

TESTIMONY

Of

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Chairman

Federal Communications Commission

Before the

**Subcommittee on Financial Services and General Government
of the Committee on Appropriations
United States House of Representatives**

On the

**Federal Communications Commission's
Fiscal Year 2008 Budget Estimates**

Tuesday, April 17, 2007

Good morning, Chairman Serrano, Ranking Member Regula, and Members of the House Appropriations Subcommittee on Financial Services and General Government. I appreciate this opportunity to appear before you today to discuss the Federal Communications Commission's Fiscal Year 2008 Budget Request.

I am pleased to work with the Subcommittee on the Fiscal Year 2008 appropriations process. The appropriations process is an exercise in fiscal responsibility – it enhances our internal system of financial checks and balances by bringing into focus the priorities of this Subcommittee and its staff. I welcome your oversight and input, and I look forward to working with you to ensure that the Commission is financially able to perform its mission.

Since I have assumed the chairmanship, the Commission has been working to strengthen its budget-related functions and I am pleased to report that these efforts are paying off. For example, in November 2006, the Commission's independent auditor provided an unqualified opinion and found no material weaknesses in the Commission's financial operations. This is the first time the Commission has ever received such high marks from its outside auditor.

Fiscal Year 2008 Request

The Commission is requesting spending authority of \$313,000,000 for Fiscal Year 2008. As in prior years, the Commission proposes to receive a direct appropriation of \$1,000,000 and to raise the remainder, or \$312,000,000, through regulatory fees. During the current fiscal year, the Commission has a spending level of \$291,282,388, established in the Continuing Resolution.

To continue to operate at our current level, the Commission would require \$297,282,388, which would represent an increase of 2.1 percent over the level set in the Continuing Resolution, for nondiscretionary operating increases. Of the total requested for the next fiscal year, \$6,000,000 is designated for these nondiscretionary operating increases to maintain Fiscal Year

2007 service levels, including employee salaries for our projected full-time equivalents (FTEs), and inflationary increases for office space rental, supplies, printing, postage, and contractual services. Of the additional \$6,000,000, \$5,000,000 is designated for employee salaries and \$1,000,000 is designated for the other nondiscretionary inflationary increases. However, operating at a level of \$297,282,388 would mean that the Commission would not approach the full complement of 1,900 full-time employees submitted in our Fiscal Year 2008 Budget Request. To operate at the requested staffing level of 1,900 employees, the Commission would require \$308,500,000, or an additional \$17,217,612 above the level established in the Continuing Resolution.

The Commission is requesting an additional \$4,500,000 to implement four program initiatives. First, \$1,500,000 would fund an outreach campaign to educate consumers about the transition to digital television (DTV). In the Deficit Reduction Act of 2005, Congress established a hard deadline of February 17, 2009 for completing the DTV transition. The Commission is proposing to use these funds to help educate consumers about the benefits and impact of DTV in advance of the deadline. This money would allow the Commission to initiate a wide range of outreach projects to help educate consumers about the DTV transition.

Second, the Commission is requesting \$1,000,000 for the Inspector General to increase its efforts to fight waste, fraud, and abuse in the Universal Service Fund. These monies would allow the Inspector General to further increase oversight of the \$7 billion Universal Service Fund.

Finally, the Commission is requesting \$2,000,000 for two modernization efforts. The Commission proposes to use \$1,000,000 to fund lifecycle replacement for vehicles the Commission uses to support police, fire departments, and other public safety organizations.

These special vehicles are used to investigate and resolve harmful interference to the communications systems of public safety and other organizations. The requested funding would allow the Commission to replace twelve of these vehicles. In addition, the Commission also proposes to use \$1,000,000 to help replace the Commission's antiquated accounting system.

Universal Service Fund Oversight

We are also requesting legislative authority to permit the transfer of up to \$20,480,000 from the Universal Service Fund in Fiscal Year 2007 for the purposes of monitoring the Universal Service Fund to prevent and remedy waste, fraud, and abuse, and to conduct audits and investigations by the Commission's Office of Inspector General. These monies – which would remain available until spent – would be used to strengthen the controls intended to safeguard the Universal Service Fund, to deploy any necessary financial systems, and to hire 19 limited term employees for the Inspector General's Office. The additional personnel would perform audits, provide investigational support to law enforcement agencies, review audit findings, and help with legal proceedings arising from the increased oversight. These monies would also permit the Commission's Office of Inspector General to obtain direct contract support to perform audits of Universal Service Fund beneficiaries and contributors.

Auctions

One of the Commission's important functions is using auctions to assign spectrum licenses. As of March 30, 2007, the Commission has received more than \$42 billion in winning bids through its auctions program. This includes approximately \$14 billion raised in the Advanced Wireless Service (AWS) auction the Commission undertook last year. The Commission has auctions projected to take place within the next year, including the auction of the 700 MHz band.

The Commission is permitted by law to use a portion of the revenue raised through spectrum auctions to run the program. During the past four funding cycles, the final appropriations bills set a cap of \$85 million on auctions expenses. We believe we can continue to run the auctions program with this level of funding in Fiscal Year 2008.

Budget Objectives

I am continuing to work with my colleagues on the Commission and with members of Congress to develop plans for promoting the deployment of broadband services, increasing competition, protecting consumers, ensuring the viability of the Universal Service Fund, enhancing public safety and homeland security, promoting the efficient use of spectrum, and reviewing media regulation to foster competition, localism, and diversity. I am also continuing to develop plans to ensure that the Commission and its staff have the tools and training necessary to accomplish our goals and mission.

Conclusion

Thank you again for this opportunity to work with you to review the Commission's Fiscal Year 2008 Budget. I respectfully request this Subcommittee grant the Commission its full funding request for Fiscal Year 2008. I would be pleased to answer any questions that you may have.