

**Statement of
Chairman Julius Genachowski
Federal Communications Commission**

Hearing on the FCC's Fiscal 2012 Budget Request

**Before the
Subcommittee on Financial Services and General Government
Committee on Appropriations
U.S. House of Representatives**

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Thank you, Chairwoman Emerson, Ranking Member Serrano, and the other members of this Subcommittee. I appreciate this opportunity to present the FCC's Fiscal Year 2012 budget and provide you with details of our work at the Commission.

A year ago this month, a unanimous Commission approved a joint, bipartisan statement of principles, which said, "Broadband service can be an indispensable engine for unleashing innovation and investment, spurring job creation and economic growth, and ensuring our country's global competitiveness."

The statement continued: "Working to make sure that America has world-leading high-speed broadband networks – both wired and wireless – lies at the very core of the FCC's mission in the 21st century."

Since issuing that statement, the FCC has been focused on harnessing the power of broadband and communications technology to drive our economy, improve U.S. competitiveness, and to unleash innovation in areas like education, health IT, and public safety.

The importance of these efforts to promote opportunity and prosperity through communications technology grows every day.

The value of broadband connectivity increases every day for consumers and businesses.

Consider small businesses. They are a primary engine for creating new jobs in our economy. Like no technology since electricity, high-speed Internet connectivity helps new businesses start and small businesses grow by extending their reach to new markets and customers, and lowering their costs to provide valuable goods and services.

As the opportunities of wired and wireless broadband communications increase, so do the challenges and the costs of our failure to deploy essential telecommunications services.

Telecommunications industries now represent a critical and growing part of our nation's economy. Yet even as the communications industry has grown in size and complexity, the FCC has remained relatively small and focused. More than ten years

after the turn of the 21st Century and even after the explosive growth in telecommunications services, the FCC is at a ten-year low for FTE levels. During the past two decades, the FCC raised over \$52 billion through spectrum auctions and worked through tectonic industry developments that changed us from a hardwired voice-oriented nation to a hybrid voice-data, wireless world power.

We cannot be complacent in our work or we will suffer the consequences of this inaction. In recent weeks, several reports have been issued – from McKinsey, Kleiner Perkins, and the World Economic Forum – which confirm concerns raised by earlier studies: the U.S. is losing ground to our global competitors, and leadership in information and communications technology is critical for us to stay on top.

Nearly 100 million Americans – almost one-third of our population – are still being bypassed by the broadband revolution. That’s about a 68% adoption rate, which compares to a 90% adoption rate in, for example, South Korea.

Meanwhile, the costs of digital exclusion are rising as job postings go online, and as vital services like education, health care, and public safety increasingly require online access.

With limited resources, the FCC has been making significant progress toward fulfilling its Congressional mandate to ensure that all Americans have access to a robust communications infrastructure for a wide range of purposes – including public safety,

personal communications, consumer services, medical care, business expansion, employment, and education.

I have worked with the FCC's Managing Director to apply his private sector know-how to the task of identifying cost savings, creating budgetary efficiencies, and accomplishing strategic goals. The FCC's staff has worked hard to develop lean and flexible mechanisms and methodologies that make use of the resources that we already have first – before considering alternatives that might require additional financial resources.

The FCC understands well that everyone from the consumer increasingly using communications devices to the smallest amateur HAM operator to the largest ISP provider wants an efficient, well-tuned agency focusing on our statutory mission. In response to input from stakeholders, the Commission reformed its operations, breaking down the silos separating bureaus and fostering the healthy debate and discussion that ensures that we will incorporate the best ideas into our policies. We have maintained a commitment to focusing on facts and data, and understanding the benefits of proposed actions, as well as their costs. We've reformed and improved the way we review transactions, with an emphasis on processes that are fair, thorough, efficient, recognize benefits of private-market transactions, and protect consumers and the public interest.

Much has been done with limited resources to make the Commission transparent and more responsive to consumers. We have used new media to open up the digital

doors of this agency, empowering a broad range of people around America, from teachers to small business owners to a whole range of citizens to participate in our proceedings directly through workshops streamed online, the FCC's first blog, and other smart uses of modern communications technologies. Our staff is also close to completing work on an update of the agency's website, which had grown dramatically out-of-date, underserving consumers, businesses, and others who engage with the agency.

In the wake of these reform efforts, the Office of Personnel Management named the FCC the most improved federal agency.

We also have worked with this subcommittee to upgrade our staff within current FTE levels by implementing an early-out program. This past year we received reprogramming permission to use \$3.5 million of de-obligated funds to hire engineers, technologists, economists, and econometricians with the skills to tackle the challenges of the digital age. While many of these employees are essential to cyber-security and ramped up homeland security efforts, all of these employees are expected to have the experience and knowledge to support the complex and unprecedented data-driven and fact-based effort the Commission faces in achieving our country's broadband goals. Given the ongoing changes in technology and growing importance of this sector, we need to continue upgrading our workforce for the digital age.

Last year, I outlined some of our strategic goals and provided you with our programmatic initiatives. During the past year the Commission has taken concrete steps

forward and expended its resources responsibly to achieve each of the initiatives that we discussed in June. Here is a snapshot of some of our work:

Develop and Implement National Broadband Plan

- Prepared and released the country's first National Broadband Plan, a comprehensive strategy to foster the most vibrant broadband ecosystem in the world – unleashing private investment and world-leading innovation, creating jobs, and expanding opportunity and bringing the benefits of high-speed Internet to all Americans. The Commission's work on the Plan drew praise from more than 3,000 companies and nonprofit organizations.

Reform Universal Service

- Launched a proceeding to convert inefficient 20th century telephone programs into efficient and effective 21st century broadband programs that ensure fiscal responsibility and accountability.
- Initiated reforms the Lifeline and Linkup programs to prevent waste, fraud, and abuse and ensure that vulnerable populations receive needed support.
- Updated the successful E-rate program to enable greater flexibility for schools and libraries, faster connections, and the use of wireless education tools.
- Initiated work on our U.S. Health Connect program, so patients at rural clinics can benefit from broadband-enabled care, like remote consultations with specialists anywhere in the country.

Ensure Spectrum Availability and Efficiency for Future Economic Growth and U.S. Competitiveness

- Freed up the most significant amount of unlicensed spectrum in 25 years – to enable new technologies like “Super Wi-Fi” and machine-to-machine Internet-connected devices that drive innovation and efficiency in areas like health care, energy, and business operations.
- Eliminated unnecessary restrictions on the use of certain spectrum bands. This has allowed us, for example, to open 25 megahertz of spectrum for mobile broadband in the 2.3 GHz band, which is already being used for broadband in Korea.
- Encouraged dynamic spectrum sharing and secondary markets for spectrum, as well as development and deployment of femtocells, smart antenna technology, and devices that can access unlicensed spectrum like Wi-Fi to off-load traffic from cellular networks.
- Completed baseline spectrum inventory, and created a Spectrum Dashboard and LicenseView on the FCC's website to provide instant information about available resources.

Spur Broadband Deployment

- Launched the FCC’s Broadband Acceleration Initiative, which is cutting red tape and removing barriers to broadband buildout – lowering the costs of and encouraging the massive private investment we need in our communications infrastructure.
- Adopted an order to make it easier and more affordable for carriers to access utility poles, and established a shot-clock to speed the process for decisions on cell tower siting.

Protect and Empower Consumers

- Cracked down on wireless “mystery fees” that were costing consumers millions of dollars and secured a record \$25 million settlement.
- Issued rulemakings to protect consumers from bill shock and other forms of billing abuse.
- Approved mergers with conditions that fostered innovation, investment and competition, and protected and empowered consumers.
- Held workshops and events to help educate consumers about mobile safety issues, including distracted driving and cyberbullying.
- Took more than 1,400 enforcement actions, including reaching a settlement with Purple Communications, which restored more than \$18 million to Telecommunications Relay Service (TRS) Fund.

Foster Public Safety Efforts

- Convened first meeting of the Emergency Response Interoperability Center Public Safety Advisory Committee to assist first responders in building essential public safety networks.
- Initiated action to advance Next Generation 9-1-1 services.
- Provided important waivers to ensure that spectrum was available for shovel-ready regional programs designed to develop interoperable networks.
- Developed plans and launched initiative to aid in efforts to protect cyber security.

Reform Agency Operations

- Appointed a Special Counsel for FCC Reform, as part of an effort to improve agency operations and processes.
- Launched a comprehensive review of our current telecommunications regulations, seeking public comment on which regulations are no longer necessary or in the public interest.
- Launched a Data Innovation Initiative and established the position of Chief Data Officer, not only to ensure our policies are fact-based and data-driven, but to eliminate unnecessary data collection. An example of this initiative’s impact are proposals to eliminate the majority of reports we currently collect on international

communications, to reduce reporting requirements in those studies that remain, and to exempt hundreds of small businesses from having to report.

FY12 Request

This year, we are building on past work to complete projects previously initiated and we will move ahead with the priorities identified. I'm pleased to report that we have been successful in developing a budget for the Commission that maintains essential services, focuses on critical upgrades, and provides the level of knowledge and experience in its employees that the American people demand of expert agencies. The FCC's spending goals reflect our statutory mandate and respond to the demands of the evolving telecommunications ecosystem.

The Commission is requesting a budget of \$354,181,000. The FCC would continue to raise all of its funds through assessment of fees and permissible auction proceeds. Base funding increases are set at \$2.5 million and programmatic initiatives are expected to cost \$15.9 Million. Most of the base funding increase is for the Office of Inspector General.

Base Spending Levels

The base amount includes the non-salary increase of \$1.6 million for inflationary increases related to rentals, equipment, and supplies. We have taken significant steps to keep costs down, reducing the budget by \$2.3 million in non-salary areas. Specifically, we saved more than \$2 million across our IT, administrative, financial, and other service

contracts by consolidating and streamlining the services they provide. Another example, we recently cut back on the number hard copies of publications delivered to the Commission, netting \$50,000 in cost savings. We also saved tens of thousands of dollars on equipment, supplies, travel, and printing costs.

The remaining \$3.2 million from the base amount would fund an additional 19 FTE positions in the Office of Inspector General in order to replace the 19 NTEs acquired with the transfer of \$21.48 million from the Universal Service Fund in 2008. The NTE terms expire in 2012 but the personnel are essential to continued efforts to properly monitor USF and other programs and prevent waste, fraud, and abuse.

Programmatic Increases

The requested budget includes \$15.9 million in programmatic initiatives to: (1) finalize and support ongoing Commission-wide technology initiatives designed to improve efficiency and save costs; (2) implement specific components of the National Broadband Plan; (3) support the Commission's public safety role; (4) follow-through on studies necessary for finalizing a statutorily required report; and (5) upgrade and maintain services in the Office of Inspector General to combat fraud, waste, and abuse.

Information Technology Initiatives (\$5.7 million)

Almost one-fourth of the requested programmatic spending authority would cover costs associated with the consolidation of the Commission’s licensing system, improvements to the FCC’s website, and consolidation of the FCC’s existing data centers. These projects would ensure that the FCC’s internal technology resources operate efficiently to effectuate later cost savings. An additional \$1.7 million would fund the FCC’s development and maintenance of the National Broadband Map website.

The projected cost savings for this technology investment are substantial. We estimate that the FCC will save millions of dollars annually by consolidating our licensing system. These savings will begin to accrue shortly after the system is implemented and last for years. We also estimate that the cost savings for the data center consolidation is \$1.3 million annually after implementation.

Broadband Programs (\$4.9 million)

Broadband is an indispensable platform for economic growth, job creation, and our global competitiveness. The Commission proposes to focus resources to ensure the U.S. has world-leading wired and wireless broadband networks. The FCC has released a Report and Order proposing the conversion of the Universal Service Fund’s High Cost Fund from a voice-centric program to one that ensures universal access to broadband (“Connect America Fund”). Our reforms will reduce waste, fraud, and abuse, and ensure greater fiscal responsibility and accountability in this multi-billion dollar program.

The \$3.5 million of funds requested here will cover the cost of contractors assigned to develop, with public input, a model that calculates support levels for the estimated \$4.5 billion in annual CAF disbursements. One million dollars of the requested funds would continue the Consumer and Small Business end-user survey initiated in 2009 to measure broadband usage and adoption. It is required by the Broadband Data Improvement Act that the FCC conduct this survey periodically. The survey results must be compared over several years to adequately measure growth. The remaining \$400,000 would provide contractual services to create and execute a wireless network measurement test for broadband speeds. These are all designed to ensure that the FCC's policies are effective and efficient, while providing enormous gains for the public through economic growth, job creation, and spectrum auction proceeds. Additionally, many of these data collections and process refinements were General Accounting Office (GAO) recommendations. In a series of GAO reports, the Commission has been urged to collect more and better data to inform its Universal Service and broadband policy-making.

Public Safety (\$1.8 million)

Homeland security activities consume a significant portion of the Commission's budget and are essential to our core mission. The bulk of the funds requested for public safety operations will fund the Emergency Response Interoperability Center ("ERIC"). The Advisory committee for this program met this past month, and the Commission is moving aggressively to facilitate a nationwide interoperable communications network. ERIC will establish a technical and operational framework that will ensure nationwide

interoperability for the 700 MHz network. The request also provides \$500,000 for the establishment of a Cyber-Security Certification Program so that the Commission is prepared to analyze and document threats and develop operational information to work with sister agencies. The remaining \$350,000 upgrades the Commission's Portable Direction Finding System to ensure that we are able to track illegal activities and other forms of interference.

Media Ownership, Competition Report Resources (\$1 million)

Congress requires the Commission to review media ownership issues and competition and develop a Quadrennial Review to analyze trends and identify information for use in legislative oversight activities. This subcommittee permitted the reprogramming request last summer providing \$1 million in de-obligated funds to be used for expert studies related to local media market structures. The current request provides \$1 million for New Entrant Studies.

Office of the Inspector General (\$2.4 million)

The Commission shares Congress' commitment to preventing the misuse or abuse of valuable government resources and is placing an emphasis on this issue during the current budget cycle. The Commission's efforts to crack down on abuse have already led to enforcement actions that have led to tens of millions in payments to the U.S. Treasury, as well as the reform our Video Relay Service, which will save taxpayers \$250 million

annually by eliminating fraud in this program that provides vital communication to people who are deaf or hard-of-hearing. As part of its continuing efforts to root out waste, fraud, and abuse, and to ensure the future efficiency of the Universal Service Fund as well as FCC-initiated projects related to broadband initiatives and TRS, the Commission is requesting \$2.4 million for IG programming. The funds will cover a range of legal support, audit contracts, investigation travel, training, and software (IDEA license renewal). This request reflects the independent Inspector General's request, which is made based on internal calculations related to increased caseloads, particularly in the USF area.

Spectrum Auctions Funding Cap

The Commission is authorized to retain from auction revenues those funds necessary to develop, implement, and maintain the auction program. These funds cover the personnel and administrative costs required to plan and execute spectrum auctions; operational costs to manage installment payments and collections activities; development, implementation, and maintenance of all information technology systems necessary for Auctions operations, including development of a combinatorial bidding system, and a proportional share of the general administrative costs of the Commission. Congress has routinely capped these funds at \$85 million annually to ensure the continued viability of the program and to ensure the ability to conduct auctions quickly and efficiently. The Commission anticipates that the \$85 million cap will be sufficient to ensure program upkeep during the next fiscal year.

Conclusion

The Federal Communications Commission is a fee- and auction-proceeds funded agency focused on harnessing communications technologies to spur economic growth, job creation, U.S. competitiveness, and solutions to national challenges like public safety. The FCC's FY12 budget reflects a fiscally responsible effort to continue necessary programs without undercutting the Commission's core missions in a way that would have a counterproductive effect. This past year, the Commission has identified workplace efficiencies and successfully initiated modernization with available resources, while simultaneously implementing the National Broadband Plan and accomplishing a range of other strategic goals. The FY12 funds will provide the FCC with the resources necessary to complete and finalize programs initiated in past years, and those essential to keep the Commission responsive to changes in technology. The funds will ensure that the Commission is capable of performing the tasks mandated by Congress in an effective and efficient manner.