



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

**January 05, 2024**

## I. INTRODUCTION

In the Secure and Trusted Communications Networks Act of 2019 (Secure and Trusted Communications Networks Act or Act), Congress directed the Federal Communications Commission (Commission) to establish the Secure and Trusted Communications Networks Reimbursement Program (Reimbursement Program) to reimburse eligible providers of advanced communications services for costs reasonably incurred to remove, replace, and dispose of communications equipment and services in their networks that pose national security risks.<sup>1</sup> The Secure and Trusted Communications Networks Act further directs the Commission to report to Congress, every 180 days, on both (1) “the implementation of the [Reimbursement] Program by the Commission”;<sup>2</sup> and (2) “the work by recipients of reimbursements under the [Reimbursement] Program to permanently remove, replace, and dispose of covered communications equipment or services” in their networks.<sup>3</sup>

On January 10, 2023, the Wireline Competition Bureau (Bureau) submitted the First Report to Congress.<sup>4</sup> In the First Report to Congress, the Bureau identified the steps the Commission had already taken to implement the Reimbursement Program, including: (1) establishing an application process and issuing funding allocation approvals;<sup>5</sup> (2) reviewing Reimbursement Claims submitted by Reimbursement Program recipients;<sup>6</sup> (3) guarding the Reimbursement Program from waste, fraud, and abuse;<sup>7</sup> and (4) providing education and outreach about the Reimbursement Program to providers of advanced communications services.<sup>8</sup> The First Report to Congress further explained that, based on required submissions from recipients, “many Reimbursement Program participants [had] begun some work toward permanently removing, replacing, and disposing of the covered communications equipment and services in their networks . . . [but were 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,”<sup>9</sup> particularly lack of funding.<sup>10</sup> On July 10, 2023, the Bureau submitted the Second Report to Congress.<sup>11</sup> The Second Report to Congress described the Bureau’s ongoing review of Reimbursement Claims and noted that recipients continued to identify challenges that

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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> *Id.* at § 1603(d)(8)(C)(ii). The Secure and Trusted Communications Networks Act 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.” *Id.* at § 1608(11). Accordingly, we refer to providers that submitted approved applications as “recipients.”

<sup>4</sup> Wireline Competition Bureau, Secure and Trusted Communications Networks Reimbursement Program Report (Jan. 11, 2023), <https://www.fcc.gov/document/supply-chain-reimbursement-program-report> (First Report to Congress).

<sup>5</sup> First Report to Congress at 1-6.

<sup>6</sup> *Id.* at 6-8.

<sup>7</sup> *Id.* at 8-11.

<sup>8</sup> *Id.* at 12-14.

<sup>9</sup> *Id.* at 12.

<sup>10</sup> *Id.* at 15.

<sup>11</sup> Wireline Competition Bureau, Secure and Trusted Communications Networks Reimbursement Program Second Report (July 10, 2023), <https://www.fcc.gov/document/supply-chain-reimbursement-program-second-report> (Second Report to Congress).

hindered their ability to complete the work, including lack of funding,<sup>12</sup> supply chain delays,<sup>13</sup> labor shortages, and weather-related issues.<sup>14</sup>

The Bureau now submits this Third Report to Congress to explain the additional steps the Commission has taken since July 2023 to implement the Reimbursement Program and to provide an update on recipient progress toward removal, replacement, and disposal of covered communications equipment and services in the intervening months.<sup>15</sup> The Bureau is pleased to report that Reimbursement Program recipients continue to progress with their plans to permanently remove, replace, and dispose of covered communications equipment and services. As of the date of this Report, five Reimbursement Program recipients have filed final certifications with the Bureau indicating they have permanently removed, replaced, and disposed of all covered communications equipment and services that were in their networks as of the date they submitted their application to the Reimbursement Program. The Bureau expects this number to increase by the time it submits the next Report.

## **II. DISCUSSION**

Over the past six months, the Commission has continued to implement the Reimbursement Program as required by Congress and the Commission’s rules. On October 10, 2023, the Chairwoman wrote to Congress to provide an update on this work and upcoming deadlines under the Secure and Trusted Communications Networks Act and the Commission’s rules.<sup>16</sup> In that letter, she explained that the Secure and Trusted Communications Networks Act “requires that Reimbursement Program recipients complete the permanent removal, replacement, and disposal of Huawei and ZTE communications equipment and services in their networks within one year of the first distribution of reimbursement funds to the recipient.”<sup>17</sup> The Chairwoman explained that, as of October 2, 2023, “reimbursement claim requests have been submitted for 122 of the 126 applications approved for the Reimbursement Program and the Commission has approved disbursements of reimbursement funds for 112 of those applications, which now have deadlines to remove all Huawei and ZTE communications equipment and services ranging from October 8, 2023 to September 23, 2024 . . . .”<sup>18</sup>

The Bureau has continued to review Reimbursement Claims submitted by recipients and disburse funds within the approved funding allocations for costs reasonably incurred to remove, replace, and dispose of covered communications equipment and services. We have also received and reviewed the fourth and fifth rounds of status updates submitted by Reimbursement Program recipients on July 10, 2023 and October 9, 2023<sup>19</sup> to monitor progress made on the recipients’ projects, as well as the second round of spending reports submitted by recipients on July 10, 2023.<sup>20</sup> Additionally, as permitted by the

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<sup>12</sup> *Id.* at 8.

<sup>13</sup> *Id.* at 9.

<sup>14</sup> *Id.*

<sup>15</sup> 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>16</sup> Letter from Jessica Rosenworcel, Chairwoman, Federal Communications Commission, to the Honorable Frank Pallone et al. (Oct. 10, 2023) (available <https://docs.fcc.gov/public/attachments/DOC-397596A1.pdf>) (October 2023 Congressional Letter)

<sup>17</sup> *Id.* at 2.

<sup>18</sup> *Id.*

<sup>19</sup> FCC, Secure and Trusted Communications Networks Act Reimbursement Program – Status Updates, <https://www.fcc.gov/supplychain/reimbursement> (last visited Dec. 18, 2023).

<sup>20</sup> FCC, Secure and Trusted Communications Networks Act Reimbursement Program – Spending Reports, <https://www.fcc.gov/supplychain/reimbursement> (last visited Dec. 18, 2023).

Act,<sup>21</sup> we have granted eleven recipients' requests for an extension of the one-year deadline to complete the permanent removal, replacement, and disposal of Huawei and ZTE communications equipment and services.<sup>22</sup> The deadlines now range from October 10, 2023 to November 16, 2024.<sup>23</sup> We have also published an updated version of the program's Frequently Asked Questions.<sup>24</sup>

**A. Report on the Commission's Implementation of the Reimbursement Program**

**1. The Bureau's Review of Reimbursement Claims and Status of Claim Filings**

As of December 29, 2023, the Fund Administrator and Bureau have received 12,983 Reimbursement Claims across 122 of the 126 applications approved for a funding allocation. The Bureau and the Commission's Office of the Managing Director (OMD) have approved \$396,526,243 in Reimbursement Claims for which funds have been fully disbursed to recipients or are in the process of being disbursed through the U.S. Treasury.

All recipients approved for funding support were required to submit at least one Reimbursement Claim to the Commission via a filing in the Reimbursement Program Online Portal by July 17, 2023, under the Commission's rules.<sup>25</sup> The Fund Administrator,<sup>26</sup> the Bureau, and OMD evaluate

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<sup>21</sup> 47 U.S.C. § 1603(d)(6)(C).

<sup>22</sup> *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs*, WC Docket No. 18-89, Order, DA 23-875 (WCB Sept. 22, 2023) (*Stealth Extension Order*) (granting an extension of time request by Stealth Communications Services, LLC); *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs*, WC Docket No. 18-89, Order, DA 23-938 (WCB Oct. 10, 2023) (*WorldCell et al. Extension Order*) (granting extension of time requests by WorldCell Solutions, LLC, Mediacom Communications Corporation, Virginia Everywhere, LLC, James Valley Cooperative Telephone Company and NE Colorado Cellular, Inc. d/b/a Viaero Wireless); *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs*, WC Docket No. 18-89, Order, DA 23-1016 (WCB Oct. 27, 2023) (*Point/SI Wireless Extension Order*) (granting extension of time requests of Point Broadband Fiber Holding, LLC and SI Wireless, LLC); *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs*, WC Docket No. 18-89, Order, DA 23-1110 (WCB Nov. 28, 2023) (*Triangle Telephone/Triangle Communication Extension Order*) (granting extensions of time request by Triangle Telephone Cooperative Association Inc. and Triangle Communication System, Inc.); *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs*, WC Docket No. 18-89, Order, DA 23-1196 (WCB Dec. 21, 2023) (*GigSky, Inc. Extension Order*) (granting extensions of time request by GigSky, Inc.).

<sup>23</sup> The latest deadline of November 16, 2024, is a result of one recipient receiving an initial disbursement of reimbursement funds after the October 2023 Congressional Letter.

<sup>24</sup> *Wireline Competition Bureau Updates Frequently Asked Questions for the Secure and Trusted Communications Networks Reimbursement Program*, WC Docket No. 18-89, Public Notice, DA 23-991 (WCB Oct. 18, 2023).

<sup>25</sup> See 47 CFR § 1.50004(g)(1) ("Within one year of the approval of its Reimbursement Program application, a recipient must file at least one reimbursement claim."). The Bureau approved all applications submitted to the Reimbursement Program on July 15, 2022. Because July 15, 2023, fell on a Saturday, the deadline to file an initial reimbursement claim was July 17, 2023. See *Wireline Competition Bureau Reminds Secure and Trusted Communications Networks Reimbursement Program Recipients of the July 17, 2023 Deadline to File an Initial Reimbursement Claim*, WC Docket No. 18-89, Public Notice, DA 23-445 (WCB May 24, 2023) (*July 2023 Status Update Deadline Public Notice*).

<sup>26</sup> On April 28, 2021, the Bureau announced the selection of Ernst & Young LLP as the Reimbursement Program 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, 36 FCC Rcd 7600 (WCB 2021).

Reimbursement Claims based on information provided by the Reimbursement Program recipient.<sup>27</sup> The reviewers examine expenses submitted for reimbursement to determine if they are “reasonably incurred” for the removal, replacement, and disposal of covered communications equipment and services,<sup>28</sup> which the Fund Administrator and the Bureau evaluate on a case-by-case basis by considering, among other things: (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>29</sup> The Fund Administrator and Bureau compare the Reimbursement Claim to the price ranges in the Cost Catalog previously issued by the Bureau;<sup>30</sup> 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. To obtain any additional needed information, the Fund Administrator submits requests for information to the recipient. This process is designed to allow reasonably incurred expenses to be paid while guarding the Reimbursement Program against waste, fraud, and abuse.<sup>31</sup>

On May 24, 2023, the Bureau released a Public Notice reminding recipients of the July 17, 2023, deadline to file at least one Reimbursement Claim, and cautioning recipients that failure to meet this obligation would result in the recipient’s allocated funding being reclaimed.<sup>32</sup> Of the 126 applications,

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<sup>27</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. 2022 User Guide). Recipients must link actual costs incurred and the supporting invoice documentation to their itemized cost estimates previously submitted via the 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. 2022 User Guide at 13.

<sup>28</sup> 47 CFR § 1.50004(g); see also *2021 Supply Chain Order*, 36 FCC Rcd at 11992-96, paras. 86-94; *2020 Supply Chain Order*, 35 FCC Rcd at 14334-36, paras. 118-21.

<sup>29</sup> See *2021 Supply Chain Order*, 36 FCC Rcd at 11992-96, paras. 85-94; *2020 Supply Chain Order*, 35 FCC Rcd at 14334-36, paras. 118-20.

<sup>30</sup> See 47 CFR § 1.50004(c)(1)(i) (“Eligible providers may rely upon the predetermined estimated costs identified in the Catalog of Expenses Eligible for Reimbursement made available by the Wireline Competition Bureau.”); *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) (adopting Cost Catalog). 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.*

<sup>31</sup> For further information on the Reimbursement Claim review process, see First Report to Congress at 7-8.

<sup>32</sup> *July 2023 Status Update Deadline Public Notice*; 47 CFR § 1.50004(g)(1) (“Within one year of the approval of its Reimbursement Program application, a recipient must file at least one reimbursement claim. Failure to file a reimbursement claim within the one-year period will result in the reclamation of all allocated funding from the Reimbursement Program recipient and revert to the Reimbursement Program fund for potential allocation to other Reimbursement Program participants.”). Reimbursement Program recipients also received a reminder of this deadline through an automated email from the Reimbursement Program online portal. This is consistent with the Commission’s recognition that compliance with the one-year deadline to file an initial reimbursement claim is important to ensure the timely completion of removal, replacement, and disposal as contemplated by Congress in the Secure and Trusted Communications Networks Act. See *2020 Supply Chain Order*, 35 FCC Rcd at 14354, para.

(continued....)

122 submitted at least one Reimbursement Claim by the July 17, 2023 deadline. Four recipients associated with the approved applications did not submit a timely Reimbursement Claim.<sup>33</sup> As of December 29, 2023, the Commission has approved disbursements of reimbursement funds for 115 of the 122 applications where at least one Reimbursement Claim was filed. The Bureau continues to review claims filed by the remaining seven recipients who have filed a Reimbursement Claim that has not yet been approved.<sup>34</sup>

Recipients who received a disbursement of reimbursement funds have one year from the date of the initial disbursement to complete the permanent removal, replacement, and disposal of covered Huawei and ZTE equipment and services.<sup>35</sup> The Bureau may grant an extension of this deadline for up to six months after finding that, due to no fault of such recipient, such recipient is unable to complete the permanent removal, replacement, and disposal by the end of the term.<sup>36</sup> Removal, replacement, and disposal deadlines will continue to be set on an application-specific basis for the recipients that have not yet received the initial disbursement of Reimbursement Program funds and as the Bureau continues to consider any future extension requests from recipients. As Chairwoman Rosenworcel stated in her October 23, 2023 letter to Congress, the grant of these extensions does not lessen the urgency for a fully funded Reimbursement Program, and the Commission stands ready to assist Congress in any efforts to fully fund the Reimbursement Program.<sup>37</sup> As of December 29, 2023, five recipients have submitted a final certification indicating that each recipient has “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 [its] network . . . as of the date of the submission of [its] application.”<sup>38</sup> From the end of a recipient’s removal, replacement, and disposal term, it has 120 days to submit all remaining invoices.<sup>39</sup>

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

The Secure and Trusted Communications Networks Act 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 directs the Commission to “tak[e] all necessary steps to avoid waste, fraud, and abuse with

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170 (stating that Congress made its intent that recipients complete their projects within one year clear and tying the completion term to the actual initial disbursement of funds “to ensure the efficient and expeditious use of funding to facilitate networks transitions . . .”).

<sup>33</sup> The Bureau approved 126 applications to the Reimbursement Program from 85 unique recipients. Four of these recipients did not file an initial Reimbursement Claim within the one-year deadline. Any calculations that follow in this Third Report to Congress will be based on 81 unique recipients. One of the four recipients who did not file a timely Reimbursement Claim recently submitted a request for a waiver of the deadline to file a timely initial Reimbursement Claim. The percentages in the Second Report to Congress were calculated using 85 unique recipients.

<sup>34</sup> 47 CFR § 1.50004(g).

<sup>35</sup> See 47 U.S.C. § 1603(d)(6)(A) (establishing that recipients must complete removal, replacement, and disposal within “1 year after the date on which the Commission distributes reimbursement funds to the recipient”); 47 CFR § 1.50004(h) (adopting a rule consistent with the completion deadline established by the Secure and Trusted Communications Networks Act).

<sup>36</sup> 47 CFR § 1.50004(h)(2).

<sup>37</sup> October 2023 Congressional Letter at 1-2 (stating that the approved applications sought approximately \$4.98 billion in reasonable costs, reflecting a \$3.08 billion shortfall from the current appropriation of \$1.9 billion).

<sup>38</sup> 47 CFR § 1.50004(m)(1).

<sup>39</sup> *Id.* at § 1.50004(g)(2).

respect to the [Reimbursement] Program.”<sup>40</sup> The Act also 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 communications equipment and services.<sup>41</sup> The Commission has established a compliance plan for the Reimbursement Program that includes audits and field investigations. Under the Commission’s rules, if a Reimbursement Program recipient violates the Secure and Trusted Communications Networks Act, the Commission’s rules implementing the statute, or the commitments made by the recipient in its application for reimbursement, the recipient shall be required to repay all funds received, be barred from further participation in the Reimbursement Program, be referred to appropriate law enforcement agencies for further action under applicable criminal and civil law, and may be barred by the Commission from participating in other Commission programs, including Federal universal service support programs.<sup>42</sup> As described below, recipients continue 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, the Commission’s rules, and Reimbursement Program procedures.

**a. Status Updates**

The Secure and Trusted Communications Networks Act 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>43</sup> To comply with this requirement, recipients are required to report on the efforts undertaken and challenges encountered in performing that work,<sup>44</sup> as well as 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>45</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>46</sup> Lastly, each status update must include a certification that affirms the accuracy of the information in the update.<sup>47</sup>

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<sup>40</sup> 47 U.S.C. § 1603(e)(1).

<sup>41</sup> *Id.* at §§ 1603(e)(3)(A)-(B).

<sup>42</sup> 47 CFR § 1.50005.

<sup>43</sup> 47 U.S.C. § 1603(d)(8)(A).

<sup>44</sup> 47 CFR § 1.50004(k)(1)(i).

<sup>45</sup> *Id.* at §§ 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>46</sup> 47 CFR § 1.50004(k)(1)(ii); *see 2020 Supply Chain Order*, 35 FCC Rcd at 14359, para. 183.

<sup>47</sup> *2020 Supply Chain Order*, 35 FCC Rcd at 14359, para. 184.

Pursuant to the Commission’s rules, recipients must submit these status updates every 90 days, with the first status update due 90 days after the approval of applications for reimbursement.<sup>48</sup> Because recipients’ applications were approved on July 15, 2022,<sup>49</sup> all initial status updates were due on October 13, 2022.<sup>50</sup> The Bureau received subsequent rounds of status updates due on January 11, 2023,<sup>51</sup> April 11, 2023,<sup>52</sup> July 10, 2023,<sup>53</sup> and October 9, 2023.<sup>54</sup> Recipients are required to submit their status updates via a module on the Reimbursement Program Online Portal. As required by the Secure and Trusted Communications Networks Act,<sup>55</sup> the Bureau has made and will continue to make the status updates publicly available on the Commission’s website.<sup>56</sup>

**b. Spending Reports**

The Secure and Trusted Communications Networks Act 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>57</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>58</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

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<sup>48</sup> 47 CFR § 1.50004(k); *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>49</sup> *See SCRP Granted Applications Public Notice* at 1.

<sup>50</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>51</sup> *See 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 22-1303 (WCB Dec. 12, 2022) (*Initial Status Update PN*).

<sup>52</sup> *See Wireline Competition Bureau Reminds Secure and Trusted Communications Networks Reimbursement Program Recipients of Their April 11, 2023 Status Update Filing Obligation*, WC Docket No. 18-89, Public Notice, DA 23-183 (WCB Mar. 13, 2023).

<sup>53</sup> *See Wireline Competition Bureau Reminds Secure and Trusted Communications Networks Reimbursement Program Recipients of Their July 10, 2023 Status Update Filing Obligation*, WC Docket No. 18-89, Public Notice, DA 23-502 (WCB June 12, 2023).

<sup>54</sup> *See Wireline Competition Bureau Reminds Secure and Trusted Communications Networks Reimbursement Program Recipients of Their October 9, 2023 Status Update Filing Obligation*, WC Docket No. 18-89, Public Notice, DA 23-821 (WCB Sept. 8, 2023).

<sup>55</sup> 47 U.S.C. § 1603(d)(8)(B).

<sup>56</sup> *See FCC, Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs*, <https://www.fcc.gov/supplychain/reimbursement> (last visited Dec. 18, 2023).

<sup>57</sup> 47 U.S.C. § 1603(e)(2).

<sup>58</sup> *2020 Supply Chain Order*, 35 FCC Rcd at 14360, para. 188.



the expenditure of all funds received as compared to the estimated costs submitted.”<sup>59</sup> The Commission further required a “final spending report . . . following the filing of a final certification by the recipient.”<sup>60</sup>

Recipients that have received their initial disbursements of Reimbursement Program funds were required to submit their spending reports through the Reimbursement Program Online Portal, and will be required to do so for subsequent spending reports as they are due. The first spending reports covered a reporting period ending on December 31, 2022 and were due on February 10, 2023.<sup>61</sup> The second spending reports covered a reporting period ending on June 30, 2023 and were due on August 10, 2023.<sup>62</sup>

Through June 30, 2023, recipients have reported nearly \$205 million in reimbursement funds spent since their initial draw down of reimbursement funds.<sup>63</sup> The next round of spending reports is due on February 12, 2024, and will cover a reporting period from July 1, 2023 through December 31, 2023.<sup>64</sup> The Bureau has made and will continue to make information from the filed spending reports publicly available on the Commission’s website, consistent with confidentiality concerns.<sup>65</sup>

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

Information received from Reimbursement Program recipients in their required status updates since the Second Report to Congress indicates that Reimbursement Program recipients are continuing to work toward permanently removing, replacing, and disposing of the covered communications equipment and services in their networks.<sup>66</sup> Recipients continue to indicate, however, that they are facing certain challenges that may hinder their ability to complete that work, both in general and within the time allowed by the Secure and Trusted Communications Networks Act and the Commission’s rules.

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

In the fourth and fifth round of status updates, Reimbursement Program recipients were required to describe the ongoing progress of their work to permanently remove, replace, and dispose of the covered

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<sup>59</sup> 47 CFR § 1.50004(l); *2020 Supply Chain Order*, 35 FCC Rcd at 14360, para. 188.

<sup>60</sup> 47 CFR § 1.50004(l)(1); *2020 Supply Chain Order*, 35 FCC Rcd at 14360, para. 188. 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>61</sup> *Wireline Competition Bureau Reminds Secure and Trusted Communications Networks Reimbursement Program Recipients of Their Spending Report Filing Obligation*, WC Docket No. 18-89, Public Notice, DA 23-25 (WCB Jan. 11, 2023).

<sup>62</sup> *Wireline Competition Bureau Reminds Secure and Trusted Communications Networks Reimbursement Program Recipients of Their Spending Report Filing Obligation*, WC Docket No. 18-89, Public Notice, DA 23-619 (WCB July 19, 2023).

<sup>63</sup> See FCC, *Secure and Trusted Communications Networks Act Reimbursement Program – Spending Reports*, <https://www.fcc.gov/supplychain/reimbursement> (last visited Oct. 16, 2023).

<sup>64</sup> 47 CFR § 1.50004(l).

<sup>65</sup> See 47 CFR § 1.50004(l)(3) (directing the Bureau to “make versions of the spending reports available on the Commission's website subject to confidentiality concerns consistent with the Commission's rules”).

<sup>66</sup> The Commission received the fourth and fifth status updates for 81 recipients, which were due in July and October 2023. After the second status update was due, one recipient submitted a final certification to the Bureau reflecting that it had completed removal, replacement, and disposal of covered equipment and services on its network and so was not required to file additional status updates. See 47 CFR § 1.50004(k) (requiring status updates only “until the recipient has filed the final certification”); see also 47 CFR § 1.50004(m) (establishing process for final certification).

communications equipment and services that were in their networks at the time that they submitted their applications. Based on the most recent round of status reports and final certifications, the Bureau estimates that 10% of recipients have completed the permanent removal, replacement, and disposal of *all* of the covered communications equipment and services in their networks. The Bureau has received final certifications from four recipients who indicated completion of their removal, replacement, and disposal work. Additionally, one recipient with multiple applications filed a final certification for one of its applications. The Bureau estimates that approximately 90% of recipients have made some progress in their overall removal, replacement, and disposal plan but have not completed this work.<sup>67</sup>

## **2. Challenges Encountered**

As the Bureau indicated in the First and Second Reports to Congress, Reimbursement Program recipients continue to report 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 shortages; and (4) weather-related challenges. In addition, some of the most recent status updates state that extended review times in processing of claims for reimbursement present an additional challenge to recipients' efforts to complete the work required by the Reimbursement Program.

### **a. Lack of Funding**

As explained above and in the previous reports to Congress,<sup>68</sup> the Bureau was required to prioritize and pro-rate allocations when it approved Reimbursement Program applications in July 2022.<sup>69</sup> As a result, Reimbursement Program recipients received allocations covering roughly 39.5% 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 that they remove all of the covered communications equipment and services in their networks as of the date they submitted their applications.<sup>70</sup>

Roughly 47% of recipients indicated in their most recent status updates that lack of funding continues to be an obstacle to completing the permanent removal, replacement, and disposal of the covered communications equipment and services in their networks in their entirety, an increase from the 39% that had reported this when the Second Report to Congress was submitted.<sup>71</sup> Approximately 19% of

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<sup>67</sup> The four recipients who have not yet filed an initial Reimbursement Claim have yet to indicate any progress towards their removal, replacement, and disposal plans. In the previous Reports to Congress, the Bureau based the aggregate progress estimates on its best interpretation of each recipient's narrative description of the work it had performed to remove, replace, and dispose of the covered communications equipment and services in their networks, i.e., whether the information supplied by the recipient indicated that the required work has been completed, not started, or is in progress. In order to collect more precise information for this Third Report to Congress and in light of more recipients beginning and continuing work, the Bureau asked recipients to separately report the actual percentage completed of the removal, replacement, and disposal processes in the most recent status update. As a result, the data for this most recent reporting reflect slightly revised progress percentages.

<sup>68</sup> See First Report to Congress at 4-6; Second Report to Congress at 2.

<sup>69</sup> See 47 U.S.C. § 1603(d)(5)(C); see also 47 CFR § 1.50004(f); 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>70</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>71</sup> Second Report to Congress at 8.

recipients reported that they will be unable to finish the removal, replacement, and disposal process unless additional funding is provided.

As previously noted, the Secured and Trusted Communications Networks Act authorizes the Bureau to grant recipients extensions of up to six months if it finds that, due to no fault of such recipient, the recipient is unable to complete the permanent removal, replacement, and disposal by the end of the one year term.<sup>72</sup> At this time, the Bureau has granted seven extensions based at least in part on the basis that funding issues have prevented the recipients from completing the permanent removal, replacement, and disposal by the end of their term.<sup>73</sup> The Bureau will continue to monitor recipient progress in completing the permanent removal, replacement, and disposal of covered communications equipment and services in their networks and the impact, if any, of a lack of funding on that progress.

**b. Supply Chain Delays**

Reimbursement Program recipients continue to express concern about the ability to obtain replacement equipment and services on schedule due to supply chain delays, although the percentage of recipients expressing this concern has decreased. Specifically, approximately 41% of recipients reported some challenges with securing replacement equipment in their most recent status updates, a decrease from the estimated 48% of recipients that had indicated this when the Second Report to Congress was submitted.<sup>74</sup> Recipients continue to assert the same types of supply chain challenges, including long delays between the placement and shipment of replacement equipment or the delivery of services, price increases since the recipient initially filed its application and accompanying cost estimates, and increased competition for replacement equipment and services leading to diminished availability.

At this time, the Bureau has granted eight extensions based at least in part on the ground that supply chain issues have prevented the recipients from completing the permanent removal, replacement, and disposal by the end of their term.<sup>75</sup> The Bureau will continue to review individual requests for extensions as they are filed.

**c. Labor Shortages and Weather Impacts**

Reimbursement Program recipients also report experiencing circumstances outside of their control that impact their ability to complete the removal, replacement, and disposal of covered communications equipment and services within the one-year time frame. Approximately 14% of recipients reported challenges with labor shortages in their most recent status updates, similar to the 14% of recipients who had indicated this at the time the Second Report to Congress was submitted. Approximately 10% of recipients reported challenges with weather that impacted their efforts to work toward the removal, replacement, and disposal of covered communications equipment and services in their most recent status updates, similar to the 8% of recipients who reported this at the time the Second Report to Congress was submitted.

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<sup>72</sup> 47 CFR § 1.50004(h)(2).

<sup>73</sup> See *WorldCell et al. Extension Order*, paras. 12-15; *Point/SI Wireless Extension Order*, paras. 12-14; *GigSky, Inc. Extension Order*, para. 5-7. The recipients receiving extensions based at least in part on funding issues were James Valley, Mediacom, Point Broadband, SI Wireless, Viera Wireless, WorldCell, and Gigsky.

<sup>74</sup> See Second Report to Congress at 9.

<sup>75</sup> See *Stealth Extension Order*, para. 7; *WorldCell et al. Extension Order*, para. 16; *Point/SI Wireless Extension Order*, paras. 15-16. Some extension requests were granted based on multiple grounds. Stealth Communications, Virginia Everywhere, Triangle Telephone Cooperative Association, Inc., and Triangle Communication System Inc. received extensions based solely on supply chain issues. *Stealth Extension Order*, para. 7; *WorldCell et al. Extension Order*; *Triangle Telephone/Triangle Communication Extension Order*. Other recipients receiving extensions based at least in part on supply chain issues were Mediacom, Point Broadband, SI Wireless, and Viera Wireless.

**d. Extended Review Times in Processing Claims for Reimbursement**

In their most recent status updates, recipients have expressed concerns related to the processing of claims for reimbursement. The Fund Administrator is responsible for reviewing Reimbursement Claims submitted by Reimbursement Program participants and providing recommendations on funding decisions to the Bureau.<sup>76</sup> Approximately 26% of recipients contend that an extended period of time needed by the Fund Administrator to review Reimbursement Claims is also a challenge. Reimbursement Claims review times have expanded primarily as a result of an increase in the number of claims submitted and the insufficiency of the information included in the claims. Reimbursement Program recipients were required to submit an initial Reimbursement Claim by July 17, 2023, and many recipients submitted on or near the deadline because the approval of a reimbursement claim and subsequent disbursement of funds trigger the removal, replacement, and disposal term. The Fund Administrator and the Bureau continue to see an elevated number of new Reimbursement Claims filed after the initial reimbursement claim deadline. Reimbursement Claim processing time is also frequently related to the adequacy of the initial claim submitted by the recipient, and the need for the Fund Administrator, when reviewing the claim, to require additional information from the recipient. This review and request for additional detail is a crucial step in our effort to avoid program waste and root out potential fraudulent requests, as well as necessary to ensure recipients are complying with the Reimbursement Program’s requirements and performing all work required to permanently remove, replace, and dispose of the covered communications equipment and services. Claims review times are also necessarily affected by recipients’ response times to these follow-up requests. The Fund Administrator continues to ensure that it requests and receives the information needed to guard against waste, fraud, and abuse in the Program. In response to the expected increase in claims, the Fund Administrator has increased staffing and has reduced review times associated with the claims received by the July 17, 2023 initial Reimbursement Claim deadline. At the same time, the Bureau continues to work with the Fund Administrator to ensure that claims are processed in a timely manner consistent with all Program requirements.

**3. Compliance with Project Timelines**

Recipients are required to address in their status reports whether they have fully complied with the timelines submitted with their applications for the permanent removal, replacement, and disposal of the covered communications equipment and services in their networks.<sup>77</sup>

Approximately 93% of recipients indicated that they have fully complied with, or are in the process of complying with, the timeline submitted with their applications as of their fifth status update, an increase from the estimated 66% of recipients that indicated this by the time the Bureau submitted the Second Report to Congress. The remaining recipients indicated the timelines submitted with the recipients’ applications were no longer valid. 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.<sup>78</sup> 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 Reimbursement Program requirements. Importantly, no modification request or approval of such

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<sup>76</sup> *Wireline Competition Bureau Announces Selection of the Secure and Trusted Communications Networks Reimbursement Program Fund Administrator*, WC Docket No. 18-89, Public Notice, 36 FCC Rcd 7600 (WCB 2021).

<sup>77</sup> See 47 CFR § 1.50004(k)(1)(vi) (requiring status update to address whether the recipient “has fully complied with (or is in the process of complying with) the timeline submitted by the recipient”); see also 47 U.S.C. § 1603(d)(8)(A) (establishing general requirement that recipients submit status reports).

<sup>78</sup> See *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, DA 21-947, at 18-19 (WCB Aug. 3, 2021).

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>79</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 8, 2024 and April 8, 2024, and their third spending reports on February 12, 2024, the Bureau anticipates it will have additional insight into how much progress recipients have made on their removal, replacement, and disposal plans and the overall status of the Reimbursement 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 8, 2024.

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<sup>79</sup> 47 U.S.C. § 1603(d)(6)(A) (establishing the completion deadline); 47 CFR § 1.50004(h) (adopting a rule consistent with the completion deadline established by the Secure and Trusted Communications Networks Act).