

**Written Statement of
Acting Chair Mignon Clyburn
Federal Communications Commission**

**Hearing on the President's Fiscal Year 2014 Funding Request
And Budget Justification for the Federal Communications Commission**

**Before the
Subcommittee on Financial Services and General Government
Committee on Appropriations
United States Senate**

September 11, 2013

Chairman Udall, Ranking Member Johanns, and members of the Subcommittee, I am grateful for this opportunity to discuss the Federal Communications Commission's Fiscal Year 2014 budget request, as well as our efforts to maximize our resources to ensure that the communications market remains a vibrant and successful driver of the American economy.

First, allow me to thank you for your decision to provide the Commission with full funding of the President's request for Fiscal Year 2014. The \$359,299,000 funding level in S.1371 is essential to ensuring that we are able to continue to meet our Congressionally-directed responsibilities. Although the FCC is small compared to other agencies, our actions have a wide-ranging impact on our nation's economic health and homeland security. The Commission and its predecessor agencies have safeguarded our spectrum and fine-tuned its use for over 100 years. We review and authorize the new wireless devices that are revolutionizing our economy, all while licensing hundreds of thousands of commercial and public safety spectrum users and searching for innovative methods to provide greater flexibility and shared uses of the airwaves.

The FCC's spectrum auction process exemplifies our role in enhancing America's economic growth. Auctions not only freed up the airwaves and provided the spectrum that has created and sustained America's mobile revolution, but they have raised \$51.9 billion since 1994 for the United States Treasury. Future auctions – notably the H Block and the first-in-the-world “incentive auction” – will provide much-needed spectrum to fuel industry growth and increase competition, while fostering essential nationwide interoperable public safety communications and paying down America's deficit. As a result, American consumers will enjoy greater performance and choices in the wireless communications marketplace.

These auctions also will fund tomorrow's public safety networks so that our first responders can communicate during emergencies. Today is the anniversary of the

terrible September 11th attacks, which painfully highlighted the need for interoperable, functioning communications systems. FirstNet will be an important part of this equation but we must also focus on day-to-day communications services, including facilitating the Emergency Alert System, licensing new frequencies to our first responders, ensuring that no one is interfering with or jamming our communications networks, and making certain 911 systems are accessible in emergencies. Nowhere is the Commission's commitment to our nation's well-being more evident than in our work to support homeland security. Over the last few years, the Commission has worked diligently on these efforts. For example, we teamed with the wireless industry and FEMA to bring emergency alerts to wireless consumers so that people in vulnerable areas will receive messages about potential serious events. The Commission responded to last year's Derecho storm with decisive action to ensure the reliability of calls to 911, and we will follow through on the rulemaking during my tenure.

The Commission also oversees management of congressionally mandated Universal Service Fund programs so that all Americans have access to essential communications services, whether they live on Tribal lands in New Mexico, a farm in Delaware, or in subsidized housing in Nebraska. Since the Commission last testified before this subcommittee, we have continued moving forward with our efforts to enhance the effectiveness of our universal service programs, improving fiscal responsibility while eliminating waste, fraud and abuse. We also have listened to rural carriers and made modifications to our reforms to address many of their concerns. These important cost-saving steps and modifications involved numerous resource hours to initiate, and require additional staff to complete.

In 2011, the Commission reformed USF to support a broadband-enabled communications infrastructure and for the first time put the "high-cost" program on a budget. And just weeks ago, carriers requested funding under the new Connect America Fund which will leverage hundreds of millions of dollars in private investment to deploy broadband to up to 600,000 unserved homes and businesses in 44 states. We reformed the Lifeline Program, with cost savings on track to save \$2 billion by the end of 2014. We reformed our Rural Health Care program to help connect thousands of healthcare providers in rural areas across the country to broadband. And this summer, we launched a proceeding to explore comprehensive modernization of E-Rate to ensure that schools and libraries have the bandwidth they need to use the latest digital learning tools.

Recently, we have initiated new proceedings to provide additional spectrum to spur growth – even in previously unheard of areas like the 57-64 GHz band. We have lessened regulatory burdens in areas such as experimental licenses so that new technology can reach consumers faster. Last month, the Commission took decisive action to address the unreasonable rates that America's inmates and their families have been paying for phone services. We also modernized and streamlined our data collection to reduce burdens while continuing the production of the National Broadband Map. Throughout the summer, Commission employees have worked long hours to make sure that communications services are accessible to individuals with disabilities. The staff

also dedicated extensive efforts to ensuring that the Office of Native Affairs and Policy had the resources to continue to enhance broadband service on Tribal lands.

Many of these matters have given me great satisfaction as Acting Chair and are reminders that our actions can mean so much to so many. But if America is to continue as a worldwide leader in communications and technology, we should not compromise the funding that supports the Commission's mission. Because we have been operating under a Continuing Resolution for Fiscal Year 2013, we started last year well below our request of \$346,782,000. With sequestration, we lost five percent of that reduced CR number, or \$17,096,193 – leaving us with \$322,000,000. So how exactly are these budget cuts impacting the FCC?

The Commission has dramatically reduced spending, and these reductions do not come without programmatic costs. For instance, instead of following GSA guidelines for the replacement of our tracking vehicles – equipment essential to enforcement and homeland security – we are attempting to fund other programs, because we can keep the tracking vehicles running a little longer. Less funding has led to routine shortages in equipment and supplies, the cancellation and reduction of contracts, continued use of outdated and failing engineering equipment, and bare-bones travel that falls short of addressing core mission objectives. We also have less to spend on important programs such as Tribal consultations and reduced funds have even led to the early shut down of the FCC Headquarters' air conditioning system, adversely affecting those working late hours in the peak summer heat.

But the Commission continues to act responsibly to deal with budget cuts and shortages, including reprogramming wherever we can find money while reducing services to create a funding pool. We currently have a reprogramming request before your subcommittee to replace our heating and air conditioning system in our Columbia, Maryland laboratory; to make repairs to the Enforcement Bureau facilities; and to fund upgrades to information technology systems essential to our legally mandated work. We are hoping that you will permit us to follow through on this reprogramming so that we can better deal with the impacts of sequestration.

If we were to realize the full Fiscal Year 2014 funding level, however, the Commission would stabilize and reduce the damage to our budget under sequestration and initiate essential upgrades to our technology base – including required software changes to our equipment authorization programs and other licensing systems, overdue lifecycle replacements for Enforcement Bureau equipment, and ongoing equipment repairs for our Columbia, Maryland Laboratory. These funds also would provide enough resources to stabilize the Commission's workforce numbers during the next fiscal year.

It is also important to note that our sequestered funds were not derived from direct appropriations, but raised from Section 9 regulatory fees paid by licensees – big and small – to ensure that their applications were processed, their new technology requests were reviewed, and consumer requests were resolved. Instead of building up the industry's foundation, serving the needs of consumers and funding dynamic new products

and services, FCC licensees paid an extra \$17 million in funds that were deposited directly into the U.S. Treasury. Also, under Section 8 of the Communications Act, the FCC raises approximately \$25,000,000 annually in application fees but does not see any of this money, as it goes directly to the Treasury. All of our actual application costs are paid from our appropriated number, or our licensing fees. So in a sense, the industry and consumers pay three times – once for application fees that are not used for that purpose, another to fund sequestration, and a third time to actually operate the Commission.

And the Commission staff processes over 300,000 of these applications annually. They are the daily lifeblood of the communications sector – new equipment, new authorizations, repurposed spectrum – all are essential to the success of the industry. They include 78,000 public safety applications to ensure that first responders have the spectrum they need to conduct operations that save lives and property on a daily basis. That number also counts 167,072 wireless applications – from your local HAM operators to Aviation licensees, as well as Maritime and of course, cellular licensees. Television, radio, TV translators, and other media services comprise 24,435 of these applications, and while the International Bureau handles a smaller number at 1,542, those applications have important and overarching international impacts. Our Office of Engineering and Technology also handled 3,565 experimental licenses last year on an antiquated computer system, while processing 6,000 equipment authorizations yearly, not including the 16,000 authorizations from outside laboratories reviewed by FCC staff.

Processing these applications is becoming more difficult as we face staffing shortages. The Commission maintains a highly skilled workforce of engineers, economists and attorneys, along with trained technical staff to carry out our core mission. But we have slowed backfilling positions, resulting in our lowest FTE levels in three decades, even as we are being asked to authorize more innovative products and oversee an increasingly complex and rapidly evolving communications marketplace. The inevitable results are slowdowns in application processing, which will impede progress and economic development and have a negative, cascading impact on all Commission operations – from spectrum development to auctions.

The Commission's comprehensive modernization of Universal Service Fund programs is also affected by sequestration. While USF itself is exempt from sequestration, our staff – the attorneys, technicians, engineers and economists who spend countless hours to manage our universal service programs – are not. This Subcommittee has placed an emphasis on the Commission completing USF reform – and we intend to do so, but resource challenges put severe burdens on fewer staff.

This subcommittee also directed the Commission to take decisive steps to alleviate rural call completion issues and report on remedial measures. Along with our Enforcement Bureau, these activities are being handled by the same bureau that is straining under the pressure of completing USF reform. Although I am committed to finding solutions to this issue, staff resources to complete the item are stretched too thin.

Over the course of the next year, the Commission will be called upon to continue its efforts to roll out broadband to all Americans and develop new and innovative solutions to satisfy our nation's insatiable demand for spectrum. We must complete work on our innovative incentive auctions program while simultaneously supporting the H Block Auction and a range of other auctions, big and small. We will use these mechanisms to raise funds for the interoperable public safety broadband network authorized by Congress. We also are expected to navigate and resolve complex cross-border issues. We will process hundreds of thousands of applications and consumer complaints and address issues that might not have been contemplated the year before in an environment that evolves at a break-neck speed.

I know that our engineers are up to the task. I know that our lawyers are up to the task. I know that our economists and researchers are up to the task. I know that our administrative staff stands ready to support their efforts and that the Commissioners await the staff's input. But I want to ensure that they all have the tools and the resources necessary to get their respective jobs done. When I think of the effects of sequestration coupled with pay freezes, I worry that we might very well lose the next generation of top-notch engineers, economists, attorneys and support staff as the current generation retires. We will run the risk of not just shortchanging current employees, our industries and American consumers – we may be jeopardizing our collective national future. This would be bad for the Commission and potentially fatal for the vital sector that we oversee.

I recognize that the sequestration problem must be resolved if we are to get the degree of funding we need to meet these goals. But if we were to receive the funding level that you have appropriated, not the reduced level set by sequestration, then I can confidently affirm that we are not only headed in the right direction but we will keep pace with the rapidly evolving industry that we are charged to oversee.

Thank you for the opportunity to appear before you today and I look forward to answering your questions.