of consideration. I also attended the NGA workshop that was held in Los Angeles and I heard,

primarily in hallway side conversations, but it sounded very serious, that there were some States or of the 56 entities that were eligible to apply that said specifically, "We're not going to," for whatever reasons they said at that time. Now that was in March, they may change their mind or whatever, but should they decide not to apply or be non-responsive, I just to advocate again, that there are many counties within those States who would be desirable to apply, who would otherwise be eligible if their State applied, but didn't. And, that's a major concern, and we want to advocate and serve as the voice for our counties to make sure that they can get what they're eligible for if their State, for whatever reason, decides not to.

LAURA PETTUS: I appreciate that comment and we understand and we're trying to work on a contingency plan. Hopefully we'll have one prior to the release of the guidance because that is a very big concern for local entities that are relying on the States to apply for them. So, thank you.

ROCKY LOPES: Thank you.

PHILLIP PADGETT: Phillip Padgett with the Boeing

Company. What is the formula for allocating the $959 million among the 56 States and Territories?

LAURA PETTUS: I'm shocked that it took this long to get that question, to be honest with you. We're still working on that particular piece. It's a huge portion of our program and that will be released in mid-July. And so even if I had it for you today, I couldn't release it to you. That's part of the allocation, so in mid-July you're going to get the grant application, the grant guidance, the eligibility requirements, and the funding allocation. And so, all of that is coming as a formal release, as part of the federal funding opportunity announcement in mid-July. So, even if I had it, I couldn't give it to you today, but what I can tell you is I don't have it and it's certainly not my decision, but it's being worked on between two Federal agencies and our Office of Management and Budget on what Congress intends, as well as what's the most thoughtful formula distribution for this program.

Our Congressional intent for our program is asking us to look at all hazards, specifically natural disasters. And so, we're looking at whether we can incorporate that. If it's possible in the timeframe and if

we have the data, but it's not done yet, but we're starting with the DHS risk formula as the starting point to then figure, you know, what we can do, what if anything needs to happen.

PHILLIP PADGETT: Okay. Who is going to receive and evaluate and administer the grant applications? Is that DHS or Commerce, are you going to do that jointly, how's that going to work?

LAURA PETTUS: We've contracted with DHS for their grants administrative services, so specifically the applications are going to come in, DHS is going to do the processing, it's going to be the familiar interface that the States and the locals know and understand. The grant reporting tools will be similar. And that's DHS's expertise and they're very good at it, so we're using them for that piece.

When you talk about the approval of the Statewide Plans, that's also a DHS piece, it's not Commerce. The NTIA takes an active role, though, in the investment justifications and the peer review of the, how the, the investment justifications and how the funds are going to be spent. So, that's where we take an active role in ensuring

that the priorities are addressed and that's going to be a joint effort, but the typical interface that the grantees are going to see is DHS.

PHILLIP PADGETT: Thank you.

COLLIN: Good morning.

LAURA PETTUS: Good morning.

COLLIN: My name is Collin, I'm with the Washington Linkage Group, we represent cities, counties, and States. And, in your presentation you had mentioned that the application for the grant needs to be paying for a project that's separate, unique, and distinct from other ongoing projects, interoperability build-out. What if you have a large project that is already been, whose contract has already been awarded to the local government, from the local government to a vendor for build-out of a system. And, most of the system is being paid for by non-Federal monies from lots of different places, the local government's general fund, what not. Can a portion of the system that's being built-out, even though it might be a distinct separate part of the whole system that wouldn't normally built-out, but for the grant? Can we still use that money to build out that system, even though it falls

under one awarded contract, or does it have to be a completely separate contract to a totally separate vendor?

LAURA PETTUS: That's a very good question. I don't know that I have the right answer for you. Part of that sounds like supplanting to me and so, I would have to get more clarification on that particular piece. We realize that States and locals are going to have multi-million dollar projects and PSIC can be one phase of those projects. So, part of what I thought you might be asking is what if you're getting funding under DHS and Department of Justice for the same large project. PSIC has to be separate and distinct because not, the activities can't be funded, but for an actual contract that's been awarded, I don't quite have the answer for you on that.

COLLIN: Because most, a lot of cities, counties, they've already awarded all their contracts out for the systems that they're building and those projects are being paid for by a myriad of different avenues, some federal, some not. And although, the build-out might be distinct for this grant, it's still going to be under the same contract. And to ask a local government to go through the entire bidding process and awarding process between now and

November, or mid-July and November would be untenable.

LAURA PETTUS: You wouldn't have to do the bidding process again between now and mid-November. Your November date is going to be your proposed project and funding and that's your project outline. It's until it's approved, that's when you actually go and do your procurement and bidding. So you're not asking to do it between mid-July and November, but I'm not clear on whether that's acceptable or not under federal financial assistance and I'd have to seek clarification legally on that.

COLLIN: Okay. Do we follow-up with you later?

LAURA PETTUS: My e-mail. You can re-ask your question and I can try and get you an answer.

COLLIN: Okay. Thank you.

DAVID PAGEN: Good morning.

LAURA PETTUS: Good morning.

DAVID PAGEN: My name is David Pagen, I'm Governor Schwarzenegger's office here in Washington, D.C. I wanted to confirm that I heard you correctly about the State percentage. It sounded like States would effectively all be receiving 10 to 12 percent, rather than 20 percent after taking a 5 percent for planning and 3 to 5 percent

for management?

LAURA PETTUS: If the State decides to use planning money and if they decide to use administrative money, that's all part of the 20 percent if we move to an 80/20. The State doesn't get to take the 10 percent and then an additional 20, which would only leave 70 for the locals. So what you're looking at is an 80/20 split and if that's the final decision, all of those other costs, Statewide Plans and admin, if the State decided to use them, would have to be taken out of that 20 percent.

DAVID PAGEN: All right, thank you. And then in terms of the number of investment justifications, you said that there's, I guess, consideration of eight to fifteen. Would that be dependant on the size of the State? I think we have at least three or four California communities here today. Do the size of the State, the number of urban areas, the geographic challenges -- I expect that we might have a few more projects versus some smaller States.

LAURA PETTUS: Yeah, we certainly -- at the focus group -- talked to California and Texas and a couple of the very large States specifically about this, and the limit. There will be a limit. Currently, you have 15 under the

Homeland Security grant program, so that would be the absolute max under this program. What we would probably do is do a limit for everybody and it would be the same. And if it were 10, for instance, it wouldn't just be one MOU actually gets one project, you could roll up a couple of projects in that one investment justification if they're all interrelated and they work together. So, it would be a very similar process for what you're doing now with 15, but it might be cut short, shorter for ease of review and for, kind of, the managing of a billion dollars in this program.

DAVID PAGEN: Okay, thank you.

JIM COREY: It's nice getting to hold the microphone for everybody else, because it sets me up. I'd just like to understand a little bit more about how the funding can -- how am I going to say this -- you said it has to be separate and distinct. So, as I look around this room, I see a number of industry folks who are currently in the same position that my company is in where -- let me personalize it to my company, it will probably apply to them. So, we sell satellite stuff and we've got a State that maybe had a goal of being able to have one fixed and one mobile piece of our satellite stuff in every one of

their county, in everyone of their counties. And it's a State project, but they've hit the wall in terms of what they can afford, so it's a State with 90 counties, for example, and they've only been able to afford to buy the satellite stuff for 30 of those counties and had no idea where they'd ever find the money to finish it out throughout the rest of the State. So it is what it is, they've got no place else to get the money.

The question I've got is, can they use this funding to get the rest of the counties set up with this equipment and then turn around and put it on the existing State bill?

LAURA PETTUS: It sounds to me like you're talking about a gap of 60 satellite phones and the Statewide Plan is to have a satellite phone or whatever your solution, in every county. And so, the gap in my mind is 60, and you would write your investment justification to fill that gap.

JIM COREY: So even though the stuff was already deployed and there was an existing account. Am I hearing --

LAURA PETTUS: If there's no future budget for

it, there's no plan to actually fund those, it's kind of a vision at this point and it's not a reality, that's the big difference. If you have a budget to pay for those 60, you can't take that budget away and then put in PSIC funds, right.

JIM COREY: No, they don't have the budget.

LAURA PETTUS: Right.

JIM COREY: But they've got an existing account with any of us for whatever stuff it is they're buying from us and they've kind of hit the wall financially. They'd like to finish it out in the State, could they use these or, I was just concerned that it would be disqualified because it was existing services that they already had in the State and were already partially deployed.

LAURA PETTUS: What you described to me doesn't sound problematic because there's a gap and there's a lack of funding. The fact that there's a contract vehicle is, I believe it's okay. You're filling that gap that's identified. The piece that can't happen, is you can't put in a request for Homeland Security for 60 satellite phones and a request for NTIA for 60 satellite phones and see which one you get. That's unacceptable under Federal

financial assistance. The other piece that's unacceptable, is if you are funding the 60 phones already and you have it in your budget and you're ready to do it, you can't drop that budget, use that for something else, and use PSIC funds for that. Both of those two scenarios would be unacceptable under Federal financial assistance and supplanting laws.

The gentlemen's question over here regarding contracts sounded like the budget was moving and they had this piece. And that's the piece I'm not clear about, is if you have a contract for $500 million to build out a system and now you get $50 million, can you just add it on to that. If you had the budget of $500 million prior, then no. So the supplanting comes in and that's a really important distinction and it will be further defined in the grant guidance.

JIM COREY: Okay. Let me take it one step further for a vendor who wouldn't be me. Let's say I've, I'm already in progress for a, with $400 million to build some sort of a Statewide radio system, but because the legislature only gave me $400 million, there's a lot of places in the State where I'm not going to be able to build

out the system. Can I, can I then use this grant funding to extend, you know, under the same, the satellite scenario that I gave you a little while ago, to expand that radio network into areas of the State that I previously didn't have the funding for, couldn't afford to do?

LAURA PETTUS: If there's a gap that's been identified in the Statewide Plan that doesn't have funding, this money can fill that gap and increase the capability.

JIM COREY: Okay, thanks. I've warned you enough --

LAURA PETTUS: Okay.

JIM COREY: -- on that one. Thanks.

MALE SPEAKER: Hi, you had mentioned three obvious targets for technology solutions that meet 700 megahertz interoperability, gateways, new systems, and cached radios. Would there be any further guidance as to what is allowed or what is considered, you know, utilizing or enabling the utilization with 700 megahertz?

LAURA PETTUS: Are you, are you asking me if we're going to define what is an acceptable solution for interoperating with 700?

MALE SPEAKER: Or just provide additional

guidance, not a strict definition, but just more guidance than, say, that one sentence that exists or the three examples you listed?

LAURA PETTUS: Certainly. In our grant guidance, we will give examples of solutions and for those States or localities who can't quite figure out how they're going to do it given their current system, there's a nuance that doesn't quite work for them. That's where technical assistance comes in, where they can come and ask for technical assistance to help them figure out the best solution for interoperating with 700. We won't dictate those, but we certainly give guidance as to some of the possibilities.

MALE SPEAKER: Okay. And just, I think, an obvious question, to adjust this timeframe that's tight, would require an act of Federal legislation, is that correct?

LAURA PETTUS: We're bound by the September 30, 2007 deadline by Congress.

MALE SPEAKER: Okay.

LAURA PETTUS: So.

MALE SPEAKER: Okay, thank you.

LAURA PETTUS: That's the law. So, an act of Congress and the President, yes.

JOHN THOMPSON: Hey Laura, it's John Thompson with Motorola. A couple of quick questions. For the form 424 that's due for the application, there's a narrative that's part of that. Could you discuss the contents of that narrative and specifically is there going to have to be a discussion of the target projects by that State?

LAURA PETTUS: No, we wouldn't anticipate, the brief narrative we're looking at, or proposing to do a one page narrative. The first part being, if you're going to use up to 5 percent of the Statewide Plans, talk to us a little bit about that. Where are you? What are you trying to incorporate? Just talk to us about that up to 5 percent allocation.

The second portion that we're looking at in that brief narrative, is what is your process that you're going to have in order to solicit, review, and approve, and basically package investment justifications? So you would have to, in that 30 days, kind of, think about and come up with your process for soliciting and choosing local projects. That would be the brief narrative with your

standard federal 424 forms that would be due in mid-August.

JOHN THOMPSON: And I guess part of that, also, is the fact that the State's going to meet the match, right, that's one of the --

LAURA PETTUS: And then the third piece is that you agree to the 20 percent match on behalf of the State and all of the local projects that you would put forth.

JOHN THOMPSON: Okay, so in this case, the State, at this early stage, is committing to that match, right, for the locals, on behalf of the locals?

LAURA PETTUS: Yes. And that is one of the concerns with doing it all cash match. Some States probably couldn't do that, so it's one of the reasons that the States would have to vouch for a 20 percent in-kind or cash and or in cash.

JOHN THOMPSON: All right, thanks.

LAURA PETTUS: Okay.

PHILLIP PADGETT: Phillip Padgett with Boeing again. For the 80, or whatever percent it turns out to be, pass through from the States to local, can that be in-kind?

LAURA PETTUS: Can the 80 percent be --

PHILLIP PADGETT: For example, the State may make

a bulk purchase of something for interoperable comm?

LAURA PETTUS: Let me break it down.

PHILLIP PADGETT: Some States have done this.

LAURA PETTUS: Let me break it down with numbers. If you get $10 million allocated to your State, $2 million of it can stay at your State and $8 million has to be passed down to locals. All of that money needs to be matched, 20 percent.

PHILLIP PADGETT: Okay, but of that $8 million, can, does that have to be cash or could that be in the form of equipment that the State purchased on behalf of the locals?

LAURA PETTUS: That's the MOU process. If the States are buying on behalf of the locals, the MOU processes that the, the locals sign that $8 million back up to the State to then push down radios or build out towers or whatever.

PHILLIP PADGETT: Okay.

LAURA PETTUS: So, they can't just decide they're going to keep the $10 million and then buy radios for the locals without the MOU process for the locals.

PHILLIP PADGETT: Well, they wouldn't do that.

LAURA PETTUS: I'm sorry?

PHILLIP PADGETT: They wouldn't do that.

LAURA PETTUS: They wouldn't do that, no.

MIKE HUNTER: Mike Hunter with RCC Consultants. I have a question and maybe it's for Mr. Bunting, which has to do with valuing contributions made by, for example, private sector firms, which might be used as the match. And I'll give you a couple of examples. A commercial real estate owner who may provide space on the roof of a building for antennas at no cost to a local government, which would have a calculable value in the industry, or perhaps access to a fiber optic network that's run by an electric or gas utility or some municipal authority other than the grantee.

JOHN BUNTING: I think I go back to the original proposition and I'll get to your question. From our experience in the Department with other programs that have similar and some others that have significantly larger matching shares, I'm anticipating that most of the matching share that's going to be contributed, both at the State and even at the local level, to come from an indirect cost rate. This program has a heavy, heavy emphasis on

equipment and if there's going to be procurements that are going out for that, either the State or the local entity is going to be able to apply indirect cost to that. And, to the extent that they already have that readily available, they will not need third party in-kind contributions. And again, at the local level, when it comes to the installation and deployment of these systems, the extent that they use the city workers, local labor force, or city employees, either in the motor pool to do installation on vehicles or maybe the public works department prepares some fixed sites for them ahead of time. They'll be able to apply fringe benefit costs.

I do not see this as an overwhelming burden. The third party contributions, as it comes in, I see it as incidental. They're certainly possible and in the situation you're describing, particularly with, perhaps a relay site or something, an antenna site, you know, many of those are going to be put in a position where you're looking at what is the commercial market for that, is there really a competitive bidding process? Because, in some cases there is no suitable alternative to that. Certainly, if that's a part of the investment strategy that they're

1 going to take and use, they're going to offer that up as
2 being a part of their investment strategy and if that's
3 part of the plan and incorporated in the State plan, yes,
4 that'd be in there.
5 But again, I know there's been a lot of
6 discussion about the third party contributions, but in
7 practicality, from the other programs I see in the
8 Department, and the rather significant contributions that
9 are called for in some of the other programs in the
10 Department, this one has, perhaps, one of the easier
11 thresholds, in terms of matching share to make. And there
12 are a lot of things that require no additional out of
13 pocket expenditure at the State and local level that can be
14 used for match, particularly their indirect costs,
15 particularly their fringe benefit ratio, and particularly
16 using public employees to accomplish some of the
17 installation and deployment of these systems.
18 MARY BRANSISCO: Mary Bransisco. Laura, if I've
19 done my math right, I think on November 1, DHS is going to
20 get somewhere on the order of 500 investment justifications
21 as part of these Statewide Plans, rough numbers.
22 LAURA PETTUS: You can understand why there might

be a limit.

MARY BRANSISCO: So, my question is, what is Homeland telling you about how long it's going to take to process those and do you all anticipate releasing those in waves of approvals or are you going to wait until you get to the end and do it all at once?

LAURA PETTUS: What I want to say is that this is all right now being in discussion. So, nothing is determined yet. The first thing that has to be approved is the Statewide Plan. So currently, as we're operating, the Statewide Plan needs to be approved. And we're looking at doing that with the Office of Emergency Communications and we're working with them on that timeline.

Once the Statewide Plans are approved, there would be some overlap in the peer review of the Statewide Plans into the investment justifications so that we can identify the gaps that are being filled. So, some subset of the Statewide Plan review would move into the investment justification peer review and we would anticipate or hope to get those approved early in 2008, to then start releasing the funds, you know. Our target right now is that we're releasing the funds by March and April. That is

also very aggressive and so we're working on whether or not we can make that happen.

The point of limiting the investment justifications, if you do have 56 State and Territories all able to do 10 or 15, you're looking at in the neighborhood of 500 investment justifications to review, approve, and turn around to get those projects started. And we're also very clear that if we don't approve those, the window for the performance doesn't change, that statutory end date of September 30, 2010 is real, no extensions. So, the longer we take to review, the less performance period the grantees have. So, we're very aware of that, we're trying to figure out the best way to do that.

Our hope or our goal right now is to do March or April to actually release the funds, in that, your project is approved to go, kind of thing. Whether we wait and do it all at the same time, I don't have that information. We would not want to hold up 10 investments for a State if nine of them are okay and one of them is not, it needs work. So, our plan would not be to hold up projects to get everything to look perfect.

So, there is an approval process, but we're, the

money's not being taken away if anything, if you're not approved, that's not approved, you need to go back. We'll provide you technical assistance to make it better, to get it up to the standards that we need in order to approve it. We would hope not to hold everything up for one or two that don't make it.

TRISHA PALETTA: Hi, Trisha Paletta from Harris, Welcher, and Graniss, two questions. On Thursday, the FCC adopted an order and I don't think it's released yet, it may have been, but in that they're going to establish, I guess, some educational program to advise public safety on advanced technology. Obviously that separately and apart from what you guys are doing, but given the truncated cycle here and the fact that people probably focus in on what you guys are doing because you have the money. Is there going to be an coordination between the two agencies, so that's the first question.

The other question is, on the peer review process, who are the peers? Are those States that have already deployed interoperability networks, are they local public safety, I mean, who are they and how does that process work?

Thank you.

LAURA PETTUS: I'll answer both of those questions. We're very excited that there might be some reports coming out on advanced technologies and interoperability solutions and if that does come out and it's timely and it works, we obviously want to leverage that information and give it to our grant recipients and to public safety. And so, we will be, you know, clearly using that also as another tool. Whether it actually is written in the grant guidance or is, as an addendum or an information bulletin or some other source, we would want to leverage that. So, that should answer the first question.

The second question -- is my memory going already, what is it -- oh, peers. Oh, I didn't want to answer that one, that's why I forgot.

[Laughter.]

LAURA PETTUS: You're looking at peers to be public safety, grant managers, probably some technology focused people since we do have a focus now on a technical approach. We're still working out exactly who that group is. You would expect the number to be somewhere around 150 to 200 person range in order to review approximately 500

IJs. And then you would imagine there being some kind of team, not unlike what DHS has done in the past. So, it feels very familiar to the grant recipients, this is not going to be a totally new group. There will be some new people added, we do that every year though, so that you get new faces in there, new, then you're going to have some interoperability specialists and some public safety folks. So it -- we're not changing the process, we're just trying to figure out what, if any, role NTIA needs to have in order to make sure that the technical approach and the objectives and the five priorities are addressed in the IJs.

Does that answer your question? And all I can say, is that is absolutely in the works. Those are our ongoing discussions, so.

ROCKY LOPES: Hi Laura, Rocky Lopes from NCO again. I just wanted to emphasize or appreciate and thank you for how forthcoming you're being in answering questions and appreciate the amount of time that's being allocated for that here. One of the things that the DHS grants and training office has done exceptionally well and in its grant process, among many things, has to then post Q & As

that have come into them in a variety of ways. And I'm hoping that the Q & As in this session plus many others that I'm sure you've gotten from a variety of sources can be posted on your website, that will they allow us to serve the needs of people asking us questions, to point them to one solid link where all that stuff is.

LAURA PETTUS: Okay, thank you. I guess I hadn't mentioned that. This nice gentlemen down here is summarizing all the questions and answers and we hope to post that on our website. We're also looking to do a transcript. This nice young lady down here is doing that for us and the Webcast would obviously be archived. So, we're hoping to have three different forms in order to get what has been discussed here today, out. All of which would be posted on that Website address that was at the end of my power point presentation. I can't commit to a timeframe on any of those things, but our hope is to get them all out quickly, or as quickly as possible.

Does that help? Okay. And maybe I can take one more question and then. Can you go to the microphone so we can catch this on the Webcast?

SOLOMAN: My name is Soloman, I work with the

District. Is there a requirement to submit a draft State plan or is there an encouragement to do that and if that's the case, can those funds expended on developing the plan be, as a part of in-kind or contribution, 20 percent contribution towards the PSIC grant.

LAURA PETTUS: Okay, those are two very good questions.

The first question is, is there a requirement to submit a preliminary plan? The answer to that is there is no, for NTIA and the PSIC program, there is no requirement to submit a preliminary plan, just the final plan November 1st. So you do not have to submit. I believe -- and DHS can confirm this -- that if you want help to review a preliminary plan, to make sure that you're going on the right path, they will have a form you to submit that to try and get some feedback, whether it be through ICTAP or what have you. And they will, as soon as the Office of Emergency Communications and DHS, kind of, they're new and they're trying to get all of that information together. They're trying to submit an information bulletin to each of the States and territories to further clarify the preliminary and the final and all of that kind of stuff.

But for this program, a preliminary plan is not necessary or not mandated.

As to your second question, when you get your total State, or in this particular case, the District's allocation, up to 5 percent of that can go to finalizing your Statewide Plan and there will be some pre-award cost allowed. And the date is not exactly firmed up yet, but it looks like somewhere around the March conference that we talked in the Statewide. That up to 5 percent is for PSIC activities, so incorporating those three factors in my slideshow -- 700 megahertz, local tribal governments, and non-governmental authorized agencies or organizations. So, that up to 5 percent will also have to have a match to it and it has to be in similar PSIC activities. So, does that help answer your question?

SOLOMAN: Yes, thank you very much.

LAURA PETTUS: Okay.

I think we're out of time. I really appreciate everyone coming and we're going to have one closing remarks and then we're going to set you free for lunch.

[Applause.]

MEREDITH ATTWELL BAKER: Hello everyone, thanks

for joining us today. NTIA greatly appreciates all of your questions and your input. It helps us make this program better. I also want to thank all of you who thanked Laura Pettus. I think it is clear that her professional expertise and her dedication to this program is making it better, so lets give her one more --

[Applause.]

MEREDITH ATTWELL BAKER: And I want to thank John Bunting for making a wonderful presentation that I think was terrifically helpful to all of us, both here and all those who are listening to this on the Webcast.

As Laura mentioned, this, the presentation, as well as the Webcast archive should be up probably by the time you get back to your offices and as soon as the transcript is ready, then that will be posted as well, and that's at www.ntia.doc.gov. Check it often. So, I also want to thank a few others here from the Department of Homeland Security. They've been terrific partners for us and we appreciate all of your hard work and we look forward to a successful PSIC grant program implementation and look forward to all of your, continued dialogue with all of you. So, thanks very much for coming.

[Applause.]

[Whereupon, at 11:59 a.m. the Meeting was adjourned.]