

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 2009 Budget Estimates**

Wednesday, April 9, 2008

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 2009 Budget Request.

I am pleased to work with the Subcommittee on the Fiscal Year 2009 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 for the Commission 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, for the last two years, the Commission's independent auditor provided an unqualified opinion and found no material weaknesses in the Commission's financial operations. The Commission has never received such high marks from its outside auditor two years in a row.

Fiscal Year 2009 Request

The Commission is requesting spending authority of \$338,874,783 for Fiscal Year 2009. As in prior years, the Commission proposes to receive a direct appropriation of \$1,000,000 and to raise the remainder, or \$337,874,783, through regulatory fees. During the current fiscal year, the Commission has a spending level of \$313,000,000, with all but \$1,000,000 raised through regulatory fees.

To continue to operate at our current level, the Commission would require \$311,968,783, which would represent a decrease of 0.3 percent below the level set for Fiscal Year 2008, for

nondiscretionary operating increases. Of the total requested for the next fiscal year, \$7,744,783 is designated for these nondiscretionary operating increases to maintain Fiscal Year 2008 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 \$7,744,783, \$6,582,975 is designated for employee salaries and \$1,161,808 is designated for the other nondiscretionary inflationary increases.

The Commission is requesting an additional \$26,906,000 to implement five specific initiatives. First, \$20,000,000 would continue and expand an outreach campaign to educate consumers about the upcoming 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. For the Commission's Fiscal Year 2008 appropriation, Congress authorized \$2,500,000 for consumer education about the DTV transition. The Commission is using these appropriated funds to help educate consumers about the benefits and impact of DTV in advance of the deadline. The Commission's contracting staff awarded a contract to Ketchum, Inc. to assist our efforts to promote consumer awareness of the DTV transition and to provide full-service production of outreach materials. For example, by the beginning of July, DTV education posters will be displayed in all 34,000 post offices across the nation. The additional money would allow the Commission to continue and expand a wide range of outreach projects to help educate consumers about the DTV transition. Also, attached is my April 8, 2008 testimony before the United States Senate Committee on Commerce, Science, and Transportation concerning our efforts related to the DTV conversion.

Second, the Commission is requesting \$1,050,000 to fund a Public Safety Clearinghouse Program that would significantly expand our coordination and outreach efforts targeted to the public safety community. The Commission would also use these funds to establish a “Public Safety Fellowship Program” to attract experts from the public safety community to work for the Commission for a temporary period. This program, together with closer collaboration and increased outreach efforts, will help the Commission strengthen its ties with the public safety community.

Third, the Commission is requesting \$1,919,000 for the Inspector General to increase its efforts to fight waste, fraud, and abuse in the Universal Service Fund and other Commission programs. These monies would allow the Inspector General to further increase oversight of the \$7 billion Universal Service Fund, as well as other Commission programs and activities.

Fourth, the Commission is requesting an additional \$200,000 for travel expenses to cover official travel. The Commission had already restricted the ability of outside entities to pay for the travel of Commission employees, including a ban on division chiefs and other senior managers from accepting industry-sponsored travel. Starting this Fiscal Year, Commission employees are prohibited by law from accepting payment for travel from entities that are subject to Commission regulation, and these funds would cover official travel that was formerly authorized to be paid for by non-Federal sources.

Finally, the Commission is requesting \$3,737,000 for three modernization efforts. The Commission proposes to use \$900,000 to complete the lifecycle replacement for vehicles the Commission uses to support police, fire departments, and other public safety organizations. This would allow us to purchase ten special vehicles that are used to

investigate and resolve harmful interference to the communications systems of public safety and other organizations. In addition, the Commission also proposes to use \$1,462,000 to consolidate the information technology systems used to process license applications and \$1,375,000 to complete the replacement of the Commission's antiquated accounting system.

Universal Service Fund Oversight

We are also requesting legislative authority to permit the transfer of up to \$25,480,000 from the Universal Service Fund in Fiscal Year 2009 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. This Subcommittee granted a similar request for our Inspector General for the current fiscal year. These monies would be used by the Inspector General to build upon the oversight work done to date, to continue strengthening the controls intended to safeguard the Universal Service Fund, and to maintain a staff of 19 limited term employees for the Inspector General's Office dedicated to these matters. 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. On March 18, 2008, the Commission announced the close of the 700 Mhz auction, which raised \$19.592 billion in revenue and helped advance new open platform

policies. The Commission has additional auctions projected to take place within the next year.

The Commission is permitted by law to use a portion of the revenue raised through spectrum auctions to run the program. During the past five 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 2009.

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 2009 Budget. I respectfully request this Subcommittee grant the Commission its full funding request for Fiscal Year 2009. I would be pleased to answer any questions that you may have.