

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

HEARING ON THE FCC'S FISCAL YEAR 2019 BUDGET REQUEST

**BEFORE THE
SUBCOMMITTEE ON FINANCIAL SERVICES AND GENERAL GOVERNMENT
COMMITTEE ON APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES**

APRIL 26, 2018

Chairman Graves, Ranking Member Quigley, and Members of the Subcommittee, thank you for inviting me here to present the Federal Communications Commission's (FCC) Fiscal Year (FY) 2019 Budget Request. The Commission is requesting a spending level of \$333,118,000, derived from regulatory fees for regular FCC operations, and an auction spending cap of \$112,734,000.

This fiscally responsible request will provide the FCC with the resources necessary to advance its critical strategic goals: (1) closing the digital divide; (2) promoting innovation; (3) protecting consumers and public safety; and (4) reforming the FCC's processes.

In particular, the FCC will continue to focus on expanding high-speed broadband access throughout the United States and bringing what I call "digital opportunity" to every American. We will continue to remove regulatory obstacles that unnecessarily slow down broadband deployment and make it more expensive. And we will continue to modernize our Universal Service Fund (USF) programs so that we get the most broadband bang for the buck. With respect to USF, we are moving forward this year with the nearly \$2 billion Connect America Fund Phase II reverse auction to expand fixed broadband service to unserved regions, and are targeting 2019 for the \$4.5 billion Mobility Fund Phase II reverse auction that will deliver 4G LTE access to many more Americans.

As you are aware, the Commission received an appropriation of \$322,035,000 for FY 2018. This number represented a reduction of approximately five percent from our FY 2017 appropriation, minus the directed funding for our headquarters relocation. To put our budget in perspective, in real, inflation-adjusted terms, the FCC's appropriation has declined by over 17 percent since FY 2009.

These reductions have required the Commission to operate more efficiently. Since I became Chairman in January 2017, we have done just that, initiating management improvements to cut costs and accomplishing more with less money. For example, we have saved a significant amount of money by closing a warehouse where we processed our mail, and instead contracting with a vendor that performs this task for many government agencies. We also are reducing our workforce in FY 2018 to comply with OMB Memo 17-22, the Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce. We value our workforce and recognize the importance of employee morale to the Commission's operations, so we are combining regular attrition with voluntary personnel actions to achieve these levels. By the end of FY 2018, we project that the Commission's full-time equivalent (FTE) count will have declined over 10 percent in two years. In light of this, our FY 2019 budget request proposes to freeze our FTE count rather than reduce it again—because further reductions in staffing would compromise the Commission's ability to accomplish its mission.

The need to stabilize our FTE count is especially important given the many additional responsibilities Congress assigned the FCC in the Fiscal Year 2018 Consolidated Appropriations Act (Omnibus). The FCC-related sections of the Omnibus and accompanying Explanatory Statement require the Commission to revise its application and regulatory fee schedules, amend its Caller ID spoofing rules,

complete a proceeding on 911 call location accuracy, use the Connect2Health tool to create a map that overlays opioid drug abuse with the degree of broadband access in an area, and coordinate with NTIA in its use of \$7.5 million in infrastructure funds for broadband mapping. We also have a broad range of reporting requirements on several Commission objectives, including rural call completion, veterans' broadband access, broadband coverage in Indian Country, modernizing the high-cost Universal Service Fund program, and information technology (IT) modernization efforts. And under the "Mobile NOW" section of the Omnibus, we are required to move forward with freeing up additional low-, mid-, and high-band spectrum for 5G services, along with new spectrum for unlicensed use. Timely meeting these obligations requires the human resources we currently have.

As part of our efforts to improve the Commission's workforce, we are following through with establishing an Honors Engineering Program this year to recruit recent engineering graduates. As the technologies that we regulate become more complex, it is important for us to bolster the ranks of engineers at the Commission. Sophisticated technical analysis is at least as important as the legal analysis that supports our decisions. In the past, we have not replenished our engineering resources. Now, we will, with a program that will stand alongside our Honors Attorney Program.

Additionally, a thorough review of our staffing and organization led us to determine that we must strengthen the role of economics and data analysis at the Commission so that our decisions are driven by evidence and produce benefits that outweigh their costs. Accordingly, the Commission is in the process of creating the Office of Economics and Analytics to coordinate the contributions of economists and data professionals throughout the FCC. Right now, attorneys have a seat at the policymaking table through the Office of General Counsel and engineers have a seat through the Office of Engineering and Technology. The Office of Economics and Analytics will give economists their rightful seat, too.

The Omnibus Explanatory Statement's IT reporting requirement and the reauthorization language elevating the FCC's Chief Information Officer's status, highlight Congress' desire to ensure that the FCC has the resources necessary to modernize its IT systems and applications. We consider this effort an essential operations improvement. Many of these systems and applications are quite old, and it is becoming increasingly difficult to keep them operational. But by moving away from outdated legacy systems and applications toward cloud-based solutions, we will save money, improve resiliency, reduce cybersecurity vulnerabilities, and enhance the services we provide to those we regulate and the American people. The Commission's budget request of \$8,535,200 for one-time IT investments—a request which was developed in close coordination with the Commission's Acting Chief Information Officer—shows our commitment to your directives while at the same time representing a modest investment that should pay dividends in the long run.

The IT investments also are the main reason why we are requesting a slight bump up in appropriations for our regular operations in FY 2019, from \$322,035,000 to \$333,118,000. Importantly, this FY 2019 spending level is identical to the amount authorized in Division P of the FY 2018 Omnibus.

Our auctions program, which has been so successful in driving economic growth while directing billions of dollars into the Treasury, is projected in the FY 2019 request to increase spending slightly to \$112,734,000 from the FY 2018 level of \$111,150,000. The current fiscal year saw a five percent drop from the FY 2017 high of \$117 million. The upcoming fiscal year will be a busy one on the auctions front. For example, we intend to hold at least two high-band spectrum auctions—one for the 28 GHz band and another for the 24 GHz band. Conducting these auctions successfully and promptly will be critical to American leadership in 5G, the next generation of wireless technology. At a minimum, in FY 2019 we also will be engaged in preparations to auction additional high-band spectrum as well as mid-band spectrum in the 3.5 GHz band.

With the auction funds we are requesting, we will also continue the critical work of facilitating the post-Incentive Auction repack. The Financial Services and General Government section of the Omnibus provided up to one billion dollars in funding to complete the repacking process, in increments of

\$600,000,000 and \$400,000,000 in FY 2018 and FY 2019, respectively. Thank you for this critical funding. First and foremost, the funds will be used by the Commission's Incentive Auction Task Force to reimburse the relocation costs of full-power television stations. Second, the appropriated funds will be used to provide funding for low-power television stations, TV translators, and FM radio stations that incur costs resulting from the repack, as well as money for consumer outreach related to the repack.

Just last week, the funds you appropriated allowed the Commission to increase the allocations available to full-power television broadcasters so that they have access to up to 92.5 percent of their estimated costs. This further allocation permits broadcasters to execute their post-auction construction, prevents undue financial burdens, and minimizes the likelihood that we will need to claw back funds moving forward. Importantly, noncommercial stations associated with state college systems that faced problems with local anti-deficiency statutes should now be able to maintain their licenses and have the funds on hand to finance the repack.

The FY 2018 Omnibus provisions related to the Incentive Auction repack will add significantly to our workload during FY 2019. We are now tasked with developing a rulemaking and overseeing the distribution of funds for three new programs, at least two of which—LPTV/translator repacking costs and repack-associated FM radio station costs—will involve significant data analysis, new information technology assets, and staffing. We are continuing to evaluate the potential costs and look forward to providing the Office of Management and Budget (OMB) and this Subcommittee with a spreadsheet of specific costs. Given the complexity of developing the prior analysis for the full-power stations and the sheer number of stations likely to seek funding under these new programs, we expect that this effort will be resource-intensive.

Finally, it is important to note that despite our planning and hard work in developing a budget, sometimes unforeseen problems and disasters can render the best budget difficult to manage. For example, when hurricanes wreaked havoc last year on the people of Puerto Rico, the U.S. Virgin Islands, Texas, and Florida, we deployed staff to the field and I personally travelled to Puerto Rico twice. We also took a wide variety of actions to assist with recovery and restoration efforts, from accelerating telecommunications carriers' universal service funding to approving experimental licenses for broadband access, and we continue to work toward the complete restoration of communications services.

We are using every tool in our toolbox to help people on the ground and get communications networks up and running as soon as possible. And we aim to do more. In early March, I proposed to create a \$750 million *Uniendo a Puerto Rico Fund* (Bringing Puerto Rico Together Fund) and a \$204 million *Connect USVI Fund*. Each would provide additional short-term assistance for restoring communications networks in the aftermath of Hurricanes Irma and Maria and longer-term support for expanding broadband access throughout the islands. I hope my colleagues register their support for this proposal soon.

Although our agency did not receive disaster funds, our staff devoted all available resources to help deal with these catastrophes. That dedication reflects how I see our agency: nimble, focused, and imbued with a can-do attitude when it comes to new challenges within our mandate. It might be dealing with hurricane recovery on one day, illegal robocalls the next, and a false missile alert in Hawaii the day after that. We do not have an easy mission, and sometimes we will disagree on the methods for seeing it through. But I'm proud of the staff at the Commission for its commitment to serving the American people and promoting the public interest.

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