COMMUNICATIONS ASSISTANCE FOR LAW ENFORCEMENT ACT (CALEA)

Seventh Annual Report to Congress

Submitted to:

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

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

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United States Department of Justice

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I. PURPOSE

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

(A) a detailed accounting of the amounts paid to each carrier and the equipment, facility or service for which the amounts were paid; and

(B) projections of the amounts expected to be paid in the current fiscal year, the carriers to which payment is expected to be made, and the equipment, facilities, or services for which payment is expected to be made.[1]

Pursuant to section 112 of CALEA, this seventh annual report is submitted to Congress. The report provides financial information regarding Fiscal Year (FY) 2001 expenditures to telecommunications carriers, and projected spending levels for FY 2002.

II. BACKGROUND

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

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[1] Section 112: Reports, Communications Assistance for Law Enforcement Act.

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

significantly upgraded or otherwise undergone a major modification.[3]

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

To facilitate CALEA's implementation, Congress authorized $500,000,000 to be appropriated to reimburse the telecommunications industry for certain eligible costs associated with modifications to their networks. The Omnibus Consolidated Appropriations Act of 1997 (the Act) (P.L. 104-208)[4] amended CALEA by adding Title IV which created the Telecommunications Carrier Compliance Fund (TCCF) to facilitate the disbursement of funds available for CALEA implementation. Additionally, the Act authorized agencies with law enforcement and intelligence responsibilities to transfer unobligated balances into the TCCF, subject to applicable Congressional reprogramming requirements. A total of $499,557,146 has been made available in the TCCF through the end of FY 2001. Of this amount, $456,976,876 was the result of appropriated funding, $40,000,000 was provided through the Department of Justice (DOJ) Working Capital Fund, $1,580,270 was provided through a transfer from the United States Customs Service, and $1,000,000 was provided through a transfer from the United States Postal Inspection Service. As of September 30, 2001, the unobligated balance of the TCCF was $102,197,576.

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[3] Switches that have been replaced, significantly upgraded or have otherwise undergone a major modification must be CALEA-compliant at the carrier's expense by the compliance date(s) established by the FCC unless the FCC determines that compliance is not reasonably achievable according to section 109(b) of CALEA.

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

III. STATUS OF CALEA

A. Status of Section 103 Assistance Capability Requirements

On August 31, 1999, the FCC issued its Third Report and Order[5] regarding CALEA's section 103 assistance capability requirements.[6] Subsequent to the FCC's determination, members of the telecommunications industry and privacy groups filed an appeal in the District of Columbia Court of Appeals seeking judicial review of the FCC's Third Report and Order. Specifically, the industry challenged the FCC's inclusion of four assistance capability requirements, packet-mode communications, and location information.

1. Challenged Assistance Capability Requirements

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

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

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

On September 21, 2001, the FCC issued an Order deferring the compliance date for the two unchallenged technical capabilities and the four challenged technical capabilities. The FCC expects to establish a new compliance date for all required assistance capability requirements that

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[5] Third Report and Order, *Communications Assistance for Law Enforcement Act,* CC Docket No. 97-213 (rel. August 31, 1999) (Third Report and Order).

[6] The FCC determined that, in addition to the assistance capabilities included in the industry-developed standard (J-STD-025), wireline, cellular, and broadband Personal Communications Services (PCS), carriers must provide six additional assistance capabilities sought by DOJ and FBI. The six assistance capabilities are: (1) Content of subject-initiated conference calls; (2) Party Hold/Join/Drop information; (3) Subject-initiated dialing and signaling information; (4) In-band and out-of-band signaling; (5) Timing information; and (6) Post-cut-through dialed digit extraction.

will allow all carriers to be fully CALEA-compliant no later than June 30, 2002.[7]

2. Packet-Mode Communications

J-STD-025, provides descriptions of capabilities that wireline local exchange, cellular, and broadband PCS carriers need to make available to law enforcement regardless of the transmission mode (circuit-mode or packet-mode) utilized by carriers when providing service(s).

In its Third Report and Order, the FCC determined that wireline, cellular, broadband PCS carriers could provide the capability to intercept packet-mode communications in accordance with J-STD-025. The FCC invited the Telecommunications Industry Association (TIA) ". . . to study CALEA solutions for packet-mode technology and report to the Commission in one year on steps that can be taken, including particular amendments to J-STD-025 . . ."[8] Also in its Third Report and Order, the FCC mandated that the capability to intercept packet-mode communications be made available to law enforcement by September 30, 2001.[9]

Following the Third Report and Order, the industry initiated a number of standardization efforts to develop technical requirements for packet-mode communications. However, CALEA envisioned the possibility that technical standards would not be developed for: (1) carriers to meet the assistance capability requirements of section 103, or (2) manufacturers of telecommunications equipment and providers of telecommunications support services to satisfy the obligations of section 106.[10] Section 107(a)(3) of CALEA, Absence of Standards, states that "[t]he absence of technical standards for implementing the assistance capability requirements of section 103 shall not . . . relieve a carrier, manufacturer, or telecommunications support services provider of the obligations imposed by section 103 or 106,"[11] as applicable.

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

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[7] FCC Press Release, *FCC Denies Blanket Extension for Packet-Mode Communications, Temporarily Suspends CALEA "Punch List" Deadline*; CC Docket No. 97-213 (rel. September 19, 2001).

[8] Third Report and Order, ¶ 55.

[9] Ibid.

[10] Section 106 of CALEA outlines the responsibilities of manufacturers of telecommunications equipment and providers of telecommunications support services.

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

With respect to the industry's petition challenging the FCC's Third Report and Order, the Court of Appeals declined to vacate the FCC's determinations as to packet-mode communications.

3. Location Information

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

B. CALEA Solution Availability

As reported in previous CALEA Annual Reports to Congress, most manufacturers of telecommunications equipment were expected to develop and make fully compliant CALEA solutions available to their carrier customers over the course of several generic software releases. Each successive generic software release was expected to contain partial CALEA functionality until fully compliant CALEA solutions had been made available.

1. Wireline Solutions

To date, many manufacturers of wireline telecommunications equipment have made CALEA solutions available to their carrier customers in accordance with J-STD-025. As shown in Figure 1, a number of manufacturers currently have, or are expected to have, J-STD-025 and punch list CALEA solutions commercially available for their respective switching platforms. Furthermore, these manufacturers are expected to have the required CALEA punch list solutions available for carriers to meet a compliance date June 30, 2002.

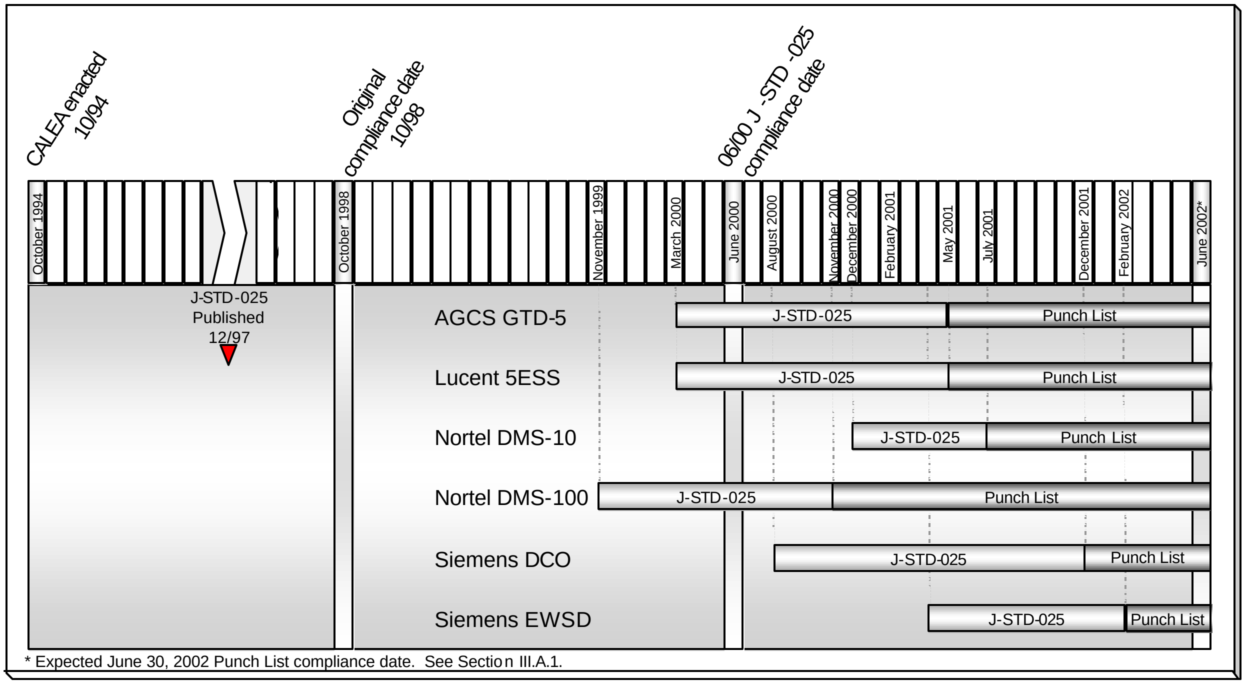

Figure 1 - CALEA Solution Availability for Selected Wireline Manufacturers and Platforms

2. Wireless Solutions

A number of manufacturers of wireless telecommunications equipment either currently have, or are expected to have, J-STD-025 and punch list CALEA solutions commercially available for their respective switching platforms. Furthermore, these manufacturers are expected to have the required CALEA punch list solutions available for carriers to meet a compliance date June 30, 2002. Solution availability from manufacturers of wireless equipment is illustrated in Figure 2.

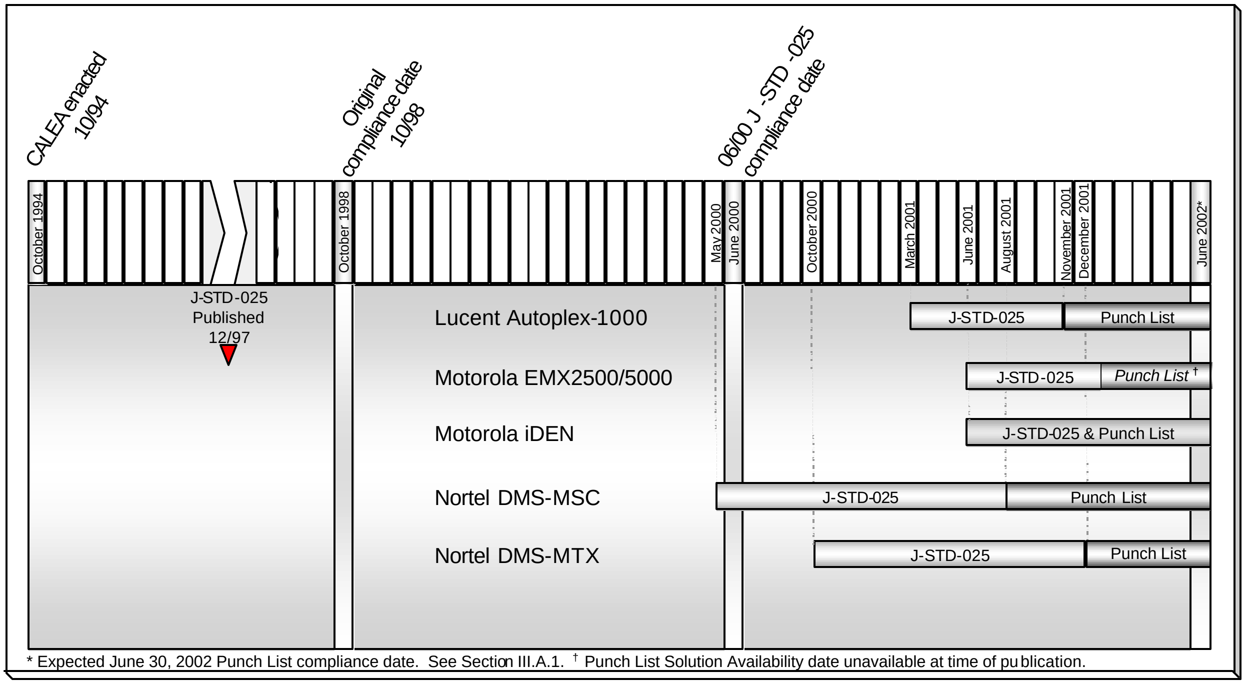

Figure 2 - CALEA Solution Availability for Selected Wireless Manufacturers and Platforms

C. Reimbursement Activity

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

Under the RTU software license agreement approach, the FBI reimburses a facilitating carrier[12] for that carrier's purchase of the CALEA RTU software license for a switch installed or deployed on or before January 1, 1995. The license fee covers the manufacturer's CALEA software development cost for the switch's platform type. Under this reimbursement approach, a manufacturer grants CALEA RTU software licenses to other carriers at no charge for all switches of the same platform type installed or deployed on or before January 1, 1995. Under a

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

switch-by-switch reimbursement approach, the FBI reimburses carriers for CALEA software on an individual, switch-by-switch basis at solution deployment.

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

Using the CALEA RTU software license agreement approach discussed above, in FY 2001, the FBI committed funds to reimburse telecommunications carriers for CALEA software solutions on the following three switching platforms. On March 29, 2001, Verizon Wireless (Verizon), Motorola, Inc. (Motorola), and the FBI entered into an RTU software license agreement for Motorola's EMX 2500/5000 wireless switching platform. On March 29, 2001, Nextel Communications, Inc. (Nextel), Motorola, and the FBI entered into an RTU software license agreement for Motorola's iDEN wireless switching platform. On September 24, 2001, Loretto Telephone Company (Loretto), Siemens Carrier Networks, LLC (Siemens), and the FBI entered into an RTU software license agreement for Siemen's EWSD wireline switching platform. The number of priority switching platforms for which the FBI has committed funds totals eleven (i.e., four in FY 1999, four in FY 2000,[13] and three in FY 2001).

As previously described, the purpose of each agreement is to reimburse the respective facilitating carrier partner for its purchase of the CALEA RTU software license from the manufacturer. In some instances, a switch-by-switch reimbursement approach may be utilized. For example, a manufacturer may decline to pursue a nationwide RTU software license agreement with the FBI, or the FBI and a manufacturer may be unable to agree on a nationwide RTU software license price. In these cases, manufacturers will design and develop, with appropriate law enforcement participation, a CALEA-compliant solution in accordance with the telecommunications industry's normal business practices. Telecommunications carriers will install the developed CALEA solution, some of which will be eligible for reimbursement.

D. CALEA Solution Flexible Deployment Initiative

In FY 1999, the Attorney General announced that DOJ intended to work with telecommunications carriers to establish flexible schedules for carriers' deployment of CALEA solutions in their telecommunications networks. In an attempt to minimize the costs and operational impact of CALEA compliance on carriers, DOJ and FBI adopted a CALEA Flexible Deployment Initiative. The Flexible Deployment Initiative works within a carrier's normal

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[13] In the Sixth Annual Report to Congress, it was reported that the FBI committed funds for five priority switching platforms. The agreement between BellSouth, Siemens, and the FBI for Siemens' EWSD wireline switching platform was terminated by mutual agreement of the three parties. As noted in Section III. C. of this Seventh Annual Report to Congress, a new agreement was reached for Siemens' EWSD wireline switching platform.

business processes and software roll-out schedules, resulting in substantial cost savings to the industry and the government, while allowing carriers to target resources at those switches which are of highest priority to law enforcement.

This initiative benefits carriers by working within their normal deployment schedules, and limiting a carrier's legal exposure under CALEA for post-January 1, 1995 switches[14] not made CALEA-compliant by either the June 30, 2000, or November 19, 2001 compliance date(s). Law enforcement benefits from the plan by ensuring that its priority switches are made CALEA-compliant in a timely manner. Specifically, those carriers wishing to participate in the Flexible Deployment Initiative were given the opportunity to provide the FBI with projected CALEA deployment schedules for all host and stand-alone switches in their networks.

1. June 30, 2000 Compliance Date

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

Upon receiving a carrier's projected CALEA deployment schedule, the FBI and the carrier jointly developed a final CALEA deployment schedule that provided appropriate consideration of federal, state, and local law enforcement's priority switches. Telecommunications carriers also had the opportunity to submit a petition to the FCC for an extension of the June 30, 2000 compliance date. Once a carrier and the FBI agreed on a final CALEA deployment schedule, the FBI provided the carrier with a letter of support acknowledging the final, agreed-upon deployment schedule. The letter of support was to be used in conjunction with the carrier's extension petition filed before the FCC. The FBI's agreement to support a carrier's petition for

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

extension is subject to the carrier's adhering to the agreed-upon deployment schedule. The FBI believes that the foregoing process provided carriers with significant cost savings and operational flexibility, while simultaneously providing law enforcement with the assurance that priority switches will be CALEA-compliant in a timely manner.

At the end of FY 2001, the FBI received 1,401 carrier-supplied Flexible Deployment Templates that identified: (1) carrier equipment and type; (2) geographic area served; (3) software generic deployment history and expected deployment dates; and (4) four years of electronic surveillance intercept data. As a result of its analysis and discussions with carriers, the FBI has provided 1,305 carriers with letters of support and is continuing its review of 82 Flexible Deployment Templates. The remaining 14 Flexible Deployment Templates were withdrawn by the carriers.

2. Packet-Mode Communications Compliance Date

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

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

On April 28, 1998, members of the telecommunications industry filed a lawsuit in the United States District Court challenging the FBI's Cost Recovery Regulations and its definition of "installed or deployed" as it applied to the January 1, 1995 cut-off date for reimbursements to the industry for CALEA compliance. On August 20, 1998, an additional lawsuit was filed in the United States District Court challenging the methodology used, and the requirements identified, in the FBI's Final Notice of Capacity. The two lawsuits were consolidated. On August 28, 2000, the Court ruled in favor of the government by granting its petition for summary judgment and denying the plaintiff's cross motion for summary judgment. On June 8, 2001, members of the telecommunications industry filed an appellant brief before the United States Court of Appeals for the District of Columbia. Oral arguments are scheduled to take place in early FY 2002.

IV. PAYMENTS TO TELECOMMUNICATIONS CARRIERS

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

A. Telecommunications Carrier Compliance Fund Activity: FY 1997 - FY 2001

As of September 30, 2001, the unobligated balance of the TCCF was $102,197,576.[15] This balance was the result of: (1) direct appropriations and redirected funding in the amount of $499,557,146; (2) payments to the telecommunications industry in the amount of $262,551,769; and (3) obligations to the telecommunications industry in the amount of $134,807,801. The following table depicts this account activity:

Table 1: Telecommunications Carrier Compliance Fund Activity: FY 1997 - FY 2001

FUNDING SOURCE	FY	DOLLARS
Direct Appropriation	1997	$60,000,000
Department of Justice Working Capital Fund	1997	$40,000,000
United States Customs Service Transfer	1997	$1,580,270
United States Postal Inspection Service Transfer	1997	$1,000,000
Direct Appropriation	2000	$15,000,000
Supplemental Appropriation	2000	$181,000,000
Direct Appropriation	2001	$200,976,876
TOTAL DEPOSITS		**$499,557,146**
PAYMENTS (to ***carriers*** purchasing CALEA-compliant solutions)		
Nortel Networks, Inc. (Nortel) via ***Ameritech Services Inc. (Ameritech)*** for Release NAO10 CALEA functionality	1999	($15,000,000)
Nortel via ***Ameritech*** for Release NAO11 CALEA functionality	2000	($5,000,000)
Nortel via ***Ameritech*** for Release NAO12 CALEA functionality	2000	($5,000,000)
Nortel via ***AirTouch Cellular (now Verizon)*** for Releases MTX-08 and MTX-10 CALEA functionality	2000	($26,000,000)

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

Nortel via ***Nextel*** for Release GSM 10 CALEA functionality	2001	($13,400,000)
Nortel via ***Ameritech*** for Release 501 CALEA functionality	2001	($18,000,000)
PAYMENTS (to ***carriers*** purchasing CALEA-compliant solutions)	**FY**	**DOLLARS**
Motorola via ***Nextel*** for Release 9.15 CALEA functionality	2001	($25,000,000)
Siemens via ***Loretto*** for Release 22 CALEA functionality	2001	($15,000,000)
AG Communications Systems (AGCS) via ***Verizon*** for Release SVR 4004 CALEA functionality	2001	($25,000,000)
Lucent Technologies, Inc. (Lucent) via ***Verizon*** for Release 5E14 and 5E15 CALEA functionality	2001	($95,000,000)
SBC Communications, Inc. (SBC) for its role as a facilitating carrier partner in testing CALEA solutions	2001	($19,721)
Motorola via ***Verizon*** for Release 15 CALEA functionality	2001	($20,000,000)
Ameritech for its role as a facilitating carrier partner in testing CALEA solutions	2001	($126,850)
Late Payment Penalties	2001	($5,198)
TOTAL PAYMENTS		**($262,551,769)**
OBLIGATIONS (to ***carriers*** purchasing CALEA-compliant solutions)		
Nortel via ***Verizon*** for CALEA functionality on the DMS-MTX	1999	($7,000,000)
Nortel via ***Ameritech*** for CALEA functionality on the DMS-10	2000	($2,900,000)
Nortel via ***Ameritech*** for CALEA functionality on the DMS-100	2000	($5,000,000)
Nortel via ***Nextel*** for CALEA functionality on the DMS-MSC	2000	($4,500,000)
Verizon for its role as a facilitating carrier partner in testing CALEA solutions	2000	($97,801)
Lucent via ***Verizon*** for CALEA functionality on the 5ESS	2000	($15,000,000)
AGCS via ***Verizon*** for CALEA functionality on the GTD-5	2000	($5,000,000)
Siemens via ***Loretto*** for CALEA functionality on the EWSD	2000	($20,000,000)
Siemens via ***Loretto*** for CALEA functionality on the DCO	2000	($5,000,000)
Motorola via ***Verizon*** for CALEA functionality on the EMX 2500/5000	2001	($10,000,000)
Lucent via ***Verizon*** for CALEA functionality on the Autoplex-1000	2001	($60,000,000)
Verizon for its role as a facilitating carrier partner in testing CALEA solutions	2001	($310,000)
TOTAL OBLIGATIONS		**($134,807,801)**
END OF FY 2001 UNOBLIGATED BALANCE		**$102,197,576**

B. Current Year Estimates: FY 2002

Carriers will incur reimbursable costs associated with (1) the deployment costs on equipment, facilities or services installed or deployed on or before January 1, 1995, and (2) the capacity costs for systems and services identified on a carrier statement pursuant to sections 104(d) and 104(e) of CALEA. In FY 2002, the FBI intends to utilize the remaining $102,197,576 to reimburse carriers for the deployment of technical solutions through carrier-specific, network-wide reimbursement arrangements. During the course of consultations between the FBI and various major telecommunications carriers, the concept of carrier-specific, network-wide reimbursement arrangements has emerged as a potential method for reimbursing carriers for the costs associated with deploying CALEA-compliant software solutions and capacity into carrier networks. Carrier-specific, network-wide reimbursement arrangements may include: (1) deployment of solutions for all pre-January 1, 1995 switches; (2) related hardware necessary to comply with section 103 capability requirements; (3) costs associated with the necessary capacity within a carrier's network; and (4) other associated reimbursement costs.

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