



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF THE
CHAIRWOMAN

July 15, 2022

The Honorable Maria Cantwell
Chair
Committee on Commerce, Science, and Transportation
United States Senate
512 Dirksen Senate Office Building
Washington, DC 20510

Dear Madam Chair:

I am pleased to report that the Federal Communications Commission has completed its review of the applications filed for the Secure and Trusted Communications Networks Reimbursement Program. This marks an important step in our ongoing process to improve the security of our nation's communications networks. With this letter, I am providing an update on the amount of supplemental funding needed to meet total demand for Reimbursement Program support as well as our next steps toward program implementation. I hope this information will assist in your efforts to ensure the success of this critical security and economic program.

As you know, in the Secure and Trusted Communications Networks Act (the Act), Congress directed the Commission to establish a program to help small and rural communications providers remove, replace, and dispose of communications equipment that could pose a risk to national security. Then, in the Consolidated Appropriations Act, 2021 (the CAA), Congress expanded program eligibility, specified a prioritization scheme for disbursing program funds, and appropriated \$1.9 billion for the Commission to complete this task.

Since the passage of this legislation, the Commission has worked hard to implement congressional intent. As directed, the agency established the Reimbursement Program to offer providers of advanced communications services with ten million or fewer customers compensation for reasonable costs incurred in the removal, replacement, and disposal of covered communications equipment or services from their networks that pose a national security risk. The Commission clarified that for purposes of this program, covered communications equipment or services included equipment or services produced or provided by Huawei Technologies Company or ZTE Corporation. On October 29, 2021, the Commission opened a filing window for applications seeking program support. The filing window closed on January 28, 2022, and the Commission announced the statutory 135-day application review period on January 31, 2022.

On behalf of the Commission, I have endeavored to keep Congress apprised of our progress and the results of our application review. On February 4, 2022, I notified Congress that demand for Reimbursement Program support was \$5.6 billion and, as such, \$1,000,000,000 would not be sufficient to fully fund all approved applications for reimbursements. This notification was required by Section 4(d)(5)(B) of the Act.

On June 1, 2022, I provided a second update informing Congress that we expected total program demand to exceed the amount appropriated for the Reimbursement Program. That letter explained that the anticipated shortfall largely reflected three developments: first, that the Act, as amended, expanded the range of entities eligible to participate in the Reimbursement Program; second, that the preliminary cost estimates did not consider the full range of costs that were ultimately reimbursable under the law; and third, that providers have reported increased costs since the program was funded due to supply chain constraints, inflation, and the need to complete their projects within the Act's one-year deadline.

On June 15, 2022, I provided a third update disclosing that 122 of the 181 applications filed with the Commission were materially deficient, including because they lacked adequate cost estimates or sufficient supporting materials. Because the Act requires the Commission to provide applicants an opportunity to cure these deficiencies and expressly provides for an extension of the 135-day deadline for this purpose, the agency committed to promptly reviewing any amended applications by July 15, 2022. In this update, I also noted our continued expectation that total program demand at that time would exceed available funding.

The agency has now completed its review of the applications and the amended applications submitted in the Reimbursement Program. We are providing the final cost estimates based on the prioritization scheme set forth in the CAA. Under this scheme, the law allocates funding first to approved applicants that have 2,000,000 or fewer customers, then to approved applications from accredited public or private non-commercial educational institutions providing their own facilities-based educational broadband services and from health care providers and libraries providing advanced communications services, and finally to any remaining approved applicants.

To fund all reasonable and supported cost estimates within the first prioritization group and cover administrative expenses, the Reimbursement Program will require \$4.70 billion, reflecting a current shortfall of \$2.80 billion. To fund all reasonable and supported cost estimates within the first and third prioritization groups and cover administrative expenses, the Reimbursement Program will require \$4.98 billion, reflecting a current shortfall of \$3.08 billion. There are no applications that fall within the second prioritization category.

Absent an additional appropriation, the Commission will apply the prioritization scheme Congress specified in the CAA. Because demand within the first prioritization group exceeds available funds for the Reimbursement Program, the Commission will prorate reimbursement funds equally to each eligible applicant in the first prioritization group. The pro-rata factor for those allocations will be approximately 39.5% of demand.

I hope this information is helpful. As allocations are issued in the coming days, the Commission will proceed to administer the next phases of the Reimbursement Program, including processing reimbursement claims submitted by program participants as they work to permanently remove insecure communications equipment and services from their networks. As required by the Act, the agency will update Congress on those efforts through periodic reports and we look forward to continuing to work with Congress on this effort to secure our nation's communications networks.

Sincerely,

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Jessica Rosenworcel



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF THE
CHAIRWOMAN

July 15, 2022

The Honorable Roger Wicker
Ranking Member
Committee on Commerce, Science, and Transportation
United States Senate
425 Hart Senate Office Building
Washington, DC 20510

Dear Ranking Member Wicker:

I am pleased to report that the Federal Communications Commission has completed its review of the applications filed for the Secure and Trusted Communications Networks Reimbursement Program. This marks an important step in our ongoing process to improve the security of our nation's communications networks. With this letter, I am providing an update on the amount of supplemental funding needed to meet total demand for Reimbursement Program support as well as our next steps toward program implementation. I hope this information will assist in your efforts to ensure the success of this critical security and economic program.

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FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF THE
CHAIRWOMAN

July 15, 2022

The Honorable Cathy McMorris Rodgers
Ranking Member
Committee on Energy and Commerce
U.S. House of Representatives
2322A Rayburn House Office Building
Washington, DC 20515

Dear Ranking Member McMorris Rodgers:

I am pleased to report that the Federal Communications Commission has completed its review of the applications filed for the Secure and Trusted Communications Networks Reimbursement Program. This marks an important step in our ongoing process to improve the security of our nation's communications networks. With this letter, I am providing an update on the amount of supplemental funding needed to meet total demand for Reimbursement Program support as well as our next steps toward program implementation. I hope this information will assist in your efforts to ensure the success of this critical security and economic program.

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FEDERAL COMMUNICATIONS COMMISSION
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OFFICE OF THE
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July 15, 2022

The Honorable Rosa DeLauro
Chairwoman
Committee on Appropriations
U.S. House of Representatives
H-305 Capitol Building
Washington, DC 20515

Dear Chairwoman DeLauro:

I am pleased to report that the Federal Communications Commission has completed its review of the applications filed for the Secure and Trusted Communications Networks Reimbursement Program. This marks an important step in our ongoing process to improve the security of our nation's communications networks. With this letter, I am providing an update on the amount of supplemental funding needed to meet total demand for Reimbursement Program support as well as our next steps toward program implementation. I hope this information will assist in your efforts to ensure the success of this critical security and economic program.

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FEDERAL COMMUNICATIONS COMMISSION
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OFFICE OF THE
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July 15, 2022

The Honorable Kay Granger
Ranking Member
Committee on Appropriations
U.S. House of Representatives
1016 Longworth House Office Building
Washington, DC 20515

Dear Ranking Member Granger:

I am pleased to report that the Federal Communications Commission has completed its review of the applications filed for the Secure and Trusted Communications Networks Reimbursement Program. This marks an important step in our ongoing process to improve the security of our nation's communications networks. With this letter, I am providing an update on the amount of supplemental funding needed to meet total demand for Reimbursement Program support as well as our next steps toward program implementation. I hope this information will assist in your efforts to ensure the success of this critical security and economic program.

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FEDERAL COMMUNICATIONS COMMISSION
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July 15, 2022

The Honorable Patrick J. Leahy
Chairman
Committee on Appropriations
United States Senate
S-128 Capitol Building
Washington, DC 20510

Dear Chairman Leahy:

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July 15, 2022

The Honorable Richard C. Shelby
Ranking Member
Committee on Appropriations
United States Senate
S-146A Capitol Building
Washington, DC 20510

Dear Ranking Member Shelby:

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On June 15, 2022, I provided a third update disclosing that 122 of the 181 applications filed with the Commission were materially deficient, including because they lacked adequate cost estimates or sufficient supporting materials. Because the Act requires the Commission to provide applicants an opportunity to cure these deficiencies and expressly provides for an extension of the 135-day deadline for this purpose, the agency committed to promptly reviewing any amended applications by July 15, 2022. In this update, I also noted our continued expectation that total program demand at that time would exceed available funding.

The agency has now completed its review of the applications and the amended applications submitted in the Reimbursement Program. We are providing the final cost estimates based on the prioritization scheme set forth in the CAA. Under this scheme, the law allocates funding first to approved applicants that have 2,000,000 or fewer customers, then to approved applications from accredited public or private non-commercial educational institutions providing their own facilities-based educational broadband services and from health care providers and libraries providing advanced communications services, and finally to any remaining approved applicants.

To fund all reasonable and supported cost estimates within the first prioritization group and cover administrative expenses, the Reimbursement Program will require \$4.70 billion, reflecting a current shortfall of \$2.80 billion. To fund all reasonable and supported cost estimates within the first and third prioritization groups and cover administrative expenses, the Reimbursement Program will require \$4.98 billion, reflecting a current shortfall of \$3.08 billion. There are no applications that fall within the second prioritization category.

Absent an additional appropriation, the Commission will apply the prioritization scheme Congress specified in the CAA. Because demand within the first prioritization group exceeds available funds for the Reimbursement Program, the Commission will prorate reimbursement funds equally to each eligible applicant in the first prioritization group. The pro-rata factor for those allocations will be approximately 39.5% of demand.

I hope this information is helpful. As allocations are issued in the coming days, the Commission will proceed to administer the next phases of the Reimbursement Program, including processing reimbursement claims submitted by program participants as they work to permanently remove insecure communications equipment and services from their networks. As required by the Act, the agency will update Congress on those efforts through periodic reports and we look forward to continuing to work with Congress on this effort to secure our nation's communications networks.

Sincerely,

A handwritten signature in black ink, appearing to read "Jessica Rosenworcel", with a long horizontal flourish extending to the right.

Jessica Rosenworcel



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF THE
CHAIRWOMAN

July 15, 2022

The Honorable Frank Pallone
Chairman
Committee on Energy and Commerce
U.S. House of Representatives
2125 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Pallone:

I am pleased to report that the Federal Communications Commission has completed its review of the applications filed for the Secure and Trusted Communications Networks Reimbursement Program. This marks an important step in our ongoing process to improve the security of our nation's communications networks. With this letter, I am providing an update on the amount of supplemental funding needed to meet total demand for Reimbursement Program support as well as our next steps toward program implementation. I hope this information will assist in your efforts to ensure the success of this critical security and economic program.

As you know, in the Secure and Trusted Communications Networks Act (the Act), Congress directed the Commission to establish a program to help small and rural communications providers remove, replace, and dispose of communications equipment that could pose a risk to national security. Then, in the Consolidated Appropriations Act, 2021 (the CAA), Congress expanded program eligibility, specified a prioritization scheme for disbursing program funds, and appropriated \$1.9 billion for the Commission to complete this task.

Since the passage of this legislation, the Commission has worked hard to implement congressional intent. As directed, the agency established the Reimbursement Program to offer providers of advanced communications services with ten million or fewer customers compensation for reasonable costs incurred in the removal, replacement, and disposal of covered communications equipment or services from their networks that pose a national security risk. The Commission clarified that for purposes of this program, covered communications equipment or services included equipment or services produced or provided by Huawei Technologies Company or ZTE Corporation. On October 29, 2021, the Commission opened a filing window for applications seeking program support. The filing window closed on January 28, 2022, and the Commission announced the statutory 135-day application review period on January 31, 2022.

On behalf of the Commission, I have endeavored to keep Congress apprised of our progress and the results of our application review. On February 4, 2022, I notified Congress that demand for Reimbursement Program support was \$5.6 billion and, as such, \$1,000,000,000 would not be sufficient to fully fund all approved applications for reimbursements. This notification was required by Section 4(d)(5)(B) of the Act.

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