

This document presents the budget estimates and program justifications for the Digital Bridge Trust Fund Section 133(b)2. The Fund sets aside at least \$200 million annually for six regional Digizones to establish community technology centers. These centers will provide technological tools and training to underserved rural, urban and Native American communities.

As the Fund is a new program, it will focus on startup operations and the needs assessment in its first year, allocating grants in subsequent fiscal years.

The Needs Assessment

The Digital Bridge Trust Fund geographically organizes the fifty states and the District of Columbia into six Digizones, as follows:



<u>West</u>	<u>Southwest</u>	<u>Midwest</u>	<u>South</u>	<u>Mid-Atlantic</u>	<u>Northeast</u>
Alaska	Arizona	Illinois	Alabama	Delaware	Connecticut
California	Colorado	Indiana	Arkansas	District of Columbia	Maine
Hawaii	New Mexico	Iowa	Florida	Kentucky	Massachusetts
Idaho	Oklahoma	Kansas	Georgia	Maryland	New Hampshire
Montana	Texas	Michigan	Louisiana	North Carolina	New Jersey
Nevada	Utah	Minnesota	Mississippi	Tennessee	New York
Oregon		Missouri	South Carolina	Virginia	Pennsylvania
Washington		Nebraska		West Virginia	Rhode Island
Wyoming		North Dakota			Vermont
		Ohio			
		South Dakota			
		Wisconsin			

The different sizes and characteristics of each Digizone demand that we conduct a needs assessment to tailor the operations of Digizone HQs according to regional characteristics and allocate grants commensurate to the relative regional needs.

The different sizes and characteristics of each Digizone also place different demands on the needs assessment. In principle, this creates a dilemma for allocating the needs assessment budget, since we have to apportion the needs assessment and grants budgets according to the very information that the needs assessment will provide, i.e. information that we do not presently

have. We worked around this dilemma by apportioning the budget according to information that we do presently have. That is to say, we apportioned the budget to the six Digizones according to the weighted proportions of suitable surrogate measures, e.g. different types of population, population density, poverty rates and telephone access rates.

### Program Design

The four main budget areas flowed directly from the program design: administration, needs assessment, outreach and grants:

- *Administration.* About 15% of total budget, this annually recurring expense covers the salaries of all staff in Digizone HQ and the Alaska satellite office, as well as other administrative expenses enumerated in the budget.
- *Needs assessment.* We exercised some intertemporal discretion here based on the expectation that we would only need to conduct the needs assessment in the first year and that we would not disburse grants until after the needs assessment. Therefore in FY 2000, we expanded the needs assessment allocation from 10% to 15%. From FY 2001 onward, we combined the needs assessment allocation with the grants budget.
- *Outreach.* In order to create and sustain interest and awareness of community technology centers, we intend to conduct outreach annually. Again, we exercised some intertemporal substitution here based on the expectation that we would not disburse \$140 million of grants in the first year and that we would probably need more initial outreach efforts in FY 2000. Therefore in FY 2000, we expanded the outreach allocation from 5% to 10% of total budget. From FY 2001, we kept to the program design allocation of 5% of total budget. The outreach budget will provide for media and communications, collateral materials and road shows.
- *Grants.* Since we do not expect to disburse grants until after we complete the needs assessment, we redistributed part of the grants allocation in FY 2000 to needs assessment and outreach. Consequently, we cut the FY 2000 allocation for grants from 70% to 60% of total budget. From FY 2001 onward, we will incorporate the needs assessment allocation to yield a total grant allocation of about 80% of total budget. In lieu of a complete needs assessment, we apportioned the grant budget according to a weighted function of population, poverty and telephone connectivity.

## Methodology

We applied the following methods and assumptions to estimate costs and apportion the budget to the six Digizones:

- *Other federal program budgets.* We examined the current federal government budget to determine line items and estimate expenditures on each line item. We believe that this is reasonable provided we referred to a budget of a similar program. We based our estimates on the Department of Commerce's budget for General Administration, Technology Administration, National Technical Information Service and National Institute of Standards and Technology.<sup>i</sup>
- *Weights.* As explained earlier, we estimated final apportionments using a weighted function of relevant census demographics. For each census characteristic  $c$  with weight  $w_c$ , each Digizone's weighted apportionment is given by:

$$\frac{C_i}{\sum_{\text{all zones}} C_i} \times w_c$$

- *Sharing costs with other programs.* The senior headquarter staff will not only oversee the community technology centers, but also all the other programs enumerated in Section 133(b). Therefore, we expect to spread these expenses proportionately among all nine program areas according to the minimum assistance amounts. Therefore, subsection 133(b)2's portion of shared expenses is:

$$\frac{200}{300 + 200 + 200 + 200 + 145 + 300 + 100 + 100 + 0.5} = \frac{200}{1545.5} \approx 12.94\%$$

These shared expenses include the compensations of the President, Financial Officer, Regional Coordinator, Experts and State Liaisons, and their supporting staff.

- *Staffing.* We assumed that the total number of full-time permanent personnel did not increase between FY 2000 and FY 2001. This is a reasonable assumption because the increase in caseload per full-time permanent personnel is offset by the decrease in agency startup workload.
- *Compensation.* For the basic compensation of full-time permanent and other than full-time permanent staff, we adhered to the guidelines laid out by the Office of Personnel Management.<sup>ii</sup> We assumed that they all start on step 1 of their respective grade. Further, we assumed that between FY 2000 and FY 2001 all permanent staff received a one-step pay increase.

- *Revenue and expenditure growth.* We referred to the Congressional Budget Office’s cost estimate of HR 3916<sup>iii</sup> and used their calculations to project revenue growth of 5.41% between FY 2000 and FY 2001. With the exception of the fixed salary steps, we also budgeted for 5.41% expenditure growth in FY 2001.
- *Alaska satellite office.* Additionally, we expect to establish a satellite office in Alaska to oversee its substantive Native American programs. The Alaska State Liaison will oversee the satellite office. The “Native American population” weight ensures that the Alaska satellite office budget is endogenously factored to the Western Digizone budget.

### Staffing and Compensation

We budgeted for personnel compensation according to the staffing and organization plan. Overall, the budget is substantially heavier on personnel compensation than the Department of Commerce’s budget by about 25% (see Appendix A). We believe that this is a correct allocation, because planning and managing a new agency requires relatively more human capital than maintaining an existing one.

According to the budget plan, each *Digizone headquarter* will comprise the following full-time permanent personnel:

- 1 President on GS-15.
  - o 1 administrative assistant to the President on GS-11
  - o 1 Public Relations Officer on GS-11.
  - o 1 Office Coordinator on GS-9.
  - o 2 general staff on GS-4.
- 1 Financial Officer on GS-13.
  - o 2 Accountants on GS-11.
  - o 1 general staff on GS-4.
- 1 Regional Coordinator on GS-13.
  - o 1 administrative assistant to the Regional Coordinator on GS-9.
  - o 1 general staff on GS-4.
- 4 Experts on GS-13.
  - o 2 general staff on GS-4.
- 6 to 12 State Liaisons on GS-11.
  - o 1 administrative assistant to each State Liaison on GS-7.
  - o 1 general staff to each State Liaison on GS-4.

Since we expect these personnel to work on all nine parts of Sec 133(b), then we apply the shared expense formula to their compensation and only budget for 12.94% of their total compensation.

The following full-time permanent personnel will support the nationwide program for community technology centers exclusively:

- 120 Project Managers on GS-11 who will oversee about five grants each.
  - o 1 administrative assistant to each Project Manager at GS-7.
  - o 1 general staff to each Project Manager at GS-4.

We weighted the distribution of Project Managers and accompanying personnel across the six Digizones by their share of the grants allocation. That is to say, the number of Project Managers and accompanying personnel in each Digizone is directly proportionate to the size of its grants allocation.

*Other than full-time permanent* expenditures are estimated as a proportion of the entire administrative budget according to our methodology, or about 2.1%.

*Other personnel compensation*, such as health and relocation benefits, is estimated as a proportion of full-time permanent compensation. We estimated this proportion as the mean of Federal Employees Retirement System (FERS) and Civil Service Retirement System (CSRS) schemes, where available. 2 year exp: 26.1%, 10 year exp: 32.4%, 20 year exp: 44.1%, 25 year exp: 44.2%,<sup>iv</sup> or about 36.7%.

*Civilian personnel benefits* are estimated as a proportion of the entire administrative budget (less total personnel compensation) according to our methodology, or about 5.78%.

## Budget

From the above considerations, we derived the following estimates for the fiscal years 2000 and 2001:

<i>In millions of dollars, rounded off</i>		2000 est	2001 est
<b>ADMINISTRATION</b>			
11.1	Full-time permanent	13.3	13.8
11.3	Other than full-time permanent	.6	.7
11.5	Other personnel compensation	4.9	5.1
11.9	Total personnel compensation	18.9	19.5
12.1	Civilian personnel benefits	1.7	1.9
21.0	Travel and transportation of persons	.7	.7
22.0	Transportation of things	.1	.1
23.2	Rental payments to others	1.7	1.8
23.3	Communications, utilities, and misc charges	.7	.8
24.0	Printing and reproduction	.2	.2
25.1	Advisory and assistance services	.2	.2
25.2	Other services	4.1	4.5
26.0	Supplies and materials	.7	.8
31.0	Equipment	1.0	1.1
	<i>subtotal, Administration</i>	30.0	31.6
<b>NEEDS ASSESSMENT</b>			
11.3	Other than full-time permanent	24.1	-
21.0	Travel and transportation of persons	2.0	-
22.0	Transportation of things	.4	-
23.3	Communications, utilities, and misc charges	2.2	-
24.0	Printing and reproduction	.7	-
25.1	Advisory and assistance services	.6	-
	<i>subtotal, Needs Assessment</i>	30.0	-
<b>OUTREACH</b>			
11.3	Other than full-time permanent	1.1	.6
21.0	Travel and transportation of persons	1.7	.9
22.0	Transportation of things	.3	.2
23.2	Rental payments to others	4.2	2.2
23.3	Communications, utilities, and misc charges	1.8	1.0
24.0	Printing and reproduction	.6	.3
25.2	Other services	10.3	5.4
	<i>subtotal, Outreach</i>	20.0	10.5
<b>GRANTS</b>			
41.0	Grants, subsidies and contributions	120.0	168.7
	<i>subtotal, Grants</i>	120.0	168.7
	<b>Total Obligations</b>	200.0	210.8
	<b>Revenues</b>	200.0	210.8
	<b>BALANCE</b>	-	-

Appendices:

- A. Comprehensive breakdown.
- B. Breakdown by Zones (FY 2000).
- C. Breakdown by Zones (FY 2001).
- D. Full-time permanent staff costs.
- E. Full-time permanent staff numbers.
- F. Office of Personnel Management GS grades and scales.
- G. Needs Assessment allocation.
- H. Grants allocation.
- I. Demographics.

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<sup>i</sup> Office of Management and Budget, Budget of the United States Government: Fiscal Year 2000, *Object Class Analysis*, 49–50 and 57–58.

<sup>ii</sup> Office of Personnel Management, The Classifier's Handbook, July 1999.

<sup>iii</sup> HR 3916 “To amend the Internal Revenue Code of 1986 to repeal the excise tax on telephone and other communication services” was the bill that the house actually passed instead of HR 4477. The cost estimate, by the same title, was prepared by Hester Grippando and approved by G Thomas Woodward (Assistant Director for Tax Analysis), dated 16 June 2000.

<sup>iv</sup> Congressional Budget Office, Comparing Federal Employee Benefits with Those in the Private Sector, August 1998.