



**Secure and Trusted Communications Networks Reimbursement Program Report**

**Prepared by the:  
Wireline Competition Bureau**

**Submitted to the:  
Senate Committee on Commerce, Science, and Transportation  
House of Representatives Committee on Energy and Commerce**

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## **I. INTRODUCTION**

In the Secure and Trusted Communications Networks Act of 2019, Congress directed the Commission to establish the Secure and Trusted Communications Networks Reimbursement Program (Supply Chain Reimbursement Program or Reimbursement Program) to reimburse providers of advanced communications services for costs incurred to remove, replace, and dispose of communications equipment and services in their networks that pose a national security risk.<sup>1</sup> As part of the Commission's obligations under the Secure and Trusted Communications Networks Act, the Commission's Wireline Competition Bureau (Bureau) submits this report on: (1) "the implementation of the [Reimbursement] Program by the Commission"<sup>2</sup>; and (2) "the work by recipients<sup>3</sup> of reimbursements under the [Reimbursement] Program to permanently remove, replace, and dispose of covered communications equipment or services . . ."<sup>4</sup> in their networks.<sup>5</sup>

## **II. DISCUSSION**

### **A. Report on the Commission's Efforts to Implement the Reimbursement Program**

#### **1. Application Process and Funding Allocation Approvals**

##### **a. Requirements of the Secure and Trusted Communications Networks Act**

The Secure and Trusted Communications Networks Act directed the Commission to "develop an application process and related forms and materials for the [Reimbursement] Program"<sup>6</sup> and to "require an applicant to provide an initial reimbursement cost estimate at the time of application, with supporting materials substantiating the costs."<sup>7</sup> The Secure and Trusted Communications Networks Act of 2019 required the Commission to "take reasonable steps to mitigate the administrative burdens and costs associated with the application process, while taking into account the need to avoid waste, fraud, and

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<sup>1</sup> Secure and Trusted Communications Networks Act of 2019, Pub. L. No. 116-124, 133 Stat. 158 (2020) (codified as amended at 47 U.S.C. §§ 1601–09).

<sup>2</sup> *Id.* at § 1603(d)(8)(C)(i).

<sup>3</sup> The Secure and Trusted Communications Networks Act of 2019 defines a "recipient" as "any provider of advanced communications service the application of which for a reimbursement under the Program has been approved by the Commission, regardless of whether the provider has received reimbursement funds." 47 U.S.C. § 1608(11). Accordingly, we refer to providers of advanced communications services that apply for Reimbursement Program support as "applicants" and providers that submitted approved applications as "recipients."

<sup>4</sup> *Id.* at § 1603(d)(8)(C)(ii).

<sup>5</sup> 47 U.S.C. § 1603(d)(8)(C); 47 CFR § 1.50004(k)(3) (delegating to the Bureau the obligation to prepare the report to Congress required by 47 U.S.C. § 1603(d)(8)(C)).

<sup>6</sup> 47 U.S.C. § 1603(d)(2).

<sup>7</sup> *Id.* § 1603(d)(2)(B)(i). Eligible providers were permitted to rely upon the predetermined estimated costs identified in a Cost Catalog released by the Bureau. 47 CFR § 1.50004(c)(1)(i); *Wireline Competition Bureau Finalizes Application Filings, Procedures, Cost Catalog, and Replacement List for the Secure and Trusted Communications Networks Reimbursement Program*, WC Docket No. 18-89, Public Notice, 36 FCC Rcd 12190, 12215, para. 73 (WCB Aug. 3, 2021) (*Finalized Reimbursement Process Public Notice*). The Cost Catalog was created for applicants to rely on, where applicable, when submitting cost estimates in their applications, and to provide additional guidance regarding whether certain costs are reasonably incurred and reimbursable under the Reimbursement Program. Eligible providers that submitted their own cost estimates, rather than relying on the Cost Catalog, were required to submit supporting documentation and certify that the estimates were made in good faith. *Id.* The Secure and Trusted Communications Networks Act of 2019 further required applicants to certify that, as of the date of the submission of the application, the applicant had developed a plan and a timeline for the permanent removal, replacement, and disposal of covered communications equipment and services, and required applicants to submit their timelines with their applications. 47 U.S.C. §§ 1603(d)(4)(A)(i)-(ii); 47 CFR § 1.50004(a)(3)(i)

abuse in the [Reimbursement] Program.”<sup>8</sup> The Secure and Trusted Communications Networks Act of 2019 required that the application review process afford applicants a 15-day opportunity to cure material deficiencies in the application<sup>9</sup> and also required the Commission to “approve or deny an application for Reimbursement under the program not later than 90 days after the date of the submission of the application.”<sup>10</sup> It also required the Commission to “make reasonable efforts to ensure that reimbursement funds are distributed equitably among all applicants for reimbursements under the Program according to the needs of the applicants”<sup>11</sup> and to “immediately notify” the appropriate Congressional committees if “the Commission determines that \$1,000,000,000 will not be sufficient to fully fund all approved applicants for reimbursements under the Program . . . .”<sup>12</sup>

**b. Consolidated Appropriations Act, 2021**

On December 27, 2020, the Consolidated Appropriations Act, 2021 (CAA) became law.<sup>13</sup> Section 906 of the CAA appropriated \$1.9 billion to the Commission to “carry out” the Secure and Trusted Communications Networks Act of 2019, of which \$1.895 billion was required to be used for the Reimbursement Program.<sup>14</sup> Section 901 of the CAA modified sections 4 and 9 of the Secure and Trusted Communications Networks Act. Specifically, Congress amended section 4 of the Secure and Trusted Communications Networks Act to: (1) expand eligibility for participation in the Reimbursement Program from those providers of advanced communications service with two million or fewer customers to those with 10 million or fewer customers;<sup>15</sup> (2) limit the use of reimbursement funds to the removal, replacement, and disposal of eligible equipment and services that are both: (i) on the Covered List published pursuant to section 2(a) of the Secure and Trusted Communications Networks Act;<sup>16</sup> and (ii) captured by the definition of equipment or services established by the Commission in the *2019 Supply Chain Order*<sup>17</sup> or as determined by the process set forth in section 54.9 of the Commission’s rules and in

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<sup>8</sup> 47 U.S.C. § 1603(d)(2)(C).

<sup>9</sup> 47 U.S.C. § 1603(d)(3)(B); 47 CFR § 1.50004(d)(1). The statute states that “[i]f such [cure] period would extend beyond the deadline . . . for approving or denying the application, such deadline shall be extended through the end of such period.” 47 U.S.C. § 1603(d)(3)(B); 47 CFR § 1.50004(d)(1).

<sup>10</sup> 47 U.S.C. § 1603(d)(3)(A)(i). The Secure and Trusted Communications Networks Act of 2019 authorized the Commission to extend this deadline by no more than 45 days if there is an excessive number of applications filed at one time, necessitating additional time for employees of the Commission to process the applications. *Id.* § 1603(d)(3)(A)(ii).

<sup>11</sup> 47 U.S.C. § 1603(d)(5)(A).

<sup>12</sup> *Id.* § 1603(d)(5)(B).

<sup>13</sup> See Consolidated Appropriations Act, 2021, Pub. L. No. 116–260, 134 Stat. 1182 (2020) (CAA).

<sup>14</sup> CAA § 906.

<sup>15</sup> *Id.* § 901.

<sup>16</sup> In Section 2 of the Secure and Trusted Communications Networks Act of 2019, Congress directed the Commission to “publish on its website a list of covered communications equipment and services” that “poses an unacceptable risk to the national security of the United States or the security and safety of United States persons.” 47 U.S.C. § 1601(a). The Commission’s Public Safety and Homeland Security Bureau (PSHSB) initially published this list, commonly referred to as the Covered List, on March 12, 2021. See *Public Safety and Homeland Security Bureau Announces Publication of the List of Equipment and Services Covered by Section 2 of the Secure Networks Act*, WC Docket No. 18-89, Public Notice, 36 FCC Rcd 5534 (PSHSB 2021). The Covered List was last updated on Sept. 20, 2022. See *Public Safety and Homeland Security Bureau Announces Additions to the List of Equipment and Services Covered by Section 2 of the Secure Networks Act*, WC Docket No. 18-89 et al., Public Notice, DA 22-979 (PSHSB 2022).

<sup>17</sup> See *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs*, WC Docket No. 18-89, Report and Order, Further Notice of Proposed Rulemaking, and Order, 34 FCC Rcd 11423, 11449-54, paras. 66-78 (2019) (*2019 Supply Chain Order*).

the *Designation Orders*;<sup>18</sup> (3) prohibit Reimbursement Program recipients from using these reimbursement funds to remove, replace, or dispose of any equipment or services purchased after June 30, 2020;<sup>19</sup> and mandate a specific prioritization scheme for the allocation of program funds if demand exceeded available funding.<sup>20</sup> Finally, the CAA amended section 9(10) of the Secure and Trusted Communications Networks Act by changing the definition of “provider of advanced communications service” to include accredited noncommercial educational institutions providing their own facilities-based educational broadband service, and health care providers and libraries providing advanced communications service.<sup>21</sup>

**c. Application Filing Window and Requirements**

Pursuant to the Commission’s rules implementing the Secure and Trusted Communications Networks Act of 2019 and program procedures adopted by the Bureau, the Bureau opened a Reimbursement Program application filing window on October 29, 2021.<sup>22</sup> The filing window closed on January 14, 2022.<sup>23</sup> During the application filing window, the Bureau received 181 applications submitted by 96 unique entities filing FCC Form 5640 Application Request for Funding (application) via the Supply Chain Reimbursement Program Online Portal.<sup>24</sup> To complete an application, each applicant was required to submit: (1) estimates of costs that would be reasonably incurred to permanently remove, replace, and dispose of covered communications equipment or services in its network; (2) detailed information on the covered communications equipment or services to be removed, replaced, and disposed of; (3) a certification that as of the date the applications were submitted, the applicant had developed a plan and timeline for the removal, replacement and disposal of all covered communications equipment and services in its networks; (4) a timeline for the removal, replacement, and disposal of covered communications equipment and services; and (5) certifications that it will comply with Reimbursement Program rules.<sup>25</sup>

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<sup>18</sup> CAA § 901.

<sup>19</sup> *Id.*

<sup>20</sup> *Id.*

<sup>21</sup> *Id.* The Secure and Trusted Communications Networks Act of 2019, as amended, thus defines providers of advanced communications as “a person who provides advanced communications service to United States customers” including “accredited public or private noncommercial educational institutions, providing their own facilities-based educational broadband service . . . and health care providers and libraries providing advanced communications service.” 47 U.S.C. § 1608(10).

<sup>22</sup> *Wireline Competition Bureau Announces Application Filing Window for the Secure and Trusted Communications Networks Reimbursement Program – Filing Window Opens October 29, 2021*, WC Docket No. 18-89, Public Notice, DA 21-1207, at 1 (WCB Sept. 27, 2021) (*Application Filing Window Public Notice*).

<sup>23</sup> The Commission delegated authority to the Bureau to set the length of the window. *2021 Supply Chain Order*, 36 FCC Rcd at 11996-97, para. 95. For good cause, the Bureau extended the close of the application filing window by 14 days. *Protecting against National Security Threats to the Communications Supply Chain Through FCC Programs; Motion for Extension of Time of the Rural Wireless Association, Inc. and NTCA – The Rural Broadband Associations*, WC Docket No. 18-89, Order, DA 21-1648, at 3, para. 6 (WCB Dec. 29, 2021).

<sup>24</sup> *Wireline Competition Bureau Announces Applications Filed for the Secure and Trusted Communications Networks Reimbursement Program*, WC Docket No. 18-89, Public Notice, DA 22-131, at 1 (WCB Feb. 9, 2022) (*Applications Filed Public Notice*); *id.* at 2, n.11. Until the filing window closed, applicants could initiate, save, submit, and make changes to their applications.

<sup>25</sup> 47 U.S.C. § 1603(d)(2); 47 CFR §§ 1.50004(a)(3), (c); *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs*, WC Docket No. 18-89, Second Report and Order, 35 FCC Rcd 14284, 14346-47, paras. 148-51 (2020) (*2020 Supply Chain Order*); *Finalized Reimbursement Process Public Notice*, 36 FCC Rcd at 12193-202, paras. 6-32.

**d. The Bureau's Review and Approval of Applications**

The Bureau commenced the 90-day application review period, as required by section 4(d)(3)(A)(i) of the Secure and Trusted Communications Networks Act of 2019<sup>26</sup> for the Reimbursement Program on January 31, 2022.<sup>27</sup> As required by the Act, on February 4, 2022, the Commission notified Congress that \$1,000,000,000 would not be sufficient to fully fund all approved applications.<sup>28</sup> The Commission submitted the notification based on a preliminary analysis by the Program Fund Administrator that found that the gross cost estimate demand for Reimbursement Program support was approximately \$5.6 billion.<sup>29</sup>

The Bureau and the Fund Administrator<sup>30</sup> assessed the applications based on: (1) whether the application was complete; (2) whether the applicant was eligible for the Reimbursement Program; and (3) whether the cost estimates provided by the applicant were reasonably necessary for the removal, replacement, or disposal of covered communications equipment and services.<sup>31</sup> To inform this process, the Fund Administrator issued Requests for Information to applicants when additional information was needed to clarify or complete information submitted in support of an application.<sup>32</sup> Given the number and complexity of the applications filed, the Bureau extended the application review period by an additional 45 days, as authorized under the Secure and Trusted Communications Networks Act of 2019 and the Commission's rules.<sup>33</sup>

The Commission updated Congress on its progress on June 1, 2022, June 15, 2022, and July 15, 2022.<sup>34</sup> The Bureau issued decisions approving and denying Reimbursement Program applications on

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<sup>26</sup> 47 U.S.C. § 1603(d)(3)(a)(i).

<sup>27</sup> *Applications Filed Public Notice*, at 1.

<sup>28</sup> 47 U.S.C. § 1603(d)(5)(B); Letter from Jessica Rosenworcel, Chairwoman, Federal Communications Commission, to The Honorable Maria Cantwell, the Honorable Roger Wicker, The Honorable Cathy McMorris Rodgers, the Honorable Rosa DeLauro, the Honorable Kay Granger, the Honorable Patrick J. Leahy, the Honorable Richard C. Shelby, the Honorable Frank Pallone (Feb. 4, 2022) (<https://docs.fcc.gov/public/attachments/DOC-384088A1.pdf>) (*February 4 Congressional Letter*).

<sup>29</sup> *February 4 Congressional Letter*.

<sup>30</sup> On April 28, 2021, the Bureau announced the selection of Ernst & Young LLP as the Reimbursement Program Fund Administrator (Fund Administrator) to assist the Bureau with processing applications and administering the Reimbursement Program. *Wireline Competition Bureau Announces Selection of the Secure and Trusted Communications Networks Reimbursement Program Fund Administrator*, WC Docket No. 18-89, Public Notice, FCC Rcd 7600, 7600 (WCB 2021); *see also 2020 Supply Chain Order*, 35 FCC Rcd at 14358, para. 181 (“[The Commission] authorizes the Wireline Competition Bureau to engage contractors to assist in the reimbursement process and the administration of the Reimbursement Program.”).

<sup>31</sup> *See* 47 CFR § 1.50004(d); *2020 Supply Chain Order*, 35 FCC Rcd 14336, para. 121; *2021 Supply Chain Order*, 36 FCC Rcd at 11992-96, paras. 86-94.

<sup>32</sup> *Finalized Reimbursement Process Public Notice*, 36 FCC Rcd at 12203-04, para. 37.

<sup>33</sup> *Applications Filed Public Notice* at 4. This brought the deadline to complete review of Reimbursement Program applications to June 15, 2022, which, as indicated below, was further extended to accommodate the application cure period required by the Secure and Trusted Communications Networks Act of 2019. 47 U.S.C. § 1603(d)(3)(B).

<sup>34</sup> Letter from Jessica Rosenworcel, Chairwoman, Federal Communications Commission, to The Honorable Maria Cantwell, the Honorable Roger Wicker, The Honorable Cathy McMorris Rodgers, the Honorable Rosa DeLauro, the Honorable Kay Granger, the Honorable Patrick J. Leahy, the Honorable Richard C. Shelby, the Honorable Frank Pallone (<https://docs.fcc.gov/public/attachments/DOC-384088A2.pdf>) (Jun. 1, 2022); Letter from Jessica Rosenworcel, Chairwoman, Federal Communications Commission, to The Honorable Maria Cantwell, the Honorable Roger Wicker, The Honorable Cathy McMorris Rodgers, the Honorable Rosa DeLauro, the Honorable Kay Granger, the Honorable Patrick J. Leahy, the Honorable Richard C. Shelby, the Honorable Frank Pallone (<https://docs.fcc.gov/public/attachments/DOC-384301A1.pdf>) (Jun. 15, 2022); Letter from Jessica Rosenworcel,

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July 15, 2022. On July 18, 2022, the Bureau publicly announced the 126 applications filed by 85 unique applicants that had been approved for participation in the Reimbursement Program and the associated allocations.<sup>35</sup> The final demand figure for approved applications was ultimately determined to be \$5.26 billion.<sup>36</sup> However, because Congress appropriated \$1.9 billion to fund the Reimbursement Program,<sup>37</sup> demand for Reimbursement Program support exceeded the available funding. The Bureau thus implemented the prioritization scheme mandated by Congress that required funding to be allocated first to approved applicants that have 2,000,000 or fewer customers (Priority 1).<sup>38</sup> After review of the submitted applications, the Bureau determined that eligible Priority 1 applicants submitted approximately \$4.64 billion in reasonable and supported cost estimates.<sup>39</sup> Because available funding was substantially less than that amount, the Commission's rules required proration of allocations to Priority 1 applicants on an equal basis.<sup>40</sup> The pro-rata factor applied to those allocations was approximately 39%.<sup>41</sup> Additional

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Chairwoman, Federal Communications Commission, to The Honorable Maria Cantwell, the Honorable Roger Wicker, The Honorable Cathy McMorris Rodgers, the Honorable Rosa DeLauro, the Honorable Kay Granger, the Honorable Patrick J. Leahy, the Honorable Richard C. Shelby, the Honorable Frank Pallone (<https://docs.fcc.gov/public/attachments/DOC-385335A1.pdf>) (Jul. 15, 2022) (*July 15 Congressional Letter*).

<sup>35</sup> *Wireline Competition Bureau Announces the Grant of Applications for the Secure and Trusted Communications Networks Reimbursement Program*, WC Docket No. 18-89, Public Notice, DA 22-774, at 1 (WCB Jul. 18, 2022) (*SCRIP Granted Applications Public Notice*). The Bureau released a table showing the name, application number, approved cost estimates, and approved prorated allocation of each recipient. *Id.* at Appx. Ten applications were denied because they did not meet the statutory requirements for eligibility to participate in the Reimbursement Program. One party filed a petition for reconsideration of its denied application. *Petition for Reconsideration of Denial of Application Request of PTA-FLA, Inc. for Funding Allocation for Participation in the Secure and Trusted Communications Networks Reimbursement Program*, WC Docket No. 18-89, at 1 (filed Aug. 15, 2022), <https://www.fcc.gov/ecfs/document/10815725526399/1>. 45 applications filed by one applicant, Level 3 Communications, L.L.C. (Level 3), were denied due to lack of funding. *See infra* n.41.

<sup>36</sup> *SCRIP Granted Applications Public Notice* at 2, n.8. This is down from the gross demand figure of \$5.6 billion assessed at the time applications were filed. *Id.* at 1. The reduction is due to cost estimates that were reduced or withdrawn as a result of the Bureau and Fund Administrator's review of the applications.

<sup>37</sup> 47 U.S.C. § 1603(k) ("In carrying out [the Reimbursement Program], the Commission may not expend more than \$1,900,000,000.").

<sup>38</sup> *See* 47 U.S.C. § 1603(d)(5)(C); 47 CFR § 1.50004(f); *see also SCRIP Granted Applications Public Notice* at 2-3.

<sup>39</sup> *SCRIP Granted Applications Public Notice* at 2. All approved applicants fell into Priority 1, except Level 3, which filed 45 separate applications requesting funding from the Reimbursement Program. *Id.* at 2 n.10. Because Level 3, which identified Lumen Technologies, Inc. as its real-party-in-interest, indicated it had more than 2 million customers, it fell within the third tier of Congress's prioritization scheme. *See* 47 U.S.C. § 1603(d)(5)(C)(iii); 47 CFR § 1.50004(f). For this reason, Level 3's applications were denied due to lack of funding. *See* 47 CFR § 1.50004(f)(1) ("Requests for funds in subsequent prioritization categories will be denied due to lack of available funding.").

<sup>40</sup> *See* 47 CFR § 1.50004(f)(1) (providing that "[i]f there is insufficient funding to fully fund all requests in a particular prioritization category, then the [Bureau] will pro-rate the available funding among all eligible providers in that prioritization category"); *see also* 47 U.S.C. § 1603(d)(5)(A) ("[T]he Commission shall make reasonable efforts to ensure that reimbursement funds are distributed equitably among all applicants for reimbursements under the Program according to the needs of the applicants, as identified by the applications of the applicants.").

<sup>41</sup> The Bureau, working with the Fund Administrator and the Commission's Office of the Managing Director, determined the pro-rata factor by dividing available funding by Priority 1 demand. *See SCRIP Granted Applications Public Notice* at 2-3; *see also* 47 CFR § 1.50004(f)(2)(i). Available funding was determined by deducting approximately \$62 million in expected program administration expenses from the \$1.9 billion congressional appropriation. *Id.* at n.12; *see also* Consolidated Appropriations Act, 2021, Sec. 906 (appropriating funds for the Commission to "carry out" the provisions of the Secure and Trusted Communications Networks Act of 2019, of which \$1,895,000,000 must be used to "carry out" the Reimbursement Program); 47 U.S.C. § 1603(k) (stating that the Commission may not expend more than \$1.9 billion to "carry out" the Reimbursement Program). Priority 1 demand for eligible requests was approximately \$4.71 billion.

funding made available through denied requests for Priority 1 applicants was then added to the allocation for each approved Priority 1 application on a proportional basis, resulting in an adjusted pro-rata factor of approximately 39.5%.<sup>42</sup> As required by the Secure and Trusted Communications Networks Act of 2019 and the Commission’s rules, all applicants that submitted applications that were deemed materially deficient due to, for instance, inadequate cost estimates or supporting materials, were provided a 15-day opportunity to cure the deficiencies before their applications were denied in whole or in part.<sup>43</sup>

**2. Removal, Replacement, and Disposal of Covered Equipment and Services and Reimbursement of Associated Costs**

**a. Requirements of the Secure and Trusted Communications Networks Act of 2019 and the Commission’s Rules**

Once the Bureau approved Reimbursement Program applications and issued funding allocations, Reimbursement Program recipients could begin implementing or preparing to implement the plans submitted with their applications for the removal, replacement, and disposal of covered communications equipment and services, if they had not already done so. Pursuant to the Secure and Trusted Communications Networks Act of 2019, recipients have until one year after the date on which the Commission makes an initial distribution of funds to complete the removal, replacement, and disposal of covered communications equipment and services.<sup>44</sup> The Commission’s rules require recipients to submit at least one Reimbursement Claim seeking such a distribution within one year of the approval of its application.<sup>45</sup> Given that the Bureau issued all application approvals on July 15, 2022, all recipients must file at least one Reimbursement Claim by July 15, 2023. While individual removal, replacement, and disposal terms will be staggered based on when a particular recipient submits a Reimbursement Claim for a distribution of funds, under the Secure and Trusted Communications Networks Act of 2019 and the Commission’s rules, all work to remove, replace, and dispose of the covered communications equipment and services in the networks of Reimbursement Program must be completed one year after the first distribution of funds.<sup>46</sup>

The Secure and Trusted Communications Networks Act of 2019 allows two circumstances under which the Commission may extend the removal, replacement, and disposal term. First, the Commission may grant a general six-month extension of time to all Reimbursement Program recipients if it “finds that the supply of replacement equipment or services needed by the recipients to achieve the purposes of the [Reimbursement] Program is inadequate to meet the needs of the recipients” and provides notice and a detailed justification to the relevant Congressional committees.<sup>47</sup> Second, the Commission may grant extensions of no more than six months to individual recipients that file petitions seeking such relief if the Commission finds that “due to no fault of such recipient, such recipient is unable to complete the permanent removal, replacement, and disposal [of covered communications equipment and services].”<sup>48</sup>

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<sup>42</sup> See 47 CFR § 1.50004(f)(1) (requiring the Bureau to “issue full funding allocations for all eligible providers in the Priority 1 prioritization category before issuing funding allocations in any subsequent prioritization categories”).

<sup>43</sup> 47 U.S.C. § 1603(d)(3)(B); 47 CFR § 150004(d)(1); see also *Finalized Reimbursement Process Public Notice*, 36 FCC Rcd at 12203, paras. 35-36; *July 15 Congressional Letter*.

<sup>44</sup> 47 U.S.C. § 1603(d)(6)(A); 47 CFR § 1.50004(h).

<sup>45</sup> 47 CFR § 1.50004(g)(1). Failure to submit at least one Reimbursement Claim by this one-year deadline results in the recipient’s allocation reverting back to the Program for potential distribution to other recipients. *Id.*

<sup>46</sup> The exact timing will turn on when the Commission distributes reimbursement funds after the approval of a Reimbursement Claim, i.e., a Reimbursement Claim filed on July 15, 2023, would take additional time to review and confirm that a distribution of funds would be appropriate.

<sup>47</sup> 47 U.S.C. § 1603(d)(6)(B); 47 CFR § 1.50004(h)(1).

<sup>48</sup> 47 U.S.C. § 1603(d)(6)(C); 47 CFR § 1.50004(h)(2). The two extensions allowed by the Secure and Trusted Communications Networks Act of 2019 are not mutually exclusive. Pursuant to the terms of the statute, a recipient

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The Commission has not granted any general or individualized extensions of the removal, replacement, and disposal terms to date.

Finally, Reimbursement Program recipients must submit all Reimbursement Claims for a removal, replacement, and disposal project no later than 120 days following the expiration of the removal, replacement, and disposal term for the project.<sup>49</sup> Prior to the deadline, recipients are permitted to request and, if timely requested, will automatically receive a single 120-day extension of the deadline for submitting Reimbursement Claims.<sup>50</sup> If the Commission or the Bureau extends the one-year removal, replacement, and disposal term for a project, the corresponding 120-day reimbursement claim deadline will also be extended and start from the expiration of the extended removal, replacement, and disposal term.<sup>51</sup>

**b. The Bureau’s Review of Reimbursement Claims and Status of Claim Filings**

A Reimbursement Claim Request is evaluated by the Fund Administrator, the Bureau, and the Commission’s Office of the Managing Director (OMD) based on information provided by the Reimbursement Program recipient via a filing in the Supply Chain Reimbursement Program Online Portal referred to as FCC Form 5640 Part G.<sup>52</sup> As noted above, expenses submitted to the Reimbursement Program for reimbursement are examined to determine if they are “reasonably incurred” for the removal, replacement, and disposal of covered communications equipment and services,<sup>53</sup> which the Fund Administrator and the Bureau evaluate by considering: (1) whether the cost is typically incurred when transitioning from covered communications equipment or services to a replacement; (2) the cost relative to alternative equipment and services; and (3) the capabilities and functions performed by the replacement equipment and services as compared to the equipment and services removed.<sup>54</sup> The Fund Administrator and the Bureau compare the request to the price ranges in the Cost Catalog, review supporting invoice documentation, consider any additional justification or explanation submitted by the recipient, and seek any additional necessary information from recipients during their review of Reimbursement Claim Requests.<sup>55</sup> The review process is designed to allow reasonably incurred expenses to be paid while guarding the Reimbursement Program against waste, fraud, and abuse.

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may petition the Commission for an extension of a removal, replacement, and disposal term that has already been extended pursuant to a general extension granted for all Reimbursement Program recipients. *See* 47 U.S.C. § 1603(d)(6)(C)(i); 47 CFR § 1.50004(h)(2).

<sup>49</sup> 47 CFR § 1.50004(g)(2); *Finalized Reimbursement Process Public Notice*, 36 FCC Rcd at 12207, para. 50.

<sup>50</sup> 47 CFR § 1.50004(g)(3); *Finalized Reimbursement Process Public Notice*, 36 FCC Rcd at 12207, para. 50.

<sup>51</sup> *Finalized Reimbursement Process Public Notice*, 36 FCC Rcd at 12207, para. 50.

<sup>52</sup> *See, e.g.,* FCC, *Secure and Trusted Communications Networks Reimbursement Program FCC Form 5640 Part G and Modifications of FCC Form 5640 Part C User Guide* (Sept. 12, 2022), <https://www.fcc.gov/sites/default/files/supply-chain-user-guide-09122022.pdf> (Sept. 12, 2022, User Guide). Recipients must link actual costs incurred and the supporting invoice documentation to their itemized cost estimates previously submitted via the Supply Chain Reimbursement Program Online Portal to complete the claim. *Finalized Reimbursement Process Public Notice*, 36 FCC Rcd at 12206, para. 46. With each invoice submitted, Recipients must provide specific details related to the invoice (vendor name, date issued, description of contents, etc.) to assist reviewers in linking invoices to specific itemized cost estimates and ensure that the invoice is reimbursable. *See* Sept. 12, 2022, User Guide, at 13.

<sup>53</sup> *2020 Supply Chain Order*, 35 FCC Rcd at 14334-36, paras. 118-21; *2021 Supply Chain Order*, 36 FCC Rcd at 11992-96, paras. 86-94.

<sup>54</sup> *2020 Supply Chain Order*, 35 FCC Rcd at 14334-36, paras. 118-20; *2021 Supply Chain Order*, 36 FCC Rcd at 11992-96, paras. 85-94.

<sup>55</sup> *2020 Supply Chain Order*, 35 FCC Rcd at 14353, para. 165; *Finalized Reimbursement Process Public Notice*, 36 FCC Rcd at 12205-06, para. 45.



In some cases, recipients are allowed or required to modify their cost estimates before submitting Reimbursement Claim Requests and they may file administrative updates using the Supply Chain Reimbursement Program Online Portal.<sup>56</sup> To the extent a recipient relied on the Cost Catalog to support its initial cost estimates submitted in the application process, the recipient must submit modified cost estimates supported by vendor and supplier quotes before submitting a Reimbursement Claim Request. Modifications may also be submitted by recipients to update certain details of line items and itemized expenses, update the removal replacement, and disposal timeline and plan submitted with the recipient's application,<sup>57</sup> and update location information for covered equipment and replacement equipment.<sup>58</sup> The funding amount allocated represents the maximum amount eligible for drawdown by a recipient.<sup>59</sup> If a cost estimate modification changes the cost of a project, the Bureau will not increase the recipient's funding allocation amount.<sup>60</sup> Further, in no case may a recipient modify its removal, replacement, and disposal plan to reduce the scope of the existing covered communications equipment and services that must be removed from its network,<sup>61</sup> and no modification request or approval of such request can extend the deadline by which recipients must complete the permanent removal, replacement, and disposal of the covered communications equipment and services in their networks under the statute.<sup>62</sup>

To date, 30 Reimbursement Program recipients have, collectively, submitted 1,988 Reimbursement Claim Requests. The Bureau and OMD have approved \$40,965,745 in Reimbursement Claims.

### **3. Reporting and Other Measures to Guard Against Waste, Fraud, and Abuse**

The Secure and Trusted Communications Networks Act of 2019 requires Reimbursement Program recipients to file certain reports to keep the Commission apprised of their progress in permanently removing, replacing, and disposing of the covered communications equipment and services in their networks and directed the Commission to “tak[e] all necessary steps to avoid waste, fraud, and abuse with respect to the [Reimbursement] Program.”<sup>63</sup> The Secure and Trusted Communications Networks Act of 2019 also specifically requires the Commission to conduct audits, reviews, and field investigations to ensure that recipients are complying with the Reimbursement Program's requirements and performing all work required to permanently remove, replace, and dispose of the covered

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<sup>56</sup> *Finalized Reimbursement Process Public Notice*, 36 FCC Rcd at 12208, para. 54.

<sup>57</sup> For instance, a recipient may need to update its removal, replacement, and disposal plan if the replacement equipment and services it initially envisioned purchasing are ultimately unavailable, and may need to update its timeline to reflect procurement or other contracting delays.

<sup>58</sup> *Finalized Reimbursement Process Public Notice*, 36 FCC Rcd at 12206, para. 46; *id.* at 12208, para. 54.

<sup>59</sup> *See 2020 Supply Chain Order*, 35 FCC Rcd at 14347, para. 152.

<sup>60</sup> *Finalized Reimbursement Process Public Notice*, 36 FCC Rcd at 12208, para. 54.

<sup>61</sup> In the Final Certifications required by the Secure and Trusted Communications Networks Act of 2019, recipients will be required to certify that, among other things, they have “permanently removed from the communications network of the recipient, replaced, and disposed of (or is in the process of permanently removing, replacing, and disposing of) all covered communications equipment or services that were in the network of the recipient *as of the date of the submission of the application of the recipient for the reimbursement . . .*” 47 U.S.C. § 1603(e)(4)(A)(iii) (emphasis added); *see also* 47 CFR § 1.50004(m)(1). Accordingly, Reimbursement Program recipients must completely remove all covered communications equipment and services that were in their networks as of the date that they submitted their applications to the Program and may not modify their removal, replacement, and disposal plans to reduce the scope of that obligation.

<sup>62</sup> Applicants were required to submit specific timelines for the permanent removal, replacement, and disposal of the covered communications equipment or services in their networks with their applications, 47 U.S.C. § 1603(d)(4)(A)(i), and recipients will be required to certify that they complied with those timelines in their Final Certifications. 47 U.S.C. § 1603(e)(4)(A)(iv).

<sup>63</sup> 47 U.S.C. § 1603(e)(1).

communications equipment and services.<sup>64</sup> Recipients have begun to submit reports as required by the statute and the Commission has developed measures to monitor and investigate their compliance with the Secure and Trusted Communications Networks Act of 2019, the Commission’s rules, and Reimbursement Program procedures.

**a. Status Updates**

The Secure and Trusted Communications Networks Act of 2019 requires recipients to submit, “[n]ot less frequently than once every 90 days beginning on the date on which the Commission approves an application for a reimbursement under the [Reimbursement] Program, . . . a status update on the work of the recipient to permanently remove, replace, and dispose of the covered communications equipment or services . . . .”<sup>65</sup> The statute requires that the Commission publish these reports on its website “[n]ot earlier than 30 days after the date on which the Commission received a status update . . . .”<sup>66</sup> The Commission has interpreted the Secure and Trusted Communications Networks Act of 2019 as permitting the Commission to require the first status update filing 90 days after the approval of applications for reimbursement, and also that subsequent updates be filed at least every 90 days.<sup>67</sup> Recipients are required to report on their “work to permanently remove, replace, and dispose of the covered communications equipment or services” in their communications networks,<sup>68</sup> including the efforts undertaken and challenges encountered in performing that work.<sup>69</sup> The status updates must also include whether the recipient has: (1) fully complied with, or is in the process of complying with, all requirements of the Reimbursement Program; (2) fully complied with, or is in the process of complying with, the commitments made in the recipient’s application; (3) permanently removed from its communications network, replaced, and disposed of, or is in the process of permanently removing, replacing, and disposing of, all covered communications equipment or services that were in the recipient’s network as of the date of the submission of the recipient’s application; and (4) fully complied with, or is in the process of complying with, the timeline submitted by the recipient in its application.<sup>70</sup> Recipients must also report in detail on the availability of replacement equipment in the marketplace so the Commission can assess whether a general, six-month extension permitted by the statute is appropriate.<sup>71</sup> Lastly, each status update must include a certification that affirms the accuracy of the information in the update.<sup>72</sup> In the *2020 Supply Chain Order*, the Commission noted that status updates “will help the Commission monitor the overall pace of the removal, replacement, and disposal process and whether recipients are acting consistently with the timelines provided to the Commission or whether unexpected challenges are causing delay.”<sup>73</sup>

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<sup>64</sup> 47 U.S.C. §§ 1603(e)(3)(A)-(B).

<sup>65</sup> *Id.* § 1603(d)(8)(A).

<sup>66</sup> *Id.* § 1603(d)(8)(B).

<sup>67</sup> *See 2020 Supply Chain Order*, 35 FCC Rcd at 14359, para. 183 (“Although the statute allows us to require more frequently filed updates, we find an update every 90 days sufficient to keep the Commission informed of ongoing developments while not unduly burdening program recipients and diverting limited administrative resources away from the network transition process.”).

<sup>68</sup> 47 U.S.C. § 1603(d)(8)(A).

<sup>69</sup> 47 CFR § 1.50004(k)(1)(i).

<sup>70</sup> *Id.* §§ 1.50004(k)(1)(iii)-(vi). Removal, replacement, and disposal timelines submitted to the Commission must comport with the recipient’s deadline to complete the permanent removal, replacement, and disposal of covered communications equipment and services, which is one year from its initial distribution of a reimbursement. 47 U.S.C. § 1603(d)(6)(A); 47 CFR § 1.50004(h).

<sup>71</sup> 47 CFR § 1.50004(k)(1)(ii); *see 2020 Supply Chain Order*, 35 FCC Rcd at 14359, para. 183.

<sup>72</sup> *2020 Supply Chain Order*, 35 FCC Rcd at 14359, para. 184.

<sup>73</sup> *Id.* at 14359, para. 183; *see also* 47 U.S.C. § 1603(d)(4)(A)(ii).

Because recipients' applications were approved on July 15, 2022,<sup>74</sup> all initial status updates were due on October 13, 2022.<sup>75</sup> Recipients were required to submit their status updates via a module on the Supply Chain Reimbursement Program Online Portal, and as required by the Secure and Trusted Communications Networks Act of 2019,<sup>76</sup> the status updates have been made publicly available on the Commission's website.<sup>77</sup>

**b. Spending Reports**

The Secure and Trusted Communications Networks Act of 2019 directed the Commission to "require recipients of reimbursement under the [Reimbursement] Program to submit to the Commission on a regular basis reports regarding how reimbursement funds have been spent, including detailed accounting of the covered communications equipment or services permanently removed and disposed of, and the replacement equipment or services purchased, rented, leased, or otherwise obtained, using reimbursement funds."<sup>78</sup> The Commission determined that "requiring filings twice a year will provide information with sufficient frequency to allow the Commission to monitor against waste, fraud, and abuse while mitigating the reporting burden on recipients."<sup>79</sup> It thus required that recipients submit spending reports "within 10 calendar days after the end of January and July, starting with the recipient's initial draw down of disbursement funds and terminating once the recipient has filed a spending report showing the expenditure of all funds received as compared to the estimated costs submitted."<sup>80</sup> The Commission further required a "final spending report . . . following the filing of a final certification by the recipient."<sup>81</sup> The Commission directed the Bureau "to provide Reimbursement Program recipients with additional details on the filing of and additional information contained in the spending reports."<sup>82</sup> It further directed the Bureau "make versions of the spending reports available on the Commission's website subject to confidentiality concerns consistent with Commission rules."<sup>83</sup> The Bureau will begin posting non-confidential information about the spending reports it receives after February 10, 2023, the first deadline for recipients to file spending reports.

**c. Monitoring and Compliance**

The Secure and Trusted Communications Networks Act of 2019 requires "regular audits and reviews of reimbursements under the [Reimbursement] Program to confirm that recipients of such

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<sup>74</sup> See *July 15 Congressional Letter* at 1; see also *SCRIP Granted Applications Public Notice* at 1.

<sup>75</sup> *Wireline Competition Bureau Reminds Secure and Trusted Communications Networks Reimbursement Program Recipients of Their Status Update Filing Obligation*, WC Docket No. 18-89, Public Notice, DA 22-967 (WCB Sept. 16, 2022).

<sup>76</sup> 47 U.S.C. § 1603(d)(8)(B).

<sup>77</sup> FCC, *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs*, <https://www.fcc.gov/supplychain/reimbursement> (last visited, Dec. 7, 2022). The Commission received status updates for 125 of the 126 applications approved for Reimbursement Program support, each of which can be reviewed on the Supply Chain Reimbursement Program webpage linked above. To date, one recipient has failed to submit a status update despite multiple communications from the Bureau. The recipient that has not filed has been referred to the Commission's Enforcement Bureau.

<sup>78</sup> 47 U.S.C. § 1603(e)(2).

<sup>79</sup> *2020 Supply Chain Order*, 35 FCC Rcd at 14360, para. 188.

<sup>80</sup> *Id.*

<sup>81</sup> *Id.* The Commission further clarified that it "expect[s] program participants to submit the final spending report no later than 60 days following the expiration of the program participant's reimbursement claim deadline." *2021 Supply Chain Order*, 36 FCC Rcd at 12000, para. 105.

<sup>82</sup> *2020 Supply Chain Order*, 35 FCC Rcd at 14360, para. 189.

<sup>83</sup> *Id.*; 47 CFR § 1.50004(l)(3).

reimbursements are complying with [the Secure Networks] Act.”<sup>84</sup> The Commission also must conduct “random field investigations to ensure that recipients of reimbursements under the [Reimbursement] Program are performing the work such recipients are required to perform under the commitments made in the applications of such recipients for reimbursement under the [Reimbursement] Program.”<sup>85</sup> The Commission has implemented these requirements through several initiatives to protect the Reimbursement Program from waste, fraud, and abuse, and ensure that Reimbursement Program recipients are complying with program requirements.

First, as noted above, the Commission has retained a Fund Administrator to work with the Bureau and OMD to ensure that all applications filed in the Reimbursement Program met fundamental eligibility and content requirements and that all Reimbursement Claims submitted for reimbursement are for substantiated costs reasonably incurred as required by the Commission’s rules. These reviews are conducted pursuant to internal controls that are documented and periodically reviewed to ensure they reflect the requirements of the Secure and Trusted Communications Networks Act of 2019, the Commission’s rules, and program procedures.

Second, pursuant to the Commission’s direction,<sup>86</sup> the Fund Administrator, the Bureau, and OMD have developed a monitoring and compliance plan that includes procedures for conducting reviews of reimbursements distributed to recipients, compliance audits, and field investigations. The plan includes targeted investigations if information obtained by the Fund Administrator or the Commission indicates that particular recipients are not in compliance with program requirements and the commitments they have made for the removal, replacement, and disposal of covered communications equipment and services, as well as random field investigations to ensure that the requirements and objectives of the Reimbursement Program are being met. As a condition of participating in the Reimbursement Program, recipients were required to provide consent for “any representative appointed by the Commission to enter the premises of the recipients to conduct compliance inspections”<sup>87</sup> and for “vendors or contractors used by the recipient to release confidential information to the auditor, reviewer, or other representative.”<sup>88</sup> The Bureau and OMD anticipate that these audits and investigations will commence later this year as recipients make more progress with respect to the removal, replacement, and disposal of covered communications equipment and services and additional Reimbursement Claim Requests are filed.

Third, the Bureau, OMD, and the Fund Administrator will review the information submitted by recipients in their status updates and spending reports to evaluate whether they are fulfilling the commitments made in their applications to remove all of the covered communications equipment and services that were in their networks at the time that their applications were filed, and replacing and disposing of such equipment and services in compliance with statutory, regulatory, and procedural requirements. In particular, the detailed accounting information that recipients will be required to submit with their spending reports will help the Bureau, OMD, and the Fund Administrator assess whether recipients are fulfilling their obligations. The review of these reports may result in certain recipients receiving additional inquiries from the Fund Administrator and Bureau or being selected for targeted investigations if the information submitted indicates noncompliance with program requirements.

Lastly, a recipient may be referred to the Commission’s Enforcement Bureau for investigation into whether the recipient violated the requirements of the Reimbursement Program, including inquiries into whether they submitted false certifications to the Commission.

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<sup>84</sup> 47 U.S.C. § 1603(e)(3)(A).

<sup>85</sup> *Id.* § 1603(e)(3)(B).

<sup>86</sup> 2020 *Supply Chain Order*, 35 FCC Rcd at 14361-62, para. 193.

<sup>87</sup> *Id.*

<sup>88</sup> *Id.*

#### 4. Education and Outreach

The Secure and Trusted Communications Networks Act requires the Commission to “engage in education efforts with providers of advanced communications service to (1) encourage such providers to participate in the Program; and (2) assist such providers in submitting applications for the Program.”<sup>89</sup> The Bureau has implemented this requirement by producing informational materials in several formats and engaging in outreach to educate providers about the Reimbursement Program and assist them with the application process and later phases of the Program.

*Supply Chain Reimbursement Program Webpage.* The Commission has created a webpage to serve as the central location for all Supply Chain Reimbursement Program related resources.<sup>90</sup> The webpage links users to the Supply Chain Reimbursement Program Online Portal, where participants can submit application requests for funding, modification requests, and invoices for reimbursement. Visitors to the webpage can find easily accessible compilations of all relevant Reimbursement Program documents (including the ones described below), as well as important *Orders* and *Public Notices* describing Commission and Bureau actions regarding the Reimbursement Program, relevant Commission rules, and the legal authorities that govern the Reimbursement Program.

*Fund Administrator Help Desk and Frequently Asked Questions.* On September 10, 2021, the Bureau announced the establishment of a Fund Administrator Help Desk to answer questions about the Reimbursement Program and the application filing process.<sup>91</sup> The Fund Administrator Help Desk is staffed by the Fund Administrator and is reachable by email or phone from 9:00 AM ET to 5:00 PM ET, Monday through Friday, except for federal holidays.<sup>92</sup> Roughly a month prior to the opening of the Reimbursement Program application filing window, the Bureau released a list of frequently asked questions (FAQs) about the Program and an accompanying infographic with a timeline of important Reimbursement Program dates and compliance deadlines.<sup>93</sup> The FAQs provide participants with an easily accessible resource for answering common questions about the Reimbursement Program, including, but not limited to, details about the application process, the expenses that are eligible for reimbursement, how to file cost estimates as part of application, and how to file Reimbursement Claim Requests after an application is approved. The Bureau partly compiled the FAQs from questions received by the Fund Administrator’s Help Desk. The Bureau updates the FAQs as new questions are received by the Bureau and Fund Administrator. The FAQs were last updated on December 14, 2022.<sup>94</sup>

*Webinar.* On September 27, 2021, the Bureau held an informational webinar to provide the public with an overview of the Reimbursement Program, explain provider eligibility information, and describe the application procedures for participating parties in anticipation of the opening of the

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<sup>89</sup> 47 U.S.C. §§ 1603(i)(1)-(2).

<sup>90</sup> FCC, *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs*, Supply Chain Reimbursement Program, <https://www.fcc.gov/supplychain/reimbursement> (last visited, Dec. 7, 2022).

<sup>91</sup> *Wireline Competition Bureau Announces Secure and Trusted Communications Networks Reimbursement Program Help Desk*, WC Docket No. 18-89, Public Notice, 36 FCC Rcd 13499, 13499 (WCB 2021).

<sup>92</sup> *Id.*

<sup>93</sup> *Wireline Competition Bureau Announces Application Filing Window for the Secure and Trusted Communications Networks Reimbursement Program – Filing Window Opens October 20, 2021*, WC Docket No. 18-89, Public Notice, DA 21-1207 (WCB Sept. 27, 2021); FCC, *Secure and Trusted Communications Networks Reimbursement Program: Frequently Asked Questions* (Sept. 24, 2021), <https://docs.fcc.gov/public/attachments/DOC-376062A1.pdf>; FCC, *Secure and Trusted Communications Networks Reimbursement Program Infographic* (Sept. 27, 2021), <https://docs.fcc.gov/public/attachments/DOC-376061A1.pdf>.

<sup>94</sup> The FAQs are currently in their seventh iteration. See FCC, *Secure and Trusted Communications Networks Reimbursement Program: Frequently Asked Questions* (Dec. 14, 2022), <https://www.fcc.gov/document/updated-faqs-issued-supply-chain-reimbursement-program-0>.

application window on October 29, 2021.<sup>95</sup> During the nearly hour-and-a-half long webinar, Bureau staff educated viewers on the core requirements of the Reimbursement Program and demonstrated how to use the Supply Chain Reimbursement Program Online Portal to file an application.<sup>96</sup> The webinar was recorded and remains on the Commission’s website as a resource for Reimbursement Program recipients.

*User Guides.* On October 20, 2021, the Bureau released the FCC Form 5640 Application Request for Funding Allocation User Guide prepared by the Fund Administrator (FCC Form 5640 User Guide).<sup>97</sup> The FCC Form 5640 User Guide provides step-by-step instructions for navigating the Supply Chain Reimbursement Program Online Portal and completing a Reimbursement Program application. On September 12, 2022, the Bureau released an additional user guide produced by the Fund Administrator, the FCC Form 5640 Part G and Modifications of FCC Form 5640 Part C User Guide.<sup>98</sup> That user guide provides guidance on submitting cost estimate modification requests and Reimbursement Claim Requests. The Fund Administrator will continue to prepare new or updated user guides as necessary to best support Reimbursement Program participants, and the Bureau will release them as they become available.

*Best Practices for Covered Equipment Disposal.* The Secure and Trusted Communications Networks Act requires Reimbursement Program Participants to “dispose of the covered communications equipment and services in a manner to prevent the equipment or service from being used in the networks of other advanced communications services providers” and to “retain documentation demonstrating compliance with this requirement.”<sup>99</sup> The Commission stated that the disposal “must result in the destruction of the covered communications equipment or service, making the covered communications equipment or service inoperable permanently.”<sup>100</sup> The Commission also specifically prohibited the “transfer of covered communications equipment or service to non-U.S. providers in an operable state that would allow for use of the equipment or service in another provider’s network, foreign or domestic.”<sup>101</sup> In line with the Commission’s expectation that the Bureau would provide participants with additional guidance with the disposal and verification process,<sup>102</sup> the Bureau identified certain voluntary “best

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<sup>95</sup> *FCC Announces a Webinar for the Secure and Trusted Communications Networks Reimbursement Program*, WC Docket No. 18-89, Public Notice, DA 21-1164, 1 (WCB Sept. 16, 2021). A video recording of the webinar is available on the SCRPs website. FCC, *Secure and Trusted Communications Networks Reimbursement Program Webinar*, <https://www.fcc.gov/news-events/events/2021/09/secure-and-trusted-communications-networks-reimbursement-program-webinar> (last visited, Nov. 2, 2022) (*Supply Chain Reimbursement Program Webinar*).

<sup>96</sup> *Supply Chain Reimbursement Program Webinar*.

<sup>97</sup> *Supply Chain Reimbursement Program User Guide and Updated FAQs Issued*, WC Docket No. 18-89, Public Notice, DA 21-1318 (WCB Oct. 20, 2021); FCC, *Secure and Trusted Communications Networks Reimbursement Program FCC Form 5640 User Guide* (Oct. 20, 2021), <https://docs.fcc.gov/public/attachments/DA-21-1318A2.pdf>. The Bureau released updates to the FCC Form 5640 User Guide on January 11, 2022. See FCC, *Secure and Trusted Communications Networks Reimbursement Program FCC Form 5640 User Guide* (Jan. 11, 2022), <https://www.fcc.gov/sites/default/files/supply-chain-user-guide-01032022.pdf>.

<sup>98</sup> See Sept. 12, 2022, User Guide.

<sup>99</sup> 47 U.S.C. § 1603(d)(7); 47 CFR § 1.50004(j). The disposal and verification requirements apply to covered communications equipment and service produced or provided by Huawei and ZTE. See 47 CFR §§ 1.50004(a)(1)-(2), (j). Accordingly, other ancillary equipment and service removed in connection with the removal, replacement, and disposal of the communications equipment produced or provided by Huawei and ZTE would not be subject to the requirements of section 1.50004(j) of the Commission’s rules. See *id.* § 1.50004(j).

<sup>100</sup> 47 CFR § 1.50004(j).

<sup>101</sup> *2020 Supply Chain Order*, 35 FCC Rcd at 13358, para. 179 (citing Puerto Rico Telecomm. Co. Reply, WC Docket No. 18-89, at 9-10 (rec. Jun. 4, 2020)). However, the Commission allowed providers to satisfy the Commission’s disposal requirements by “documenting their transfer of removed equipment to third parties tasked with destruction or other disposal of the equipment.” *Id.* (quoting Competitive Carriers Ass’n Comments, WC Docket No. 18-89, at 10 (rec. May 20, 2020)).

<sup>102</sup> *2020 Supply Chain Order*, 35 FCC Rcd at 14358, para. 179.

practices” to help guide recipients as they fulfill their Reimbursement Program disposal and verification obligations and prepared a guidance document for their reference.<sup>103</sup> The best practices include procedures to effectuate equipment removal, data destruction media sanitization, storage, transportation, physical destruction, and recycling, and also cover the selection of certified data sanitization services, equipment destruction services, and electronic waste recycling services.<sup>104</sup> The best practices further discuss documentation sufficient to demonstrate compliance, including the use of detailed equipment inventories, certificates of media disposition, and certificates of destruction.<sup>105</sup>

**B. Report on Work by Reimbursements Program Recipients to Permanently Remove, Replace, and Dispose of Covered Communications Equipment or Services**

As noted above, Reimbursement Program recipients were required to file their initial status updates with the Commission on October 13, 2022. Based on the information supplied in those status updates, it appears that many Reimbursement Program participants have begun some work toward permanently removing, replacing, and disposing of the covered communications equipment and services in their networks. Recipients also indicated, however, that they are facing certain challenges that may hinder their ability to start or complete that work, generally and within the time allowed by the Secure and Trusted Communications Networks Act of 2019 and the Commission’s rules.

**1. Progress Towards Completion of Removal, Replacement, and Disposal Plans**

In their status updates, Reimbursement Program recipients were required to describe the progress of their work to permanently remove, replace, and dispose of the covered communications equipment and services that were in their networks at the time that they submitted their applications in those updates. Based on those descriptions, the Bureau estimates that 2% of recipients that submitted status updates (respondents) have completed the permanent removal, replacement, and disposal of *all* the covered communications equipment and services in their networks.<sup>106</sup> The Bureau estimates that around 83% of respondents have made some progress in their overall plan but have not completed the work. An estimated 15% of respondents indicated that they have not yet begun the work to permanently remove, replace, and dispose of the covered communications equipment and services in their networks. Although these estimates show that there is still a considerable amount of work to be done to fulfill all of the objectives of the Reimbursement Program,<sup>107</sup> the majority of recipients began to implement the removal, replacement, and disposal plans before the October 13, 2022 due date for their status updates.

**2. Challenges Encountered**

Reimbursement Program status update respondents reported that they are experiencing four main challenges in their efforts to permanently remove, replace, and dispose of covered communications equipment and services in their networks: (1) lack of funding; (2) supply chain delays; (3) labor

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<sup>103</sup> *Wireline Competition Bureau Announces Best Practices for Equipment Disposal and Revises FCC Form 5640 Certifications for the Secure and Trusted Communications Networks Reimbursement Program*, WC Docket No. 18-89, Public Notice, 36 FCC Rcd 14061, Appx. A. (WCB 2021).

<sup>104</sup> *Id.* at 14063.

<sup>105</sup> *Id.*

<sup>106</sup> The aggregate progress estimates in this Report are based on the Bureau’s interpretation of each recipient’s narrative description of the work it has performed to remove, replace, and dispose of the covered communications equipment and services in the networks, i.e., whether the information supplied by the recipient indicated that the required work has been completed, not started, or is in progress.

<sup>107</sup> As noted above, Reimbursement Program recipients that have received an initial disbursement of reimbursement funds will be required to submit their first spending reports on February 10, 2023. Those reports will require such recipients to submit “a detailed accounting of the covered communications equipment or services permanently removed and disposed of, and the replacement equipment or services purchased, rented, leased, or otherwise obtained, using reimbursement funds.” 47 U.S.C. § 1603(e)(2).

shortages; and (4) weather-related challenges.

**a. Lack of Funding**

As explained above, the Bureau was required to prioritize and prorate allocations approved for this cycle of the Reimbursement Program due to funding constraints. As a result, Program recipients received allocations covering roughly 40% of the cost estimates in their applications that were deemed reasonable and supported. Notwithstanding this funding shortfall, recipients remain subject to the requirement in the Secure and Trusted Communications Networks Act of 2019 that they remove *all* of the covered communications equipment and services in their networks as of the date of the submission of their applications.<sup>108</sup>

Roughly half of respondents indicated in their status updates that a lack of funding is a challenge they face to complete the permanent removal, replacement, and disposal of the covered communications equipment and services in their networks in their entirety. Approximately 2% of respondents indicated in their status updates that they will not start work on their removal, replacement, and disposal projects unless they receive additional funding.<sup>109</sup>

**b. Supply Chain Delays**

As noted above, the Secure and Trusted Communications Networks Act of 2019 authorizes that Commission to grant a general six-month extension of the deadline to complete removal, replacement, and disposal projects to all Reimbursement Program recipients if it finds that the supply of replacement communications equipment or services is inadequate to meet the needs of the recipients and achieve the purposes of the Program.<sup>110</sup> In recognition of this authorization, the Commission “direct[ed] the Wireline Competition Bureau to assess the supply of replacement equipment in the marketplace,”<sup>111</sup> and in so doing, “to account for the information reported by program recipients in the status updates filed as required by the [Secure and Trusted Communications Networks Act of 2019].”<sup>112</sup>

Nearly half of respondents reported some challenges with securing replacement equipment in their status updates. The specific challenges cited included long delays between the placement and shipment of replacement equipment or the delivery of services, price increases since the recipient initially filed its application containing cost estimates, and increased competition for replacement equipment and services diminishing availability. Notwithstanding these hurdles, however, most respondents indicated that they have been able to identify replacement alternatives. The Bureau continues to monitor and assess the availability of replacement communications equipment and services.

**c. Labor Shortages and Weather Impacts**

Roughly three in ten respondents reported challenges with labor shortages and one quarter of respondents reported challenges with weather that impacted their efforts to work toward the removal, replacement, and disposal of covered communications equipment and services.

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<sup>108</sup> 47 U.S.C. § 1603(e)(4)(A)(iii) (requiring recipients to file a final certification stating that they have “permanently removed from the communications network of the recipient, replaced, and disposed of . . . all covered communications equipment or services that were in the network of the recipient as of the date of the submission of the application of the recipient for the reimbursement . . .”).

<sup>109</sup> If a recipient does not submit at least one Reimbursement Claim Request within a year of the approval of its application, its allocation reverts back to the Program and may be distributed to other recipients. 47 CFR § 1.50004(g)(1).

<sup>110</sup> 47 U.S.C. § 1603(d)(6)(B)(i).

<sup>111</sup> 2020 *Supply Chain Order*, 35 FCC Rcd at 14355, para 172.

<sup>112</sup> *Id.*



### **3. Compliance with Project Timelines**

Recipients were required to address in the reports whether they have fully complied with the timelines submitted with their applications for the removal, replacement, and disposal of the covered communications equipment and services in their networks.<sup>113</sup>

Four-fifths of respondents indicated that they have fully complied with, or are in the process of complying with, the timeline submitted with their applications. The remaining one-fifth of respondents indicated the timelines submitted with the recipients' applications were no longer valid. As noted above, Reimbursement Program recipients may modify their removal, replacement, and disposal plans and timelines to take into account factors that have changed since they filed their applications nearly a year ago. For example, a recipient may need to modify their timeline if the replacement equipment or service they intended to purchase at the time they filed their application was not available pursuant to the schedule originally envisioned. Accordingly, a statement in a status update that a timeline submitted with an application is no longer valid does not necessarily mean that the recipient is out of compliance with program requirements. Importantly, no modification request or approval of such request can extend the deadline by which recipients must complete the permanent removal, replacement, and disposal of the covered communications equipment and services in their networks under the Secure and Trusted Communications Networks Act and the Commission's rules,<sup>114</sup> and recipients are reminded of this fact when their modification requests are reviewed.

### **III. CONCLUSION**

The Commission has worked diligently to implement the Reimbursement Program in compliance with the Secure and Trusted Communications Networks Act and to protect the Reimbursement Program from waste, fraud, and abuse. When recipients submit their next status updates on January 11, 2023, and initial spending reports on February 10, 2023, the Bureau anticipates it will have greater insight into how much progress recipients have made on their removal, replacement, and disposal plans and the overall status of the Program. The Bureau will update Congress on these points and any new efforts by the Commission to implement the Reimbursement Program in its next report due July 10, 2023.

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<sup>113</sup> 47 U.S.C. § 1603(d)(8); 47 CFR § 1.50004(a)(3)(1)(B).

<sup>114</sup> 47 U.S.C. § 1603(d)(6)(A); 47 CFR § 1.50004(h).

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**Federal Communications Commission**

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**APPENDIX****Status Updates Filed**

<b>Recipient Name</b>	<b>Application No. For Which Status Update Was Filed</b>
Advantage Cellular Systems, Inc.*	SCR0001177
AST Telecom, LLC d/b/a Bluesky	SCR0001076
Beamspeed, L.L.C.	SCR0001010
Bestel (USA), Inc.	SCR0001149
Board of Trustees, Northern Michigan University	SCR0001040
Bristol Bay Cellular Partnership* <sup>+</sup>	SCR0001182
Carrollton Farmers Cellular, ISD <sup>+</sup>	SCR0001169
Central Louisiana Cellular, LLC	SCR0001042
Commnet Wireless, LLC	SCR0001026
Commnet Wireless, LLC	SCR0001027
Commnet Wireless, LLC	SCR0001028
Commnet Wireless, LLC	SCR0001029
Copper Valley Wireless, LLC	SCR0001157
Country Wireless LLC	SCR0001017
Crystal Broadband Networks*	SCR0001176

**Federal Communications Commission**

Eastern Oregon Telecom, LLC	SCR0001037
Eltopia Communications, LLC	SCR0001167
FIF Utah LLC	SCR0001006
FirstLight Fiber, Inc.	SCR0001005
Flat Wireless, LLC	SCR0001103
Gallatin Wireless Internet, LLC	SCR0001039
Gigsky, Inc.	SCR0001143
Gogo Business Aviation LLC	SCR0001134
Hargray Communications Group, Inc.	SCR0001101
Hotwire Communications, Ltd.	SCR0001146
Hotwire Communications, Ltd.	SCR0001147
Hotwire Communications, Ltd.	SCR0001148
Hunter Communications & Technologies LLC <sup>+</sup>	SCR0001133
IdeaTek Telecom, LLC	SCR0001139
Inland Cellular LLC <sup>+</sup>	SCR0001144
Interoute US LLC	SCR0001030
James Valley Cooperative Telephone Company	SCR0001105
Kings County Office of Education	SCR0001142

**Federal Communications Commission**

LakeNet LLC	SCR0001145
Latam Telecommunications, L.L.C.	SCR0001168
Leaco Rural Telephone Cooperative, Inc.	SCR0001175
LIGTEL COMMUNICATIONS INC.	SCR0001155
Mark Twain Communications Company	SCR0001021
Mediacom Communications Corporation	SCR0001140
Metro Fibernet, LLC	SCR0001016
MHG Telco LLC	SCR0001023
Millennium Telcom, L.L.C., dba OneSource Communications <sup>+</sup>	SCR0001152
Monmouth Telephone & Telegraph	SCR0001032
Natural G.C. Inc.	SCR0001008
NE Colorado Cellular Inc	SCR0001113
NE Colorado Cellular Inc	SCR0001106
NE Colorado Cellular Inc	SCR0001107
NE Colorado Cellular Inc	SCR0001108
NE Colorado Cellular Inc	SCR0001109
NE Colorado Cellular Inc	SCR0001110
NE Colorado Cellular Inc	SCR0001111

**Federal Communications Commission**

NE Colorado Cellular Inc	SCR0001114
NE Colorado Cellular Inc	SCR0001115
NE Colorado Cellular Inc	SCR0001116
NE Colorado Cellular Inc	SCR0001117
NE Colorado Cellular Inc	SCR0001118
NE Colorado Cellular Inc	SCR0001119
NE Colorado Cellular Inc	SCR0001120
NE Colorado Cellular Inc	SCR0001121
NE Colorado Cellular Inc	SCR0001122
NE Colorado Cellular Inc	SCR0001123
NE Colorado Cellular Inc	SCR0001124
NE Colorado Cellular Inc	SCR0001125
NE Colorado Cellular Inc	SCR0001126
NE Colorado Cellular Inc	SCR0001135
NE Colorado Cellular Inc	SCR0001141
NEMONT TELEPHONE COOPERATIVE INC	SCR0001084
New Wave Net Corp	SCR0001012
NfinityLink Communications, Inc.	SCR0001173

**Federal Communications Commission**

NTInet, Inc	SCR0001011
NTUA Wireless, LLC	SCR0001024
NTUA Wireless, LLC	SCR0001025
One Ring Networks, Inc. †	SCR0001001
Panhandle Telecommunication Systems Inc	SCR0001033
Pasadena ISD	SCR0001014
Pine Belt Cellular, Inc.	SCR0001038
Pine Telephone Company	SCR0001034
Pine Telephone Company	SCR0001035
Pine Telephone Company	SCR0001036
Plateau Telecommunications, Incorporated	SCR0001112
PocketiNet Communications Inc.	SCR0001031
Point Broadband Fiber Holding, LLC	SCR0001128
Point Broadband Fiber Holding, LLC	SCR0001129
Point Broadband Fiber Holding, LLC	SCR0001130
Point Broadband Fiber Holding, LLC	SCR0001131
Point Broadband Fiber Holding, LLC	SCR0001132
Premier Holdings LLC	SCR0001150

**Federal Communications Commission**

Puerto Rico Telephone Company, Inc.	SCR0001162
Roome Telecommunications Inc	SCR0001154
Santel Communications Cooperative, Inc.	SCR0001151
SI Wireless, LLC <sup>+</sup>	SCR0001013
Skybeam, LLC	SCR0001156
Skybeam, LLC	SCR0001158
Skybeam, LLC	SCR0001159
Skybeam, LLC	SCR0001161
South Canaan Telephone Company	SCR0001099
Southern Ohio Communication Services Inc	SCR0001019
Stealth Communications	SCR0001138
TelAlaska Cellular, Inc.	SCR0001160
Texas 10, LLC	SCR0001041
TRANSTELCO INC.	SCR0001170
Triangle Communication Systems Inc	SCR0001048
Triangle Telephone Cooperative Association, Inc.	SCR0001046
Trinity Basin Preparatory, Inc. <sup>+</sup>	SCR0001002
Union Telephone Company	SCR0001087

**Federal Communications Commission**

Union Telephone Company	SCR0001089
Union Telephone Company	SCR0001090
Union Telephone Company	SCR0001092
Union Telephone Company	SCR0001096
Union Telephone Company	SCR0001098
United Wireless Communications, Inc.	SCR0001104
University of San Francisco	SCR0001172
Utah Telecommunication Open Infrastructure Agency	SCR0001102
Velocity Communications, Inc.	SCR0001136
Virginia Everywhere, LLC	SCR0001022
Vitelcom Cellular, Inc. d/b/a Viya Wireless	SCR0001020
VTel Wireless, Inc. *	SCR0001178
Waxahachie ISD	SCR0001153
Waxahachie, City of	SCR0001100
Webformix Internet Company	SCR0001003
Windstream Communications LLC	SCR0001004



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Windy City Cellular	SCR0001015
WorldCell Solutions, LLC	SCR0001137
Xtreme Enterprises LLC <sup>+</sup>	SCR0001171
Zito West Holding, LLC	SCR0001049