



FEDERAL COMMUNICATIONS COMMISSION

Fiscal Year 2017 Annual Performance Report

(October 1, 2016 – September 30, 2017)

Message from the Chairman

It is my pleasure to present the Federal Communications Commission's (FCC or Commission) Annual Performance Report for Fiscal Year (FY) 2017. At the outset, please note that the FCC's FY 2017 Annual Performance Report reflects the strategic and performance goals included in the FCC's FY 2017 Budget proposal, which contained the FCC's FY 2017 performance plan, and which was submitted to Congress in February of 2016, prior to my tenure as the FCC's agency head. Pursuant to the GPRA Modernization Act of 2010, P.L. 111-352, and Office of Management and Budget (OMB) Circular A-11, the FCC has updated its strategic and performance goals since the Presidential transition in January of 2017 to reflect the priorities of the administration of the FCC under my chairmanship. The new strategic goals, which can be found in the FCC's Strategic Plan for FY's 2018 to 2022, include: Closing the Digital Divide, Promoting Innovation, Protecting Consumers and Public Safety, and Reforming the FCC's Processes. For additional information on the FCC's new goals, please see the FCC's Strategic Plan for FY's 2018-2022, which is available at: <https://www.fcc.gov/about/strategic-plans-budget>. The FCC has already made significant progress in FY 2017 towards implementing these updated priorities. Furthermore, in FY 2018, the FCC continues to be productive and has taken additional action on several proposals first raised in FY 2017. The FCC's new goals for FY 2018 and their corresponding accomplishments will be reflected in the FCC's Annual Performance Report for FY 2018 next year.

As for the FCC's accomplishments in FY 2017, the Commission focused on enabling the further deployment of high-speed Internet access or broadband, which is critical to promoting economic opportunity. There are parts of the country where broadband remains unavailable or unaffordable. The FCC is helping to close this digital divide by: more wisely applying federal funds under the Universal Service Fund programs that we administer; revising regulations that deter private sector investment in next-generation networks; and aiding state and local governments, as well as the private sector, by creating deployment-friendly best practices. With these tools, we aim to lower the cost of deploying broadband and create incentives for providers to connect consumers in hard-to-serve areas. We have also teed up numerous proposals to make it easier to deploy these networks prospectively to benefit all Americans.

Another key priority for the FCC is to create a regulatory environment in which innovation can thrive. Entrepreneurs are constantly creating new technologies and services. But consumers aren't well-served when bringing them to the market is constrained by outdated rules and bureaucratic inertia. The FCC must look to facilitate, not frustrate, innovation. Many of the FCC's legacy rules simply don't reflect today's marketplace, while some affirmatively harm consumers and competition by diverting investment and impeding innovation. We have actively sought to repeal and revise outdated rules and will continue to do so.

In addition, a major part of the FCC's core mission has always been to serve the public interest by protecting consumers. One thing that seems to unite all Americans is their frustration with the ever-rising tide of disruptive robocalls. Robocalls are the number one consumer complaint to the FCC from the public, and the FCC has implemented an aggressive agenda to target and eliminate them.

Furthermore, as Chairman, I have made it a priority to implement reforms to make the work of the FCC more open, transparent, and accountable to the American people. The full text of draft items on the monthly Commission meeting agenda is now released to the public three weeks in advance of our meetings. This information was previously not publicly available. While this effort has been a success, the FCC will not stop there and will continue to look for ways to improve the transparency of its processes going forward.

Again, I appreciate the opportunity to present this Performance Report and look forward to providing future updates on the Commission's efforts in accomplishing the critical work facing the FCC.



Ajit V. Pai
Chairman

Mission

As specified in section one of the Communications Act of 1934, as amended, the Federal Communications Commission's (FCC or Commission) mission is to "make available, so far as possible, to all the people of the United States, without discrimination on the basis of race, color, religion, national origin, or sex, rapid, efficient, Nation-wide, and world-wide wire and radio communication service with adequate facilities at reasonable charges."¹ In addition, section one provides that the Commission was created "for the purpose of the national defense" and "for the purpose of promoting safety of life and property through the use of wire and radio communications."²

About the Federal Communications Commission

The FCC is an independent regulatory agency of the United States Government. The FCC is charged with regulating interstate and international communications by radio, television, wire, satellite, and cable. The Commission also regulates telecommunications and advanced communication services and video programming for people with disabilities, as set forth in various sections of the Communications Act.

The FCC is directed by five Commissioners appointed by the President and confirmed by the Senate for five-year terms, except when filling the unexpired term of a previous Commissioner. Only three Commissioners can be from the same political party at any given time. The President designates one of the Commissioners to serve as Chairman.

The FCC is organized by function. There are seven Bureaus and ten Offices. The Bureaus and the Office of Engineering and Technology process applications for licenses to operate facilities and provide communications services; analyze complaints from consumers and other licensees; conduct investigations; develop and implement regulatory programs; and organize and participate in hearings and workshops. Generally, the Offices provide specialized support services. The Bureaus and Offices are:

- **The Consumer & Governmental Affairs Bureau** develops and implements consumer policies, including disability access and policies affecting Tribal nations. The Bureau serves as the public face of the Commission through outreach and education, as well as responding to consumer inquiries and informal complaints. The Bureau also maintains collaborative partnerships with state, local, and Tribal governments in such critical areas as emergency preparedness and implementation of new technologies. In addition, the Bureau's Disability Rights Office provides expert policy and compliance advice on accessibility with respect to various forms of communications for persons with disabilities.
- **The Enforcement Bureau** enforces the Communications Act and the FCC's rules. It protects consumers, ensures efficient use of spectrum, furthers public safety, promotes

¹ 47 U.S.C. § 151.

² *Id.*

competition, resolves intercarrier disputes, and protects the integrity of FCC programs and activities from fraud, waste, and abuse.

- **The International Bureau** administers the FCC's international telecommunications and satellite programs and policies, including licensing and regulatory functions. The Bureau promotes pro-competitive policies abroad, coordinating the FCC's global spectrum activities and advocating U.S. interests in international communications and competition. The Bureau works to promote a globally interconnected and interoperable communications infrastructure that is of high quality and reliability.
- **The Media Bureau** recommends, develops, and administers the policy and licensing programs relating to electronic media, including broadcast, cable, and satellite television in the United States and its territories.
- **The Public Safety & Homeland Security Bureau** develops and implements policies and programs to strengthen public safety communications capabilities that assist the public, first responders, the communications industry, and all levels of government in preparing for and responding to emergencies and major disasters.
- **The Wireless Telecommunications Bureau** is responsible for wireless telecommunications programs and policies in the United States and its territories, including licensing and regulatory functions. Wireless communications services include cellular, paging, personal communications, mobile broadband, and other radio services used by businesses and private citizens. The Bureau also conducts auctions of spectrum licenses and reverse auctions that award support from the Universal Service Fund for broadband deployment.
- **The Wireline Competition Bureau** develops, recommends, and implements policies and programs for wireline telecommunications, including fixed (as opposed to mobile) broadband and telephone landlines, striving to promote the widespread development and availability of these services. The Bureau has particular responsibility for the Universal Service Fund which helps connect all Americans to communications networks.
- **The Office of Administrative Law Judges** is composed of one judge (and associated staff) who presides over hearings and issues decisions on matters referred by the FCC.
- **The Office of Communications Business Opportunities** promotes competition and innovation in the provision and ownership of telecommunications services by supporting opportunities for small businesses as well as women and minority-owned communications businesses.
- **The Office of Engineering and Technology** advises the FCC on technical and engineering matters. This Office develops and administers FCC decisions regarding spectrum allocations and grants equipment authorizations and experimental licenses.
- **The Office of the General Counsel** serves as the FCC's chief legal advisor.

- **The Office of the Inspector General** conducts and supervises audits and investigations relating to FCC programs and operations.
- **The Office of Legislative Affairs** serves as the liaison between the FCC and Congress, as well as other Federal agencies.
- **The Office of the Managing Director** administers and manages the FCC.
- **The Office of Media Relations** informs the media of FCC decisions and serves as the FCC's main point of contact with the media.
- **The Office of Strategic Planning and Policy Analysis** works with the Chairman, Commissioners, Bureaus, and Offices in strategic planning and policy development for the agency. It also provides research, advice, and analysis of complex, novel, and non-traditional economic and technological communications issues.
- **The Office of Workplace Diversity** ensures that the FCC provides employment opportunities for all persons regardless of race, color, sex, national origin, religion, age, disability, or sexual orientation.

PROMOTING ECONOMIC GROWTH AND NATIONAL LEADERSHIP

Promote the expansion of competitive telecommunications networks, which are a vital component of technological innovation and economic growth and help to ensure that the U.S. remains a leader in providing its citizens opportunities for economic and educational development.

FY 2017 PERFORMANCE HIGHLIGHTS

A key priority for the FCC is to create a regulatory environment that facilitates innovation. To that end, in a Notice of Proposed Rulemaking, the FCC took the first step toward restoring Internet freedom and promoting infrastructure investment, innovation, and choice by proposing to end utility-style regulation of broadband Internet access service. The FCC proposed to return to the framework that promoted a flourishing free and open Internet for almost 20 years. First, the Notice proposed to reverse the FCC's 2015 decision to impose Title II utility-style government regulation on Internet Service Providers (ISPs) and return to the light touch framework under Title I of the Communications Act. Second, the Notice proposed to reinstate the private mobile service classification of mobile broadband Internet access and return to the Commission's definition of "interconnected service" that existed prior to 2015. Given the historical innovation and success of the wireless marketplace prior to the Title II Order, this proposal is expected to substantially benefit consumers and the marketplace. Third, the Notice proposed to eliminate the vague and overly regulatory Internet conduct standard created by the Title II Order. Eliminating the Internet conduct standard is expected to promote innovation and network investment by eliminating regulatory uncertainty.

The Commission announced the closing of the broadcast incentive auction, which created a first-of-its-kind market for repurposing valuable broadcast airwaves for nationwide wireless use. The incentive auction was among the highest grossing auctions ever conducted by the FCC, yielding \$19.8 billion in revenue for 70 MHz of mobile broadband spectrum, including \$10.05 billion for 175 winning broadcast bidders, and more than \$7 billion to the United States Treasury for deficit reduction. Of the winners, 30 stations will receive money for agreeing to move to a lower channel and 133 others will relinquish their licenses and indicated their intent to remain on air through channel-sharing agreements with non-winning stations. The Commission has commenced a 39-month transition period to move broadcast stations to new channel assignments.

The FCC announced authorization of the first-ever Long Term Evolution-Unlicensed (LTE-U) devices in the 5 GHz band, a significant technical advance in wireless innovation and shared spectrum use. The FCC's Office of Engineering and Technology certified that the LTE-U devices being approved were in compliance with FCC rules. LTE-U allows wireless providers to deliver mobile data traffic using unlicensed spectrum. Voluntary industry testing has demonstrated that both these devices and Wi-Fi operations can co-exist in the 5 GHz band.

The FCC approved its 20th Annual Mobile Wireless Competition Report in which, for the first time since 2009, the FCC made an affirmative finding that there is effective competition in the marketplace for mobile wireless services. The Report used data from 2016 and early 2017 and found that consumer demand and output continued to increase, average prices have been falling, and service providers have enhanced the performance, coverage, and capacity of their networks. The Report concluded that competition continues to play an essential role in the mobile wireless marketplace, driving innovation and investment.

The FCC expanded the spectrum available for vehicular radars used for safety applications like collision avoidance and adaptive cruise control. Access to this additional spectrum will enable continued innovation, allowing these radars to better distinguish between objects in areas close to the vehicle and improving performance for applications such as lane change warnings, blind spot detection, parking aids, “stop and follow,” “stop and go,” autonomous braking, and pedestrian detection. This approach is consistent with the spectrum that is available internationally, avoiding the need to customize the radars in vehicles for different markets.

The FCC revised and clarified its rules to promote more effective spectrum access for wireless microphone operations in the television bands, the repurposed 600 MHz band, and other frequency bands. The Order provided revisions and clarifications to certain technical and operational rules (e.g., spurious emissions rules, measurement of emission limits, coordination rules, and access to spectrum in certain bands). The rule revisions will promote spectrum access.

The FCC reformed certain outdated rules applicable to the 800 MHz Cellular Service band to facilitate the use of that spectrum for mobile broadband services such as Long Term Evolution (LTE), which provides high-speed connectivity to mobile consumers. To accommodate continued skyrocketing demand for mobile broadband, the revisions will allow providers to use cellular spectrum to provide mobile broadband service to the public more efficiently, reduce barriers to innovation and investment and ease administrative burdens. At the same time, the rules will continue to safeguard public safety operations.

The FCC eased outdated pricing rules to enable continued robust growth in the market for business data services (BDS). BDS are dedicated connectivity used by businesses, non-profits, and government institutions for secure and reliable communications. BDS are essential to the production and delivery of goods and services across the economy, from connecting bank automated teller machine (ATM) networks and retail credit-card readers to providing enterprise business networks with access to branch offices, the Internet, or the cloud. The Order recognized the strong competition present in the BDS market and found that legacy regulation inhibited the investment required for the transition of BDS from legacy copper-based networks to high-speed Ethernet connectivity.

The FCC sought comment on a proposal that would allow television broadcasters to use the “Next Generation” broadcast television transmission standard, called “ATSC 3.0,” on a voluntary, market-driven basis. ATSC 3.0 has the potential to greatly improve broadcast signal reception on mobile devices and television receivers without outdoor antennas. It is also intended to enable broadcasters to offer enhanced and innovative new features to consumers, including Ultra High Definition picture and immersive audio, more localized programming

content, an advanced emergency alert system capable of waking up sleeping devices to warn consumers of imminent emergencies, improved accessibility options, and interactive services.

Chairman Pai directed agency staff to develop rules and procedures to implement Section 7 of the Communications Act. Section 7 states that it is the policy of the United States to encourage the provision of new technologies and services to the public. The new rules would codify specific Commission procedures for determining whether new technologies or services proposed in a petition or application are in the public interest within one year after the petition or application is filed, consistent with the policy directive of Section 7.

The FCC initiated a Notice of Inquiry seeking comment on ways to expand opportunities for next-generation services – particularly wireless broadband services – in mid-band spectrum. The Notice of Inquiry will help to evaluate spectrum bands between 3.7 and 24 GHz to ensure the Commission is exploring all potential options to meet the ever-increasing demands for spectrum. The Notice of Inquiry seeks comment on three specific mid-range bands (3.7-4.2 GHz, 5.925-6.425 GHz, and 6.425-7.125 GHz), and asked commenters to identify other non-federal mid-band frequencies that may be suitable for expanded flexible use to allow the introduction of additional fixed and mobile wireless services. This effort complements the significant progress the Commission has made toward making spectrum available for wireless services, such as its work in the Spectrum Frontiers proceeding on high-band frequencies above 24 GHz as well as the FCC’s work on various low-band frequencies below 3.7 GHz.

The FCC, through authority delegated to the Wireline Competition Bureau, International Bureau and Wireless Telecommunications Bureau, granted a series of applications filed by Verizon Communications Inc. (Verizon) and XO Holdings seeking Commission approval for the transfer of control to Verizon of licenses and authorizations and 54 ancillary wireless licenses. The Bureaus approved the transaction without conditions and found that the benefits of the transaction outweighed any potential public interest harms.

The Wireline Competition Bureau processed approximately 40 domestic section 214 discontinuance applications and 55 domestic section 214 transfer of control applications under its streamlined and non-streamlined filing rules. The transfers of control included eight separate mergers of regional fiber-based carriers that the applicants stated would allow them to build scale and synergies by extending their fiber reach beyond their existing footprints.

The FCC reviewed and processed 846,574 applications and complaints in FY 2017, meeting its Speed of Disposal (SOD) goals 98% of the time. In six of the last seven years, the FCC met the SOD metrics for at least 96% of applications and complaints. See results below:

<u>BUREAU/OFFICE</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
CONSUMER AND GOVERNMENTAL AFFAIRS	98%	99%	99%	98%	98%	99%	99.7%
INTERNATIONAL ³	91%	88%	83%	77%	76%	82%	88%
MEDIA	84%	98%	98%	97%	85%	91%	95.9%
ENGINEERING AND TECHNOLOGY	99.6%	99.7%	99.6%	99.7%	99.9%	99%	98.9%
PUBLIC SAFETY AND HOMELAND SECURITY	91%	90%	97%	99%	99%	99%	98.7%
WIRELESS TELECOMMUNICATIONS	98%	98%	85%	95%	98%	98%	97%
WIRELINE COMPETITION	99.9%	99.8%	99.6%	99.5%	99.3%	99.0%	97%
FCC TOTAL	97%	98%	92%	96%	98%	98%	98%

³ The International Bureau's SOD goals are significantly affected by the process of consultation with the Executive Branch on foreign ownership issues.

PROTECTING PUBLIC INTEREST GOALS

The rights of network users and the responsibilities of network providers form a bond that includes consumer protection, competition, universal service, public safety and national security. The FCC must protect and promote this Network Compact.

FY 2017 PERFORMANCE HIGHLIGHTS

The FCC's core mission is to serve the broader public interest, by protecting consumers and keeping the public safe. Robocalls are the number one consumer complaint to the FCC from the public, and the FCC has acted aggressively to target and eliminate unlawful robocalls. The FCC took a number of important steps to protect consumers against illegal robocalls, building on its work with the industry-led Robocall Strike Force.

- In a Notice of Proposed Rulemaking, the FCC sought comment on rules that would codify the “Do-Not-Originate” initiative proposed by the FCC and launched by the industry strike force. The proposed rules would allow carriers to block spoofed caller identification (caller ID) numbers associated with phone lines that do not actually dial out, without running afoul of FCC rules requiring carriers to complete all calls.
- The Commission also adopted a Notice of Inquiry which sought comment on how to further enable carriers to block illegal robocalls before they can reach consumers. The Commission asked how to create a safe harbor for providers from FCC call completion rules when they rely on objective criteria to identify and block calls that are highly likely to be fraudulent, illegal, or spoofed robocalls.
- The FCC also sought comment to address the issue of robocalls to reassigned phone numbers to reduce unwanted robocalls that consumers receive and provide clarity for responsible callers. The FCC sought input on the idea of creating a comprehensive resource of reassigned numbers that businesses and other robocallers, such as schools, can use to avoid accidentally calling numbers no longer used by the consumer that gave their consent to receive these calls. The FCC asked whether voice service providers should report when a number has been reassigned and how that data might be managed and utilized appropriately, including addressing privacy and security issues.
- In another Notice of Inquiry, the FCC sought comment on standards to help differentiate legitimate phone calls from those that attempt to trick consumers through caller ID spoofing. The Notice of Inquiry asked legal, policy and technological questions about caller ID authentication standards. Many malicious robocallers hide their true originating phone number to evade call-blocking or filtering tools and trick consumers about a call's true source. Improved caller ID authentication would provide another tool to identify spoofing and improve the effectiveness of these services.
- The FCC proposed a \$120 million fine against an individual who apparently made almost 100 million spoofed robocalls in violation of the Truth in Caller ID Act. The law prohibits callers from deliberately falsifying caller ID information to disguise their identity with the intent to harm or defraud consumers. The operation apparently made the spoofed calls to trick unsuspecting consumers into answering and listening to his advertising messages. The proposed fine is based on 80,000 spoofed calls that the Commission has verified.

- The FCC issued a \$2.88 million fine against a company for facilitating unlawful robocalls. Robocallers used the company’s calling technology platform to make illegal robocalls to mobile phones without express prior consent from consumers. In 2013, the FCC’s Enforcement Bureau formally warned the company that it could be held liable for robocalls its customers were making in violation of the Telephone Consumer Protection Act, which prohibits autodialed phone calls, robocalls, or texts to wireless phones in most instances unless the caller has the prior express consent of the called party. Following the citation, the Bureau investigated and determined that the platform was still being used to make unlawful robocalls.

The FCC adopted rules to help law enforcement combat the serious threats posed by contraband wireless devices by inmates in prisons and jails nationwide. The new rules will simplify and streamline the process for Contraband Interdiction Systems (CIS) operators to obtain FCC authorization, allowing for quicker and easier deployment of these systems in correctional facilities. Some correctional facilities have implemented radio-based technologies to detect and block the use of contraband wireless devices that make and receive phone calls and send and receive text messages, as well as block access to the Internet (including use of apps).

The FCC acted to support the deployment of the First Responder Network Authority (FirstNet), a nationwide public safety broadband network for use by first responders. In 2012, Congress enacted legislation creating FirstNet to build and operate a nationwide interoperable public safety broadband network, which will consist of a network core and a radio access network (RAN) to enable wireless communications. The statute requires FirstNet to develop a national plan to deploy the RAN within each state but also gives each state the right to “opt out” and build its own RAN, provided that the state RAN will be interoperable with FirstNet’s core network. Any state that chooses to opt out must submit a plan for its proposed state RAN to the FCC and demonstrate that its plan meets the statute’s interoperability requirements. The FCC established standards and procedures to review state plans, including timelines for states to provide notification of their opt-out decisions and file plans with the FCC.

Hurricanes Harvey, Irma, and Maria marked the first time in U.S. history that three storms of Category 4 rating or stronger have hit the U.S. in the same hurricane season. The FCC’s efforts included close coordination with the Federal Emergency Management Agency (FEMA), the Department of Homeland Security and other Federal government partners to identify necessary resources during and after the storms. The Public Safety and Homeland Security Bureau (PSHSB), along with other FCC Bureaus and Offices, issued Public Notices announcing procedures for requesting emergency regulatory relief and the 24/7 availability of the FCC Operations Center. As the storms made landfall, Commission staff gathered, analyzed and shared information on the impacts to communications systems, especially those that support 911-communications and deliver emergency alerts and other information to the public. At FEMA’s request, the FCC deployed teams to coordinate communications response needs. A team of PSHSB and Enforcement Bureau personnel completed 38 missions at sites in Florida, Texas, Georgia, and Louisiana. The FCC also deployed personnel to Puerto Rico to coordinate communications response needs and conduct radio frequency assessments. For each of the hurricanes, the FCC activated its Disaster Information Reporting System, a voluntary web-based system that communications companies may use to report communications infrastructure status

and to request assistance. Over the course of the three storms, the Commission issued more than a hundred Special Temporary Authorities to support first responder communications and provide flexibility to the communications industry in its restoration activities.

PSHSB completed an investigation into the nationwide Voice over LTE (VoLTE) 911 outage experienced by a carrier. The Bureau opened a public docket and invited interested parties to provide information concerning the causes, effects, and implications of the outage. The Bureau then issued a report, which was based on data from the FCC's network outage reporting system and interviews with officials from several carriers and several affected public safety answering points (PSAPs), including the Office of Unified Communications in Washington, DC. The findings indicated shortfalls in operational redundancies, risk assessment, and stakeholder and consumer outreach. Had the carrier followed certain best practices as outlined by the FCC's Communications Security, Reliability and Interoperability Council, this outage would have had much less impact, and the outage could and should have been identified and addressed with periodic audits of the network. The carrier states that it has since addressed the vulnerabilities that led to the outage.

The Enforcement Bureau undertook a number of investigations in fulfilling its mission to enforce the Commission's rules and protect consumers from illegal or unfair practices, safeguard competition, secure networks, and protect the integrity of the Commission's Programs. Results of those investigations included:

- A settlement that will ultimately be valued well in excess of \$100 million to resolve an investigation of a telecommunications company's failure to deploy wireless services as required under its FCC spectrum licenses. As part of the settlement, to date, the company has paid a \$15 million civil penalty to the United States Treasury (Treasury) (with an additional \$85 million penalty suspended pending compliance with the Commission's order), and has surrendered 196 of its licenses in the 39 GHz spectrum band to the Commission. The company will also sell the remainder of its license portfolio and will remit 20 percent of the proceeds of that sale to the Treasury as an additional civil penalty.
- A settlement with a telecommunications company that resolved an investigation into whether the company engaged in deceptive and abusive marketing practices by switching consumers' preferred phone carriers without authorization. The company will pay a \$4.2 million penalty, refund at least \$1.9 million to consumers who filed complaints about unauthorized carrier changes or unauthorized charges within the past two years, and adopt a compliance plan.
- A \$1 million fine against a Florida-based long-distance carrier for "slamming" and "cramming." The company's telemarketers violated FCC rules by impersonating representatives of customers' existing long-distance providers and switching the customer's long-distance carriers without obtaining proper, verified authorization ("slamming"). The company also added unauthorized charges onto consumers' telephone bills ("cramming") and violated the FCC's truth-in-billing rules by failing to plainly and clearly describe its charges on bills. The FCC received more than 150 complaints from small businesses, along with several individuals, that the company's telemarketers impersonated employees of their existing long-distance providers.

- The FCC proposed the maximum fine allowable by statute, i.e., \$144,344, against a so-called “pirate radio” operation in North Miami, Florida. This action marks the first time the Commission has proposed fining the property owners where the transmission equipment was located. Unlicensed radio broadcasts are illegal and can interfere with licensed broadcasting, including broadcasters’ ability to communicate public safety warnings to their communities. The Commission issued a Notice of Apparent Liability for Forfeiture (NAL) against a programming provider and the owners of the property where the station’s transmission equipment was located who also provided material support to the station.
- The FCC also issued a \$404,166 fine against an individual who caused harmful interference to the New York City Police Department’s communications systems.

The FCC proposed adding an alert option to the nation’s Emergency Alert System (EAS) to help protect the nation’s law enforcement officers. Known as a “Blue Alert,” the option would be used by authorities in states across the country to notify the public through television and radio of threats to law enforcement and to help apprehend dangerous suspects. Blue Alerts can be used to warn the public when there is actionable information related to a law enforcement officer who is missing, seriously injured or killed in the line of duty, or when there is an imminent credible threat to an officer.

The FCC proposed rules to help unmask anonymous callers who threaten and harass schools, religious institutions, and other victims. The action follows the FCC’s temporary waiver of caller ID privacy rules to help law enforcement address threatening phone calls received by Jewish Community Centers. The proposal would amend the FCC’s rules to ensure that law enforcement and threatened parties can quickly identify threatening callers without the regulatory delay of applying for and being granted a case-by-case waiver of the rules. The proposal would protect consumer privacy by ensuring that caller information only be disclosed for truly threatening calls and that only law enforcement personnel and others responsible for the safety and security of the threatened party have access to otherwise-protected caller ID information.

The FCC proposed rules to prevent consumers from being switched to a different phone provider without their permission or having unauthorized charges added to their bills – activities known respectively as “slamming” and “cramming.” The FCC’s proposed rules would prohibit carriers from misrepresenting themselves when telemarketing to consumers and placing unauthorized charges on their phone bills. The Commission is considering requiring that a phone carrier check directly with the consumer before switching an account to another carrier, rather than relying on that second carrier’s request for that change. The Commission is also considering preventing third-party charges from being added to a consumer’s phone bill unless the consumer expressly agrees to the charges.

The FCC sought comment on rural call completion rules that would hold phone companies more accountable for ensuring that long-distance calls to rural America get through to a called party. Certain telephone companies that hand off calls to intermediate providers would be required to monitor the performance of these intermediaries and hold them accountable if calls don’t go

through. The FCC also sought comment on proposals to modify or eliminate the FCC's current rural call completion data collection and reporting rules.

The FCC opened an inquiry into the 911 calling capabilities of enterprise communications systems, which serve many office buildings, educational campuses, and hotels. It has been reported that some of these systems may not support direct 911 dialing, route 911 calls to the nearest 911 call center, or transmit accurate information on the caller's location or call-back number. Based on this information, the Commission is seeking to identify the reasons why the 911 capabilities of these systems appear to be lagging. The FCC is also inquiring about the public's expectations when calling 911 from these systems as well as the capabilities, limitations, and costs of provisioning 911 on these systems.

MAKING NETWORKS WORK FOR EVERYONE

In addition to promoting the development of competitive networks, the FCC must also ensure that all Americans can take advantage of the services they provide without artificial impediments.

FY 2017 PERFORMANCE HIGHLIGHTS

High-speed Internet access, or broadband, is critical to economic opportunity, but there are many parts of the country where broadband is unavailable. The FCC has tools that it can use to help close this digital divide, bring down the cost of deploying broadband, and create incentives for providers to connect consumers in hard-to-serve areas.

Chairman Pai announced the formation of the Broadband Deployment Advisory Committee (BDAC) to advise the Commission on ways to accelerate deployment of broadband nationwide and to close the digital divide. The BDAC is tasked with making specific recommendations to the Commission on such topics as reform of the FCC's pole attachment rules, identifying unreasonable regulatory barriers to broadband deployment, and promoting deployment-friendly policies at the local, state and federal levels.

The FCC adopted two separate orders to spur the buildout of mobile and fixed broadband networks in rural America. The FCC adopted new Mobility Fund Phase II (MF-II) rules to bring 4G LTE to millions of unserved Americans. The MF-II auction will make available more than \$4.5 billion in new funding over ten years for expanding 4G LTE mobile coverage across rural America and in Tribal lands. The Mobility Fund was created in 2011 to preserve and extend mobile broadband and voice services in unserved and underserved areas. Mobility Fund I offered providers up to \$350 million in one-time funding to spur deployment of advanced wireless services in unserved areas, including Tribal lands. Despite that support and extensive 4G LTE deployment by industry, approximately 575,000 square miles either still lack access to 4G LTE service or only have 4G LTE coverage because of universal service support. The new rules will close coverage gaps, set service requirements, and establish an auction framework.

The FCC also established procedures for a robust challenge process to ensure that the Commission targets MF-II support to primarily rural areas that lack unsubsidized 4G LTE

service. Establishing the challenge process will enable the Commission to resolve eligible area disputes quickly and expeditiously. The FCC also adopted parameters for a one-time collection of 4G LTE coverage data tailored to MF-II. The Commission will use this coverage data, in conjunction with subsidy data, to establish the map of presumptively eligible areas. Interested parties will have a window to file challenges to areas deemed presumptively ineligible, and providers will have an opportunity to respond to those challenges.

The FCC set key rules for the 2018 Connect America Fund Phase II (CAF-II) auction allocating nearly \$2 billion over ten years from the Connect America Fund to expand high-speed Internet access to consumers and businesses in rural areas currently unserved by fixed broadband. This action represents the FCC's first use of an auction to allocate ongoing Connect America Fund support for fixed broadband and voice services in rural areas. Using a competitive "reverse auction" where providers will compete for support to expand broadband to unserved areas, along with voice service, the auction rules aim to maximize the value of the Connect America Fund dollars spent by balancing deployment of higher-quality services with cost efficiencies. The FCC also sought comment on proposed application and bidding procedures for the auction, including: how interested parties can qualify to participate in the auction, how bidders will submit their bids, and how the FCC will process bids to determine the winners and support amounts.

To facilitate the implementation of the upcoming Universal Service Fund related auctions, Chairman Pai formed the Rural Broadband Auctions Task Force. The Task Force is overseeing both the CAF-II and MF-II auctions.

The Commission voted to provide up to \$170 million from the Connect America Fund to expand broadband deployment in unserved rural areas of New York State. The \$170 million in federal funding will be coupled with at least \$200 million in state funding and private investment to jump-start broadband.

The FCC updated, clarified and streamlined the current rules governing non-geostationary satellite orbit (NGSO) fixed-satellite service (FSS) systems to better reflect current technology and promote additional operational flexibility. These rule improvements will facilitate the delivery of broadband services through satellite constellations, paving the way for greater broadband offerings in the United States, particularly in remote and rural areas.

The FCC approved rules to improve the quality and efficiency of video relay services (VRS). VRS enables people who are deaf, hard-of-hearing, deaf-blind, or have speech disabilities to make calls over broadband using American Sign Language (ASL) and a videophone by making use of a communications assistant to interpret the call between the videophone user and the voice telephone user. These changes respond to requests from VRS users for improved relay services that are functionally equivalent to those available to hearing individuals. These improvements include: allowing trials of skills-based routing and deaf interpreters (who work with hearing interpreters to help them understand what is said by the VRS users), a pilot program permitting communications assistants to work from home (subject to confidentiality and other safeguards), and allowing hearing individuals who speak ASL to obtain ten digit phone numbers from the TRS Numbering Directory to facilitate point-to-point direct video calls with other sign language

users (and thereby eliminate the need for VRS on those calls). In an accompanying Notice of Proposed Rulemaking, the Commission sought comment on: the use of enterprise and public videophones for VRS calls, rule changes to help effectuate direct video calling to customer service call centers, and ongoing funding of FCC-sponsored research to improve VRS and other forms of telecommunications relay services. Finally, in a Notice of Inquiry, the FCC sought comment on performance measures and service quality metrics for VRS.

The FCC also adopted a new four-year rate plan to compensate VRS providers, which went into effect July 2017. To ensure that each provider is fairly compensated for reasonable costs, this plan takes into account economies of scale through a series of tiers, in which the compensation per minute in the higher tiers is less than in the lower tiers, and the compensation rate for the highest tier decreases each year. In addition, to encourage competition, there is a separate tier available for smaller emergent providers—those with fewer than 500,000 minutes per month.

The FCC adopted new rules to ensure that Americans who are blind or visually impaired have access to more video described programming. Video description, also called audio description, allows people with limited vision to hear a description of on-screen activity during gaps in the dialogue, providing a more fulsome entertainment experience. The new rules will ensure that more video described programming is available to those who rely on it, and provide broadcast and non-broadcast television networks more flexibility in complying with the rules. The new rules take another step in implementing and furthering the accessibility goals of the 21st Century Communications and Video Accessibility Act of 2010.

The FCC updated its rules to allow wireless carriers providing service over Internet protocol to provide support for real-time text (RTT) in lieu of an outdated form of text telephone communications, known as TTY. As a modern, reliable, and interoperable technology, RTT will allow Americans with disabilities who are text reliant to use the same wireless communications devices as their friends, relatives and colleagues, and more seamlessly integrate into tomorrow's IP-based communications networks.

In a Notice of Proposed Rulemaking, the FCC sought to identify and address unnecessary regulatory barriers to wireless infrastructure deployment and promote the rapid deployment of advanced wireless broadband service to all Americans. Through this proceeding, the FCC also began an examination of how state and local processes affect the speed and cost of infrastructure deployment, and sought comment on improving state and local infrastructure reviews.

The FCC sought comment on steps to remove regulatory barriers to wireline broadband infrastructure deployment as part of its effort to expand the availability and affordability of next-generation networks. The FCC sought comment on reforms to help accelerate deployment of next-generation 5G networks and services by removing barriers to infrastructure investment at the federal, state, and local level, including pole attachment reforms to make it easier for broadband providers to attach the wires necessary for next-generation networks. The FCC also sought comment on regulatory reforms that needlessly delay or prevent companies from replacing legacy copper networks with fiber and delay the discontinuance of legacy services to free up scarce capital to be spent on delivering modern innovative services.

In accordance with Section 706 of the Telecommunications Act of 1996, the FCC sought objective data and other evidence reflecting the state of broadband deployment and availability. The FCC also encouraged commenters to note new issues concerning the deployment and availability of advanced telecommunications capability and recommend new ways to measure and evaluate deployment and availability. The information gathered in this proceeding will help ensure that the FCC's broadband policies are well-informed and backed by sound data analysis.

The FCC sought comment on ways to increase deployment, competition and innovation in the market for broadband in apartments, shopping malls, and other multiple tenant environments (MTEs), as part of its ongoing efforts to accelerate access to high-speed Internet service. Current FCC rules bar telecommunications and video services providers from entering into exclusive agreements that can stifle competition in MTEs. The FCC requested input on whether and how it should act to remove any barriers that raise the cost and slow deployment in MTEs of next-generation networks, which are critical to jobs, health care, education, innovation, and information.

PROMOTING OPERATIONAL EXCELLENCE

Make the FCC a model for excellence in government by effectively managing the FCC's resources and maintaining a commitment to transparent and responsive processes that encourage public involvement and best serve the public interest.

FY 2017 PERFORMANCE HIGHLIGHTS

The FCC took actions 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 agency.

The FCC implemented a series of process reforms to improve transparency and openness at the FCC. These included:

- Posting the full text of documents circulated to other Commissioners for a vote at the FCC's Open Meetings on the Commission's website. Traditionally, these documents, and the draft proposals contained therein, were circulated internally three weeks before an Open Meeting, but not made available to the public until after the final vote.
- Sharing with every Commissioner's Office every item that will be considered at an open meeting prior to the Chairman's Office discussing the content of those items publicly or the FCC releasing the text of those documents.
- Releasing a one-page fact sheet summarizing the proposal in question when the agency releases the text of meeting items, thereby making Commission items more accessible to more Americans.
- Requiring that any substantive edits made to an item between the time it is circulated and the meeting be proposed by a Commissioner, rather than staff. This reform was instituted to help promote accountability.

The FCC began the process of creating an Office of Economics and Analytics by establishing a working group of FCC economists and other staff members charged with thinking about the structure, power, and responsibilities of the office. This Office will combine economists and other data professionals from around the Commission. The Office will provide economic analysis for rulemakings, transactions, and auctions; coordinate the Commission's data resources; and conduct longer-term research on ways to improve the Commission's policies.

The FCC eliminated two public inspection file rules to reduce regulatory burdens on commercial broadcasters and cable operators without adversely affecting the general public. These rules required: (1) commercial television and radio broadcast stations to retain, and make available to the public, copies of correspondence from viewers and listeners; and (2) cable operators to maintain and allow public inspection of the location of a cable system's principal headend. Removing these requirements also enabled broadcasters and cable operators to make their entire public inspection file available online and permitted them to cease maintaining local public files.

The FCC eliminated several duplicative rules and reporting requirements, and streamlined annual reporting requirements for eligible telecommunications carriers (ETCs) that receive high-cost universal service support. While reducing ETCs' regulatory burdens, the action also strengthened tools for program oversight to protect the high-cost universal support program against fraud, waste, and abuse.

The FCC streamlined and modernized authorization requirements for most radiofrequency devices, such as cell phones or TV receivers, that are imported, marketed, or operated within the United States. The Commission's action allowed required labeling information to be provided to the consumer via the device's electronic display, providing an alternative to the requirement for etching or permanent labels on the exterior of devices. Manufacturers expect the use of electronic labelling rather than permanent physical labels to result in a measurable reduction in costs. This action is consistent with the objectives of the Enhance Labeling, Accessing, and Branding of Electronic Licenses Act of 2014 or the E-LABEL Act.

As part of its Modernization of Media Regulation Initiative, the FCC issued a Public Notice to begin a review of its rules applicable to media entities, including broadcasters, cable operators, and satellite television providers. The FCC's action invited public comment on which media rules should be modified or eliminated as unnecessary or burdensome. Through this review, the FCC sought to reduce regulations that can impede competition, innovation, and investment in the media marketplace.

The FCC relaxed or eliminated technical rules imposed upon AM broadcasters to assist them in providing vital radio service to consumers throughout the country. By identifying ways to streamline the technical requirements pertaining to AM broadcasters, these actions free up resources to allow broadcasters to better serve the public.

The FCC modernized and updated its signal leakage and signal quality rules that apply to cable operators to reflect the cable industry's transition from analog to digital systems and current technologies. The FCC adopted a new performance benchmark for digital cable systems to ensure that cable operators provide "good quality" signals to their subscribers and removed

unnecessary digital signal quality certification and testing requirements. The Order also adopted new rules and testing procedures to detect and limit cable signal leakage in digital cable systems.

The FCC relaxed its rules to permit noncommercial educational broadcasters (NCEs) to devote up to one percent of their annual airtime to fundraising for third-party organizations that qualify as tax-exempt non-profits under Section 501(c)(3) of the Internal Revenue Code, without having to first seek a waiver from the FCC. NCEs, such as public and religious broadcasters, have long been free to solicit funds to support their own operations, but until now, could only conduct on-air fundraising for third parties if they received an FCC waiver or the fundraising activity did not alter or suspend regular programming. The FCC's action will allow NCEs to raise money for worthy causes, such as disaster relief and assistance for the poor, while educating their audiences about important issues.

The FCC made optional a previously mandatory requirement that compelled officers and board members of NCE stations to report personal information on broadcast ownership reports filed with the Commission. The FCC will still require NCEs to submit information about the gender, race, and ethnicity of their governing officers and board members in order to maintain integrity in the collection of broadcast ownership data.

The FCC updated the Personal Radio Services rules, found in Part 95 of the Commission's rules, to modernize them, remove outdated requirements, and reorganize them to make it easier to find information. The FCC Personal Radio Services rules cover a wide variety of wireless devices that generally use low power levels, communicate over shared radio frequencies, and usually do not require an individual FCC license for each user. Common examples of Personal Radio Services devices are walkie-talkies; radio controlled toy cars, boats, and planes; hearing assistance devices; citizen band radios; medical implant devices; and Personal Locator Beacons. The revisions reflect a comprehensive reform to simplify, streamline, and update these rules.

The FCC sought comment on proposals to improve the quality, accuracy, and usefulness of the Form 477 data it collects on fixed and mobile voice and broadband service and on how the FCC can reduce burdens on industry by eliminating unnecessary or onerous data filing requirements. The Form 477 data collection program was initially established in 2000, and requires providers to file data on broadband and telephone deployment and subscription data twice a year. From the outset of the collection, the FCC has worked with industry, researchers and advocates to identify revisions that would improve quality and ease burdens.

The FCC proposed eliminating rules requiring certain broadcast and cable entities to keep paper copies of FCC rules. More than forty years ago, the Commission adopted rules requiring low power TV, TV and FM translator, TV and FM booster stations, cable television relay station (CARS) licensees, and certain cable operators to maintain paper copies of Commission rules. Because the rules are now readily accessible online, many parties believe that the paper copy requirements are outdated and unnecessarily burdensome. While regulated entities still would be required to be familiar with the rules governing their services, elimination of the paper copy requirements would give them flexibility to determine how to fulfill that obligation.

The FCC proposed eliminating the main studio rule, which requires each AM, FM, and television broadcast station to have a main studio that is located in or near its local community, that has full-time management and staff present during normal business hours, and is able to originate programming. The main studio rule was implemented more than 70 years ago on the premise that local access to the main studio facilitated input from community members and the station's participation in community activities. Today, modern communications enable stations and community members to interact more directly, without the presence of a local broadcast studio. In addition, community members already, or soon will, have online access to a station's public file, removing the need for community members to visit the main studio to access the file. Television broadcasters completed their transition to the online public file in 2014, and radio broadcasters will complete their transition by early 2018.

The FCC proposed streamlining, consolidating, and harmonizing rules governing earth stations used to provide satellite-based services on ships, airplanes and vehicles. Currently, the regulation of these earth stations, collectively known as "earth stations in motion" (ESIMs), varies depending on the type of vehicle to which they are attached and are covered in various rule provisions. The FCC proposes to integrate the three types of ESIMs into a single regulatory category and adopt rules to allow for blanket licensing in additional frequency bands – the "conventional Ka-band" – which will offer additional flexibility to ESIMs. Together, these proposed changes would simplify the regulatory approval process for ESIMs, reduce the burden on applicants and increase efficiency in processing applications.

The FCC proposed eliminating annual Traffic and Revenue Reports, and sought comment on ways to further streamline the Circuit Capacity Reports. Providers of international telecommunications services are required to file annual reports detailing their traffic and revenue for international voice services, international miscellaneous services, and international private lines. The costs of the data collection – which are significant for both filers and the Commission – now exceed the benefits of the information. The FCC sought comment on ways to minimize regulatory burdens while retaining the ability to collect information that would address specific instances of anticompetitive conduct on U.S. international routes.

The FCC proposed revisions to its wireless hearing aid compatibility (HAC) reporting rules to reduce unnecessary regulatory burdens, particularly for non-nationwide service providers. All handset manufacturers and wireless service providers are currently required to file annual status reports with the FCC on their HAC deployment and compliance efforts. The FCC proposed rule changes to provide relief from these reporting obligations to small, rural, and regional service providers while maintaining other safeguards to ensure that all consumers enjoy the benefits of having available hearing aid compatible handsets.

The FCC proposed to ease certain audit and reporting rules to better reflect the changing role of payphones in a mobile era. These proposed changes would eliminate requirements that in some cases reportedly cost more to implement than the payphone compensation revenue they are designed to protect. The proposed changes would not affect existing obligations to appropriately compensate payphone providers.

The FCC proposed to modernize the way it distributes toll free numbers, including popular numbers in the new 833 toll free area code. The FCC sought comment on how to make toll free number distribution more equitable and efficient than the existing 20-year-old system. The FCC is seeking to provide the public with a better opportunity to acquire the numbers they want, recognize the value of unique numbers, and create incentives for toll free numbers to be used quickly and efficiently once they are assigned.