

**STATEMENT OF
CHAIRMAN AJIT PAI
FEDERAL COMMUNICATIONS COMMISSION**

HEARING ON THE FCC'S FISCAL YEAR 2018 BUDGET REQUEST

**BEFORE THE
SUBCOMMITTEE ON FINANCIAL SERVICES AND GENERAL GOVERNMENT
COMMITTEE ON APPROPRIATIONS
U.S. SENATE**

JUNE 20, 2017

Chairman Capito, Ranking Member Coons, and Members of the Subcommittee, thank you for inviting me here to present the Federal Communications Commission's (FCC) Fiscal Year (FY) 2018 Budget Request. I also want to note the participation of my two colleagues at today's hearing, Commissioner Mignon Clyburn and Commissioner Michael O'Rielly. It is a privilege to serve with both of them as we work together to advance the public interest.

My appearance today is my fifth time testifying before this Subcommittee. But on this occasion, there are obvious differences in my level of responsibility. Now, as Chairman, my duty is to present a viable budget developed under my direction and to detail how the Commission's request will support our core mission and the execution of our programmatic initiatives. In developing the final budget request, we also adhered to the Office of Management and Budget's government-wide effort to cut spending below the prior fiscal year by 5% or more.

In the past, FCC Chairmen have routinely noted to this Subcommittee that we are an entirely fee-funded agency. But it is important to remember that someone is still paying our freight. That someone includes small businesses, individual licensees, as well as larger companies, which pass along those fees to American consumers. As a result, I have always believed that it is important for the Commission to be fiscally responsible and avoid unnecessary spending. Moreover, I firmly believe that if the FCC refrains from regulatory overreach, we will realize additional cost savings as well as more economic growth—results that benefit everyone.

With this basic philosophy in mind, I instructed the FCC's Office of Managing Director to pare down our proposed FY 2018 spending plan and target all funds toward specific statutory mandates. We initiated an internal review of the Commission's procedures and administrative practices to identify ways to enhance our work and decrease spending. Already, this effort has produced dividends. Our staff has identified several potential cost-cutting initiatives. For example, we have decided to close our off-site warehouse and improve our internal mail services for a projected annual cost-savings of \$851,000. We will also save another \$280,000 by reducing the number of on-site printers and copy machines. And we will continue to investigate and implement cost-savings and cost-avoidance measures related to information technology (IT), like buying less extravagant (but effective) off-the-shelf software—because the most expensive choices do not necessarily equate with the best choices.

As a result of these efforts, we have compiled a tightly-crafted, disciplined budget request of \$322,035,000—or 5.2% below the prior fiscal year’s undirected spending level of \$339,844,000. This number includes the Office of Inspector General pass-through, which also includes a voluntary reduction. Importantly, during FY 2018, we will not need any directed move or restacking funds. In fiscal years 2016 and 2017, those directed funds totaled \$44 million and \$16 million, respectively. Combined, these spending reductions will mean lower fees for those we regulate, and thus fewer costs passed on to American consumers.

In addition, the spectrum auction cap, which has been steadily increasing over the past five years, will receive a 5% reduction, from \$117,000,000 to \$111,150,000. We arrived at this number after reviewing prior fiscal year spending with our staff and considering our anticipated workload for the next year. The lower cap is achievable in light of the scale-down of work associated with the broadcast television incentive auction. This reduction means that the FCC will turn over almost \$6 million more to the Treasury than would be the case if the cap stayed steady.

Budget reductions do not come easily. We will face the same challenges as other agencies in doing more with less. Implementing budget cuts in FY 2018, while maintaining essential services, means rolling up our sleeves and re-thinking the way that the Commission functions and does business.

Additionally, we believe that these operational reforms and financial savings can and must be supported by policy changes that reduce the scope and growth of our workload. That is why immediately upon becoming Chairman, I initiated a substantive review of ongoing Commission actions. I set top priorities of stopping regulatory overreach, modernizing our rules to match the modern marketplace, and promoting greater infrastructure investment, innovation, and economic growth.

As we move into FY 2018, we will focus the Commission’s resources on advancing the four strategic goals outlined in our budget request: (1) closing the digital divide; (2) promoting innovation; (3) protecting consumers and public safety; and (4) reforming the FCC’s processes. My commitment as Chairman is to do as I have promised without straying into activities that exceed our legal authority or go beyond the core competencies of our agency.

First and foremost, we will focus on closing the digital divide. We will foster a regulatory environment that encourages the private sector to build, maintain, and upgrade next-generation networks so that the benefits of advanced communications services are available to all Americans, whether they live in Appalachia or the Ozarks, on Tribal Lands or in cities in transition. And where the business case for infrastructure investment does not exist, we will employ effective and efficient means to facilitate deployment and access to affordable broadband in all areas of the country.

To accomplish this goal, we will continue to work on implementing the Connect America Fund Phase II reverse auction to disburse about \$2 billion. This program aims to bring fixed broadband to unserved areas. And we will continue to work on the Mobility Fund Phase II reverse auction to disburse \$4.53 billion. This program aims to bring 4G LTE coverage to parts

of our country where high-speed mobile broadband is not currently available. Each of these projects is complicated; each will take up a substantial amount of staff resources during FY 2018. But our Rural Broadband Auctions Task Force has developed a solid plan for getting the job done.

In addition, we will continue to work in FY 2018 to remove regulatory barriers to broadband deployment. For example, we must make it easier for companies to transition from the copper networks of yesterday to the fiber networks of tomorrow. Every dollar spent maintaining an old network is, by definition, a dollar that can't be spent building a next-generation network. We need to encourage private capital to be spent on high-speed, modern digital connectivity. We also must ensure that broadband providers can get timely access to poles and rights-of-way at a reasonable cost.

Second, we will focus on promoting innovation. Our goal is to foster a competitive, dynamic, and innovative market for communications services through policies that promote the introduction of new technologies and services. To do this, we will ensure that the FCC's actions and regulations reflect the realities of the current marketplace, promote entrepreneurship, expand economic opportunity, and remove barriers to entry and investment.

In the mobile space, we will work to ensure that the United States leads the world in the development and implementation of 5G, or fifth-generation wireless services. That means continuing our work to make more high-band, middle-band, and low-band spectrum available for mobile broadband. And that means removing regulatory barriers to the siting of physical infrastructure. As we transition to 5G, networks will "densify"—that is, coverage will depend more on dozens or hundreds tightly-packed small cells operating at low power, rather than cell towers operating at higher power. So we need to ensure that our rules keep up with the times. It doesn't make sense to apply a review process designed for a 200-foot tower to a small cell that you can fit in the size of your hand.

In FY 2018, we will also work on promoting innovation in the broadcast space by authorizing television broadcasters to use ATSC 3.0, the next-generation television standard. This standard holds the promise of bringing 4K video, immersive audio, better accessibility features, and advanced emergency alerts to American consumers.

The Commission also still has a great deal of work to do to carry out the spectrum pipeline language from the 2015 Bipartisan Budget Act, and the Administration's budget proposes to extend the FCC's auction authority to 2027 in order to raise an additional \$6 billion. This work includes substantial negotiations with sister agencies, identification of new spectrum for commercial use and sharing, and a broad range of engineering activities that requires staff-intensive work. But the agency's excellent staff is up to the task, and we intend to tackle these challenges head-on. The faster we get spectrum into the marketplace, the more innovation we'll see and the more consumers will benefit.

Third, we will focus on protecting consumers and public safety. The number one topic of complaints we receive from American consumers involves unwanted robocalls. Accordingly, I've made combatting this scourge one of the Commission's top priorities. In

March, for example, the Commission adopted a Notice of Proposed Rulemaking and a Notice of Inquiry to consider allowing service providers to block robocalls under certain circumstances, without fear of liability for failing to complete calls. This includes a proposed safe harbor that would allow providers to block presumptively invalid calls that spoof unassigned phone numbers before they reach consumers.

In FY 2018, we will continue to work on a variety of fronts to combat unlawful robocalls. Our Enforcement Bureau will investigate and take appropriate action to penalize those who are breaking the law. And our Consumer and Governmental Affairs Bureau, along with our Wireline Competition Bureau, will continue to work on rules that will make it easier for carriers to stop these unwanted calls.

We will also emphasize expanding the communications opportunities available to Americans with disabilities. Another key Commission priority has been to improve the quality of Video Relay Service available to those who are deaf or hard of hearing. During FY 2018, we will continue this important work.

We will also extend our efforts to protect public safety. June is Public Safety Month at the Commission, and at our next monthly meeting on Thursday, June 22nd, we will vote on three items to help law enforcement and protect the American people. First, we will advance a proposal to establish a Blue Alert code so that the Emergency Alert System is better able to warn of imminent dangers to law enforcement officials. Second, we will take another step to support FirstNet's development of a nationwide, interoperable broadband network for public safety officials. And third, we will move forward with a proposal to make it easier for law enforcement to discover the identity of those who make threatening phone calls to individuals or organizations. During FY 2018, we will continue working on these areas and others to ensure that our nation's law enforcement officers get the support they deserve and to keep Americans safe.

Fourth, we will focus on reforming the FCC's processes. The American people deserve to have a nimble and responsive regulator, and we aim to deliver just that. We hope to modernize and streamline the FCC's operations and programs to increase transparency, improve decision-making, build consensus, reduce regulatory burdens, and simplify the public's interactions with the Commission. Last year, this Subcommittee included report language to encourage many of the steps that I have already taken to enhance agency transparency. On February 2, 2017, we started releasing items to be voted upon at the Commission's monthly meetings at least three weeks in advance of those meetings. It used to be the case that the American people weren't allowed to see these items ahead of time. Only after the vote was taken were they able to see our work. This system benefited high-priced lobbyists who were often able to get access to information, but it left every other American in the dark. I am extremely pleased by the reaction to this reform and am working on additional ways to increase agency transparency. For example, we are in the process of developing an agency dashboard so that it is easy for the American people to see how we are doing on some key metrics.

When it comes to agency reform and our internal operations, it's critical to emphasize the importance of IT to our mission. We are a licensing agency, and our licensing is IT-based. We

conduct auctions, and auctions have a significant IT component. We are a consumer protection agency, and the vast majority of consumer complaints come to us online. There are other examples, too, but the point is that IT is invaluable.

By modernizing our IT systems and moving away from legacy systems, we can reduce overall costs and improve the agency's operations. In recent years, we have made substantial progress on this front, but there is still more work to do. In particular, we have been focused on moving systems to the cloud. In FY 2018, we will continue to upgrade our IT and prioritize those projects that produce the biggest bang for the buck.

Finally, when it comes to agency reform, we must be willing to take a hard look at how the Commission is structured. Today, I don't believe that the Commission is organized in a way that focuses sufficiently on economic analysis. When it comes to legal analysis, we have the Office of General Counsel. When it comes to engineering analysis, we have the Office of Engineering and Technology. But we lack a similar center for economic analysis.

That's why, later this year, I intend to send to the Appropriations Committee a plan that would create an Office of Economics and Data within the FCC. A working group of FCC staffers has been busy consulting with people inside and outside of the Commission to figure out, among other things, how this office should be structured and what authorities it should have. In keeping with a fiscally responsible approach to running the Commission, this office will be staffed with existing FTEs and will not require new FTEs. I look forward to receiving the group's recommendations this summer, and hopefully the Commission this fall will approve the establishment of this office.

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Looking ahead to the next fiscal year, I am excited about the steps the FCC can take to bring digital opportunity to more Americans, promote technological innovation, protect the American people, and improve our agency's operations. And I believe that this budget request will help us to advance these goals in a fiscally responsible way. By capturing new administrative efficiencies, improving our internal processes, and focusing on our core responsibilities, we can accomplish more for the American people for less money.

Thank you for this opportunity to discuss the FCC's budget proposal, and I will be pleased to answer any questions that you may have.