

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of
Protecting Against National Security Threats to the
Communications Supply Chain Through FCC
Programs
WC Docket No. 18-89

THIRD FURTHER NOTICE OF PROPOSED RULEMAKING

Adopted: February 17, 2021

Released: February 22, 2021

Comment Date: [21 days after date of publication in the Federal Register]
Reply Comment Date: [35 days after date of publication in the Federal Register]

By the Commission: Acting Chairwoman Rosenworcel and Commissioners Carr and Starks issuing
separate statements.

I. INTRODUCTION

1. In this proceeding, the Commission takes steps to advance Congressional and
Commission objectives to secure the nation’s communications networks. Through the Consolidated
Appropriations Act, 2021 (CAA), Congress appropriated \$1.9 billion to the Commission to implement the
Secure and Trusted Communications Networks Act of 2019 (Secure Networks Act),1 of which \$1.895
billion must be used to remove and replace communications equipment and services that pose a national
security risk and reimburse eligible providers for the cost of doing so.2 This Third Notice of Proposed
Rulemaking proposes to modify our rules consistent with the CAA to expedite removal of harmful
equipment and services from our nation’s communications networks.

2. In particular, we propose to raise the cap on eligibility for participation in the
Reimbursement Program consistent with the requirements of the CAA. We also propose to modify the
acceptable use of reimbursement funds and to amend our rules to allow recipients to use reimbursement
funds to remove, replace, or dispose of equipment or services that were purchased, rented, leased, or
otherwise obtained on or before June 30, 2020. We propose to replace the prioritization scheme adopted
in the Commission’s Supply Chain Second Report and Order3 with the prioritization categories set forth
in the CAA. Finally, we take this opportunity to align the definition of “provider of advanced
communications service” in our rules with the broader definition set forth in the CAA.4

1 Pub. L. 116-124, 133 Stat. 158 (2020), codified at 47 U.S.C. § 1601 et seq (Secure Networks Act).

2 Pub. L. 116-260, Division N-Additional Coronavirus Response and Relief, Title IX-Broadband Internet access
Service, §§ 901, 906, 134 Stat. 1182 (2020) (Consolidated Appropriations Act, 2021 or CAA). All further
references to the CAA refer to Division N, Title IX of the CAA.

3 Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs,
Second Report and Order, 35 FCC Rcd 14284, 14349-50, para. 157 (2020) (Supply Chain Second Report and
Order).

4 Supply Chain Second Report and Order, 35 FCC Rcd at 7829-30, paras. 27-28; CAA § 901.

3. Now more than ever, the stability of the U.S. economy depends on the reliability, security, and integrity of the nation's networks. The COVID-19 pandemic has increased our nation's reliance on the Internet, and the rapid shift to online work, school, and health care has elevated the risk of cyber threats to our country. Moreover, the damage from recent and highly sophisticated supply chain attacks, such as the SolarWinds software breach, has further emphasized the need for a multifaceted and strategic approach to protecting our networks from all threats. The targeted actions we take today are consistent with congressional efforts in the CAA to hasten the removal of insecure equipment and services from our networks, which is an important element of secure communications.

II. BACKGROUND

4. In November 2019, the Commission adopted the *Supply Chain First Report and Order*, which enacted section 54.9 of the Commission's rules, prohibiting the use of "universal service support . . . to purchase or obtain any equipment or services produced or provided by a covered company posing a national security threat to the integrity of communications networks or the communications supply chain."⁵ The Commission also initially designated Huawei and ZTE and their subsidiaries, parents, and affiliates, as companies that pose a national security threat to the integrity of communications networks and the communications supply chain, and established a process for finalizing such designations and issuing new designations. Consistent with that process, on June 30, 2020, the Public Safety and Homeland Security Bureau (PSHSB) issued final designations of Huawei and ZTE (collectively, the *Designation Orders*), meaning that Universal Service Fund (USF) support as of that date may not be used to purchase, maintain, improve, modify, operate, manage, or otherwise support any equipment or services produced or provided by Huawei or ZTE.⁶

5. On March 12, 2020, the Secure Networks Act became law. The Secure Networks Act directed the Commission to take several actions to secure the nation's communications networks, including by establishing the Secure and Trusted Communications Networks Reimbursement Program (Reimbursement Program) to remove, replace, and dispose of covered communications equipment and services from the networks of providers of advanced communications service, and to publish a list of covered communications equipment and services (Covered List).⁷ Congress, however, did not appropriate funds to implement the Reimbursement Program.

6. On December 10, 2020, the Commission adopted the *Supply Chain Second Report and Order*, which among other things, promulgated rules for the Reimbursement Program and adopted a rule to require Eligible Telecommunications Carriers (ETCs) to remove and replace equipment and services published on the Covered List.⁸ The Commission explained that the Reimbursement Program would not accept applications until Congress appropriated funds, and conditioned certain requirements, including the remove-and-replace rule, upon a congressional appropriation to fund the Reimbursement Program.⁹

⁵ *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, 11433, para. 26 (2019) (*Supply Chain First Report and Order*), appeal pending in *Huawei Technologies USA v. FCC*, No. 19-60896 (5th Cir.).

⁶ See *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs – Huawei Designation*, PS Docket No. 19-351, Order, 35 FCC Rcd 6604 (PSHSB 2020); *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs – ZTE Designation*, PS Docket No. 19-352, Order, 35 FCC Rcd 6633 (PSHSB 2020) (collectively, *Designation Orders*).

⁷ See generally Secure Networks Act §§ 2, 3, 4, 5.

⁸ *Supply Chain Second Report and Order*, 35 FCC Rcd at 14330-63, paras. 106-96.

⁹ See *Supply Chain Second Report and Order*, 35 FCC Rcd at 14384, 14290-91, 14293, 14348, paras. 1, 18, 22, 154.

7. On December 27, 2020, the President signed into law the CAA.¹⁰ Section 906 of the CAA appropriated \$1.9 billion to the Commission to “carry out” the Secure Networks Act, of which \$1.895 billion must be used for the Reimbursement Program.¹¹ In addition, section 901 of the CAA modified sections 4 and 9 of the Secure Networks Act, which establish the Reimbursement Program and the definitions for the statute. These congressional modifications to sections 4 and 9 impacted some of the Commission’s rules adopted in the *Supply Chain Second Report and Order*.

III. THIRD FURTHER NOTICE OF PROPOSED RULEMAKING

8. We seek comment on how to incorporate the provisions of the CAA into our rules. Specifically, we seek comment on changes to our rules regarding eligibility for participation in the Reimbursement Program, acceptable uses of Reimbursement Program disbursements, the eligibility of certain equipment and services for the Reimbursement Program, and a prioritization paradigm in the event applications for the Reimbursement Program exceed the \$1.895 billion appropriated by Congress.

A. Eligibility for Participation in the Reimbursement Program

9. We propose to raise the cap on eligibility for participation in the Reimbursement Program to providers of advanced communications services with 10 million or fewer customers and seek comment on this proposal. Prior to enactment of the CAA, section 4(b)(1) of the Secure Networks Act restricted eligibility under the Reimbursement Program to providers of advanced communication service with two million or fewer customers,¹² and in the *Supply Chain Second Report and Order*, the Commission so restricted the program.¹³ In the CAA, however, Congress amended section 4(b)(1) of the Secure Networks Act to increase the eligibility criteria to those providers with 10 million or fewer customers.¹⁴ We propose to change our rules and allow providers with 10 million or fewer customers to participate in the Reimbursement Program. We seek comment on this proposal and any implications that it may have for participation in the Reimbursement Program.

B. Equipment and Services Eligible for Reimbursement

10. We next propose to modify the acceptable use of Reimbursement Program funds to include only the removal, replacement, and disposal of equipment and services subject to the *Designation Orders*, consistent with the CAA.

11. Before it was amended by the CAA, section 4(c) of the Secure Networks Act specified that a participant in the Reimbursement Program may only use Reimbursement Program funding to remove, replace, and dispose of “covered communications equipment or services” published on the Covered List.¹⁵ In the *Supply Chain Second Report and Order*, the Commission adopted a rule prohibiting Reimbursement Program funding recipients from “using reimbursement funds to remove, replace, or dispose of covered communications equipment or service purchased, rented, leased, or otherwise obtained after these statutory cutoff dates.”¹⁶ The *Supply Chain Second Report and Order*, consistent with the Secure Networks Act before amendment, defined covered communications equipment or services as those published on the Covered List.¹⁷ To be published on the Covered List, equipment and

¹⁰ CAA § 901.

¹¹ CAA § 906.

¹² Secure Networks Act § 4(b)(1).

¹³ *Supply Chain Second Report and Order*, 35 FCC Rcd at 14385, para. 3.

¹⁴ CAA § 901.

¹⁵ Secure Networks Act § 4(c).

¹⁶ *Supply Chain Second Report and Order*, 35 FCC Rcd at 14334, para. 117.

¹⁷ See 47 CFR § 1.50002.

services must fulfill three requirements. First, they must be communications equipment, which the Commission defined in the *Supply Chain Second Report and Order* as all equipment and services used in fixed and mobile broadband networks, provided they include or use electronic components.¹⁸ Second, the equipment and services must be identified as posing “an unacceptable risk to the national security of the United States or the security and safety of United States persons” by specifically enumerated sources listed in section 2(c) of the Secure Networks Act.¹⁹ Finally, the equipment and services must be capable of the criteria in section 2(b)(2)(A)-(C) of the Secure Networks Act.²⁰ On the other hand, the *Designation Orders* encompassed all equipment and services produced or provided by Huawei and ZTE.²¹ In the *Supply Chain Second Report and Order*, the Commission acknowledged that some equipment and services covered by the *Designation Orders* would not be eligible for reimbursement, even though they were subject to the Universal Service Fund prohibition in section 54.9 of the Commission’s rules.²²

12. In section 901 of the CAA, however, Congress amended section 4(c) of the Secure Networks Act to limit the use of reimbursement funds:

solely for the purposes of permanently removing covered communications equipment or services purchased, rented, leased or otherwise obtained as defined in the Report and Order of the Commission in the matter of Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs (FCC 19-121; WC Docket No. 18-89; adopted November 22, 2019) . . . or as determined to be covered by both the process of the [Supply Chain] First Report and Order and the Designations Orders of the Commission on June 30, 2020 (DA 20-690; PS Docket No. 19-351; adopted June 30, 2020) (DA 20-691; PS Docket No. 19-352; adopted June 30, 2020).

13. We believe this amendment demonstrates Congressional intent to change the scope of equipment and services eligible for reimbursement from the equipment and services on the Covered List to the equipment and services subject to the *Designation Orders*. We seek comment on this interpretation. Do the amendments revise the eligibility criteria for reimbursement such that all equipment and services produced or provided by Huawei and ZTE are now eligible for reimbursement, consistent with the scope of section 54.9 of the Commission’s rules? Would limiting the use of Reimbursement Program funds solely for the purposes of removing, replacing, or disposing of communications equipment or services produced or provided by Huawei or ZTE or their subsidiaries, parents, and affiliates align with the language of the CAA? Consistent with the Commission’s reasoning in the *Supply Chain First Report and Order*, would reimbursement for all Huawei and ZTE equipment better ensure the security of U.S. communications networks than a narrower scope of reimbursement?²³ After the amendments, are equipment or services published on the Covered List pursuant to section 2 of the Secure Networks Act but manufactured by companies not subject to the *Designation Orders* eligible for reimbursement?²⁴ If other companies are designated as posing a national security threat to the integrity of communications networks or the communications supply chain between now and the conclusion of the Reimbursement Program, would those companies’ equipment and services be eligible under the Reimbursement Program?

¹⁸ See *Supply Chain Second Report and Order*, 35 FCC Rcd at 14309, para. 52.

¹⁹ Secure Networks Act § 2(c). See *Supply Chain Second Report and Order*, 35 FCC Rcd at 14311-12, para. 58.

²⁰ Secure Networks Act § 2(b)(2)(A)-(C). See *Supply Chain Second Report and Order*, 35 FCC Rcd at 14315-16, 14321, paras. 67-69, 82.

²¹ See 47 CFR § 54.9; *Supply Chain First Report and Order*, 34 FCC Rcd at 11449-50, paras. 66-69.

²² See *Supply Chain Second Report and Order*, 35 FCC Rcd at 14301-02, paras. 34-35.

²³ See *Supply Chain First Report and Order*, 34 FCC Rcd at 11449-50, paras. 66-69.

²⁴ See *Supply Chain Second Report and Order*, 35 FCC Rcd at 14316, para. 68.

14. We seek comment on alternative interpretations. Did Congress intend to limit the use of Reimbursement Program funds to removal, replacement, and disposal of equipment and services subject to both the *Designation Orders* and the Covered List, rather than including all equipment and services subject to the *Designation Orders*? Are there other potential interpretations of the statutory language?

15. *Remove-and-Replace Rule.* We also propose to modify the remove-and-replace rule adopted by the Commission in the *Supply Chain Second Report and Order* to change the scope of the equipment and services covered from those on the Covered List to those subject to the *Designation Orders*. We seek comment on this proposal.

16. In adopting the remove-and-replace rule in the *Supply Chain Second Report and Order*, the Commission explained that it intended to align the scope of equipment and services subject to the remove-and-replace rule contained in section 54.11 of the Commission's rules with the scope of equipment and services eligible for reimbursement under the Reimbursement Program.²⁵ As the CAA appears to modify the equipment and services eligible for reimbursement from those on the Covered List to those subject to the *Designation Orders*, we propose to accordingly revise the equipment and services subject to removal to encompass all equipment and services produced or provided by Huawei and ZTE. To do so would be consistent with the Commission's findings in the *Supply Chain First Report and Order* about the potential vulnerabilities of all types of equipment.²⁶ Are there other aspects of the remove-and-replace rule that should be modified in light of the CAA or other considerations?

C. Timing Requirement for the Reimbursement Program

17. We propose to amend our rules to allow Reimbursement Program recipients to use such funds to remove, replace, or dispose of any equipment or services that was purchased, rented, leased, or otherwise obtained on or before June 30, 2020. We seek comment on this proposal.

18. Section 4(c)(2)(A) of the Secure Networks Act prohibited Reimbursement Program recipients from using such funds to “remove, replace, or dispose of any covered communications equipment or service purchased, rented, leased, or otherwise obtained on or after, in the case of covered any communications equipment or service that is on the initial list published under section 2(a), August 14, 2018, or in the case of any covered communications equipment that is not on the initial list published under section 2(a), the date that is 60 days after the date on which the Commission places such equipment or service on the list”²⁷ In the *Supply Chain Second Report and Order*, the Commission adopted a rule prohibiting Reimbursement Program funding recipients from “using reimbursement funds to remove, replace, or dispose of covered communications equipment or service purchased, rented, leased, or otherwise obtained after these statutory cutoff dates.”²⁸

19. In the CAA, Congress amended section 4(c)(2)(A) of the Secure Networks Act to prohibit Reimbursement Fund recipients from using such funds to “remove, replace, or dispose of any covered communications equipment or service purchased, rented, leased, or otherwise obtained on or after publication of the [*Supply Chain First Report and Order*]; or in the case of any covered communications equipment that only became covered pursuant to the *Designations Orders*, June 30, 2020”²⁹ Consistent with the statutory language and the statutory language discussed above that appears to make all equipment and services subject to the *Designation Orders* eligible for reimbursement, we propose to amend our rules to make all equipment and services obtained on or before June 30, 2020 to be eligible for reimbursement. Are there are other potential interpretations of this language?

²⁵ *Id.* at 14299-14300, para. 32.

²⁶ See *Supply Chain First Report and Order*, 34 FCC Rcd at 11449-50, paras. 66-69.

²⁷ Secure Networks Act § 4(c)(2)(A).

²⁸ *Supply Chain Second Report and Order*, 35 FCC Rcd at 14334, para. 117.

²⁹ CAA § 901.

D. Allocation of Reimbursement Funds

20. We propose to replace the prioritization scheme adopted in the *Supply Chain Second Report and Order* with the prioritization categories adopted in the CAA. We seek comment on that proposal. Additionally, we seek comment on whether we can further prioritize reimbursement within the prioritization subcategories.

21. Before enactment of the CAA, the Secure Networks Act was silent on whether or how reimbursement funds should be prioritized in the event requests for reimbursement funding exceeded the appropriated money available for such reimbursement.³⁰ In the *Supply Chain Second Report and Order*, the Commission established a “prioritization paradigm in the event the estimated costs for replacement submitted by the providers during the initial or any subsequent filing window in the aggregate exceed the total amount of funding available as appropriated by Congress for reimbursement requests.”³¹ The Commission adopted a scheme that first allocates funding to eligible providers that are ETCs subject to a remove-and-replace requirement under the Commission’s rules and, if funding is insufficient to meet the total demand from that group of ETCs, the program will prioritize funding for transitioning the core networks of these eligible providers before allocating funds to non-core network related expenses.³² If, however, funding is still available after all demand from ETCs in the first category is satisfied, the Commission’s rules allocate funding to non-ETC eligible providers, prioritizing those non-ETCs that provided cost estimate data in response to the Commission’s Supply Chain Security Information Collection over other non-ETCs.³³ Finally, the Commission’s rules further prioritize funding for core network transition costs over non-core network transition costs within each non-ETC category.³⁴

22. The CAA, however, established a prioritization paradigm for the Reimbursement Program that differs from the model the Commission adopted in the *Supply Chain Second Report and Order*. Under the CAA, “the Commission shall allocate sufficient reimbursement funds first, to approved applications that have 2,000,000 or fewer customers . . . , [then] to approved applicants that are accredited public or private non-commercial educational institutions providing their own facilities-based educational broadband services . . . , [then] to any remaining applicants determined to be eligible for reimbursement under the Program.”³⁵

23. We propose to adopt the CAA’s prioritization scheme as an overarching replacement to the prioritization scheme adopted in the *Supply Chain Second Report and Order*. Thus, we propose to first allocate funds to approved applications with 2 million or fewer customers. Once applications meeting that requirement are funded, we propose to allocate funds to approved applicants that are accredited public or private non-commercial educational institutions providing their own facilities-based educational broadband services. After those applicants are fully funded, we propose to allocate funds to any remaining applicants determined to be eligible for reimbursement under the Reimbursement Program. We seek comment on this proposal.

24. While we propose to change the three reimbursement prioritization categories consistent with the CAA, the CAA is silent on how the Commission should further prioritize funding within the three main categories. If funding within a particular category is insufficient to meet demand, how should the Commission allocate funding within that particular category? Can the Commission still prioritize

³⁰ Secure Networks Act § 4.

³¹ *Supply Chain Second Report and Order*, 35 FCC Rcd at 14349, para. 156.

³² *Id.* at 14349-50, para. 157.

³³ *Id.* See FCC, Identifying Potentially Prohibited Communications Supply Chain Equipment and Services, www.fcc.gov/supplychain.

³⁴ *Id.*

³⁵ CAA § 901.

certain equipment or providers within an individual category if funding is insufficient to fund all applications within that prioritization category? When the Commission adopted the prioritization scheme in the *Supply Chain Second Report and Order*, the Commission found that replacing the core network is the logical first step in a network transition and may have the greatest impact on eliminating a national security risk from the network.³⁶ This is unlikely to have changed since the Commission adopted the *Supply Chain Second Report and Order* on December 10, 2020. We seek comment on whether the language of the CAA allow the Commission to maintain a prioritization for core network transition costs over non-core network transitions costs the categories established by the CAA?³⁷ We also seek comment on reducing funding on a pro rata basis for all recipients within a prioritization category as defined by the CAA. Are there any other methods of allocating funding equitably across a specific category if remaining funding is insufficient to fund all of the remaining requests?

25. Similarly, we seek comment on other potential sub-prioritization categories. Recognizing the national security threats to communications networks or the communications supply chain that remain even while the Commission works to remove covered equipment and services, we seek comment on prioritizing, within each category, the removal and reimbursement of certain equipment or services at particular locations identified as posing an elevated national security risk by the Commission or other federal agencies or interagency bodies as defined in section 2(c) of the Secure Networks Act.³⁸ We believe prioritizing equipment and services at particular locations with an elevated national security risk is consistent with the CAA, because we would only prioritize equipment and services within the same prioritization category. Building on this idea, can the Commission prioritize equipment and services at locations that pose a heightened national security risk in a lower priority category ahead of any equipment and services in a higher prioritization category?³⁹ Are there other methods for prioritizing any other equipment or services within a reimbursement prioritization category? We seek comment on any other methods consistent with the CAA prioritization structure.

E. Definition of “Provider of Advanced Communications Service”

26. In the Secure Networks Act, Congress defined “provider of advanced communications service” as “a person who provides advanced communications service to United States customers.”⁴⁰ Congress amended this definition in the CAA to “include[] . . . accredited public or private non-commercial educational institutions providing their own facilities-based educational broadband service as defined in section 27.4 of the Commission’s rules,” and “health care providers and libraries providing advanced communications service.”⁴¹ In the *Supply Chain Second Report and Order*, the Commission explained that “for purposes of the Reimbursement Program, a school, library, or health care provider, or consortium thereof, may also qualify as a provider of advanced communications service, and therefore be eligible to participate in the Reimbursement Program . . .”⁴²

27. Consistent with the CAA, we propose to change the definition of provider of advanced communications service to incorporate the new, broader definition. We seek comment on this proposal. While we believe the Commission’s interpretation in the *Second Report and Order* is consistent with the amendments to the Secure Networks Act, we propose to update our rules to follow Congress’ direction in the CAA. We also seek comment on whether the term “educational broadband service as defined under

³⁶ *Supply Chain Second Report and Order*, 35 FCC Rcd at 14352, para. 162.

³⁷ *Supply Chain Second Report and Order*, 35 FCC Rcd at 14349-50, para. 157.

³⁸ See Secure Networks Act § 2(c).

³⁹ See Secure Networks Act § 2(c).

⁴⁰ Secure Networks Act § 9(10).

⁴¹ CAA § 901.

⁴² *Supply Chain Second Report and Order*, 35 FCC Rcd at 14332-33, para. 112.

Part 27 of the Commission’s rules” is intended to solely reference licensees in the Commission’s Education Broadband Service, or whether this term has a different meaning.⁴³ Consistent with the *Supply Chain Second Report and Order*, we propose to modify the definition of “provider of advanced communications service” only for purposes of the Reimbursement Program and not for any other provision of the Secure Networks Act or the Commission’s rules.⁴⁴ We seek comment on this proposal.

F. Other Revisions to Our Rules

28. Finally, we seek comment on whether the amendments to the Secure Networks Act enacted by Congress in the CAA require revision to any other provisions or rules adopted by the Commission in the *Supply Chain Second Report and Order*. Are other changes to our rules mandated or necessary as a result of the CAA?

G. Cost-Benefit Analysis

29. This Third Further Notice of Proposed Rulemaking seeks comment on proposals to implement the requirements of the CAA, and we have no discretion to ignore such congressional direction. In addition, the CAA provides funding to reimburse eligible providers for their costs to remove and replace harmful equipment and services from their networks. Moreover, the Commission already completed an Information Collection to determine the costs to ETCs to remove and replace Huawei and ZTE equipment and services from their networks.⁴⁵ Accordingly, we tentatively conclude that our proposals in this *Third Further Notice of Proposed Rulemaking* will impose no additional costs to those who are required to participate in the reimbursement program. We seek comment on this tentative conclusion.

IV. PROCEDURAL MATTERS

30. *Ex Parte Presentations.* This proceeding is a “permit-but-disclose” proceeding in accordance with the Commission’s *ex parte* rules.⁴⁶ Persons making *ex parte* presentations must file a copy of any written presentation or a memorandum summarizing any oral presentation within two business days after the presentation (unless a different deadline applicable to the Sunshine period applies). Persons making oral *ex parte* presentations are reminded that memoranda summarizing the presentation must (1) list all persons attending or otherwise participating in the meeting at which the *ex parte* presentation was made, and (2) summarize all data presented and arguments made during the presentation. If the presentation consisted in whole or in part of the presentation of data or arguments already reflected in the presenter’s written comments, memoranda, or other filings in the proceeding, the presenter may provide citations to such data or arguments in his or her prior comments, memoranda, or other filings (specifying the relevant page and/or paragraph numbers where such data or arguments can be found) in lieu of summarizing them in the memorandum. Documents shown or given to Commission staff during *ex parte* meetings are deemed to be written *ex parte* presentations and must be filed consistent with rule 1.1206(b). In proceedings governed by rule 1.49(f) or for which the Commission has made available a method of electronic filing, written *ex parte* presentations and memoranda summarizing oral *ex parte* presentations, and all attachments thereto, must be filed through the electronic comment filing system available for that proceeding, and must be filed in their native format (e.g., .doc, .xml, .ppt, searchable .pdf). Participants in this proceeding should familiarize themselves with the Commission’s *ex parte* rules.

⁴³ See 47 CFR §§ 27.1200 *et seq.*

⁴⁴ See *Supply Chain Second Report and Order*, 35 FCC Rcd at 14332-33, para. 112.

⁴⁵ See FCC, Identifying Potentially Prohibited Communications Supply Chain Equipment and Services, www.fcc.gov/supplychain.

⁴⁶ 47 CFR §§ 1.1200 *et seq.*

31. *Initial Regulatory Flexibility Analysis.* As required by the Regulatory Flexibility Act, as amended (RFA),⁴⁷ the Commission has prepared an Initial Regulatory Flexibility Analysis (IRFA) of the possible significant economic impact on a substantial number of small entities of the proposals addressed in this Notice of Proposed Rulemaking. The IRFA is set forth in Appendix B. Written public comments are requested on the IRFA. These comments must be filed in accordance with the same filing deadlines for comments on the Notice, and they should have a separate and distinct heading designating them as responses to the IRFA. The Commission's Consumer and Governmental Affairs Bureau, Reference Information Center, will send a copy of this Notice, including the IRFA, to the Chief Counsel for Advocacy of the Small Business Administration, in accordance with the RFA.⁴⁸

32. *Paperwork Reduction Act Analysis.* This document may result in new or revised information collection requirements subject to the Paperwork Reduction Act of 1995, Public Law 104-13 (44 U.S.C. §§ 3501 through 3520). If the Commission adopts any new or revised information collection requirement, the Commission will publish a notice in the *Federal Register* inviting the public to comment on the requirement, as required by the Paperwork Reduction Act of 1995, Public Law 104-13 (44 U.S.C. §§ 3501-3520). In addition, pursuant to the Small Business Paperwork Relief Act of 2002, Public Law 107-198, *see* 44 U.S.C. 3506(c)(4), we seek specific comment on how we might further reduce the information collection burden for small business concerns with fewer than 25 employees.

33. *Filing of Comments and Reply Comments.* Pursuant to sections 1.415 and 1.419 of the Commission's rules, 47 CFR §§ 1.415, 1.419, interested parties may file comments and reply comments on or before the dates indicated on the first page of this document. Comments may be filed using the Commission's Electronic Comment Filing System (ECFS). *See Electronic Filing of Documents in Rulemaking Proceedings*, 63 FR 24121 (1998).

- Electronic Filers: Comments may be filed electronically using the Internet by accessing the ECFS: <https://www.fcc.gov/ecfs/>.
- Paper Filers: Parties who choose to file by paper must file an original and one copy of each filing.
 - Filings can be sent by commercial overnight courier, or by first-class or overnight U.S. Postal Service mail.⁴⁹ All filings must be addressed to the Commission's Secretary, Office of the Secretary, Federal Communications Commission.
 - Commercial overnight mail (other than U.S. Postal Service Express Mail and Priority Mail) must be sent to 9050 Junction Drive, Annapolis Junction, MD 20701.
 - U.S. Postal Service first-class, Express, and Priority mail must be addressed to 45 L Street, NE, Washington, DC 20554.

⁴⁷ 5 U.S.C. § 603.

⁴⁸ *Id.* § 603(a).

⁴⁹ Due to the COVID-19 pandemic, the Commission closed its hand-delivery filing location at FCC Headquarters effective March 19, 2020. *See FCC Announces Closure of FCC Headquarters Open Window and Change in Hand-Delivery Filing*, Public Notice, DA 20-304, 35 FCC Rcd 2788 (2020). As a result, hand or messenger delivered filings in response to this Notice of Proposed Rulemaking will not be accepted. Parties are encouraged to take full advantage of the Commission's various electronic filing systems for filing applicable documents. Except when the filer requests that materials be withheld from public inspection, any document may be submitted electronically through the Commission's ECFS. *See* 47 CFR § 1.49(f)(3). Persons that need to submit confidential filings to the Commission should follow the instructions provided in the Commission's March 31, 2020 public notice regarding the procedures for submission of confidential materials. *See FCC Provides Further Instructions Regarding Submission of Confidential Materials*, Public Notice, DA 20-361, 35 FCC Rcd 2973 (2020).

34. Comments and reply comments must include a short and concise summary of the substantive arguments raised in the pleading. Comments and reply comments must also comply with section 1.49 and all other applicable sections of the Commission's rules. We direct all interested parties to include the name of the filing party and the date of the filing on each page of their comments and reply comments. All parties are encouraged to use a table of contents, regardless of the length of their submission. We also strongly encourage parties to track the organization set forth in the Notice of Proposed Rulemaking in order to facilitate our internal review process.

35. *People with Disabilities.* To request materials in accessible formats for people with disabilities (braille, large print, electronic files, audio format), send an e-mail to fcc504@fcc.gov or call the Consumer & Governmental Affairs Bureau at (202) 418-0530 (voice), (202) 418-0432 (tty).

36. *Contact Person.* For further information about this proceeding, contact Brian Cruikshank, FCC Wireline Competition Bureau, 45 L. Street, NE, Washington, DC 20554, (202) 418-3623, brian.cruikshank@fcc.gov.

V. ORDERING CLAUSES

37. Accordingly, IT IS ORDERED that, pursuant to the authority contained in sections 4(i), 201(b), 214, 254, 303(r), 403, and 503 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), 201(b), 214, 254, 303(r), 403 and 503, sections 2, 3, 4, and 9 of the Secure Networks Act, 47 U.S.C. §§ 1601, 1602, 1603, and 1608, Division N, Title IX, sections 901 and 906 of the Consolidated Appropriations Act, and sections 1.1 and 1.412 of the Commission's rules, 47 CFR §§ 1.1 and 1.412, this Third Further Notice of Proposed Rulemaking IS ADOPTED.

38. IT IS FURTHER ORDERED that the Commission's Consumer and Governmental Affairs Bureau, Reference Information Center, SHALL SEND a copy of this Third Further Notice of Proposed Rulemaking, including the Initial Regulatory Flexibility Analysis, to the Chief Counsel for Advocacy of the Small Business Administration.

39. IT IS FURTHER ORDERED that this Third Further Notice of Proposed Rulemaking will be EFFECTIVE upon publication in the Federal Register, with comment dates indicated therein.

FEDERAL COMMUNICATIONS COMMISSION

Marlene H. Dortch
Secretary

APPENDIX A

Draft Proposed Rules for Public Comment

Part 1 – Practice and Procedure

The authority citation for part 1 continues to read as follows:

Authority: 47 U.S.C. chs. 2, 5, 9, 13; 28 U.S.C. 2461 note, unless otherwise noted.

1. Section 1.50004 is amended by revising paragraphs (a), (a)(1), (a)(2), (f), and (i) and adding (q) to read as follows:

§ 1.50004 Secure and Trusted Communications Networks Reimbursement Program

(a) *Eligibility.* Providers of advanced communications service with ~~two~~ ten million or fewer customers are eligible to participate in the Reimbursement Program to reimburse such providers solely for costs reasonably incurred for the permanent replacement, removal, and disposal of covered communications equipment or services:

(1) as defined in the Report and Order of the Commission in the matter of Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs (FCC 19-121; WC Docket No. 18-89; adopted November 22, 2019 (in this section referred to as the ‘Report and Order’); or

(2) ~~the covered communications equipment or service was added to the Covered List per section 1.50003, then no later than 60 days after the date of addition to the Covered List~~ as determined to be covered by both the process of the Report and Order and the Designation Orders of the Commission on June 30, 2020 (DA 20-690; PS Docket No. 19-351; adopted June 30, 2020) (DA 20-691; PS Docket No. 19-352; adopted June 30, 2020) (in this section collectively referred to as the ‘Designation Orders’);

(f) *Prioritization of Support.* The Wireline Competition Bureau shall issue funding allocations in accordance with this section after the close of a filing window. After a filing window closes, the Wireline Competition Bureau shall calculate the total demand for Reimbursement Program support submitted by all eligible providers during the filing window period. If the total demand received during the filing window exceeds the total funds available, then the Wireline Competition Bureau shall allocate the available funds consistent with the following priority schedule:

Table 1 to Paragraph (f)–Prioritization Schedule	
Priority 1 Advanced communication service providers with 2 2 million or fewer customers that are Eligible Telecommunication Carriers subject to section [54.11] (new removal and replacement requirement).	Priority 1a Costs reasonably incurred for transitioning core network(s).
	Priority 1b Costs reasonably incurred for non-core network transition.
Priority 2	Priority 2a*

<p>Non-ETC providers of advanced communications service with 2 million or fewer customers that participated in the Supply Chain Security Information Collection, OMB Control No. 3060-1270. Advanced communications service providers that are accredited public or private non-commercial educational institutions providing their own facilities-based educational broadband service, as defined in section 27.4 of title 47, Code of Federal Regulations, or any successor regulation.</p>	<p>Costs reasonably incurred for transitioning core network(s).</p>
<p>Priority 3 Other non-Eligible Telecommunication Carriers that are providers of advanced communication service with 2 million or fewer customers. Any remaining approved applicants determined to be eligible for reimbursement under the Program</p>	<p>Priority 2b* Costs reasonably incurred for non-core network transition.</p>
<p>Other non-Eligible Telecommunication Carriers that are providers of advanced communication service with 2 million or fewer customers. Any remaining approved applicants determined to be eligible for reimbursement under the Program</p>	<p>Priority 3a Costs reasonably incurred for transitioning core network(s).</p>
<p>Other non-Eligible Telecommunication Carriers that are providers of advanced communication service with 2 million or fewer customers. Any remaining approved applicants determined to be eligible for reimbursement under the Program</p>	<p>Priority 3b Costs reasonably incurred for non-core network transition.</p>

(i)*****

(i) on or after publication of the Report and Order August 14, 2018 if on the initial Covered List published per section 1.50002; or

(ii) ~~on or after 60 days after the date of addition to the Covered List if the communications equipment or services were subsequently added to the Covered List per section 1.50003 (ii)~~ in the case of any covered communications equipment that only became covered pursuant to the Designation Orders, June 30, 2020; or

(k) *Provider of Advanced Communications Services.* For purposes of the Secure and Trusted Communications Networks Reimbursement Program, provider of advanced communications services is defined as:

(1) A person who provides advanced communications service to United States customers; and includes:

(A) accredited public or private non-commercial educational institutions, providing their own facilities-based educational broadband service, as defined in section 27.4 of title 47, Code of Federal Regulations, or any successor regulation; and

(B) health care providers and libraries providing advanced communications service.

Part 54 – Universal Service

2. The authority citation for part 54 continues to read as follows:

Authority: 47 U.S.C. 151, 154(i), 155, 201, 205, 214, 219, 220, 229, 254, 303(r), 403, 1004, 1302, and 1601-1609, unless otherwise noted.

3. Section 54.11 is amended by revising paragraph 54.11(b) to read as follows:

(b) For purposes of paragraph (a), covered communications equipment or services means any communications equipment or service produced or provided by a covered company posing a national security threat to the integrity of communications networks or the communications supply chain.

APPENDIX B**Initial Regulatory Flexibility Analysis**

1. As required by the Regulatory Flexibility Act of 1980, as amended (RFA),¹ the Commission has prepared this Initial Regulatory Flexibility Analysis (IRFA) of the possible significant economic impact on a substantial number of small entities by the policies and rules proposed in the Third Further Notice of Proposed Rulemaking (FNPRM). Written comments are requested on this IRFA. Comments must be identified as responses to the IRFA and must be filed by the deadlines for comments on the FNPRM provided on the first page of the item. The Commission will send a copy of the FNPRM, including this IRFA, to the Chief Counsel for Advocacy of the Small Business Administration (SBA).² In addition, the FNPRM and IRFA (or summaries thereof) will be published in the Federal Register.³

2. Need for, and Objectives of, the Proposed Rules

3. Consistent with our obligation to be responsible stewards of the public funds used in the Universal Service Fund (USF) programs and increasing concern about ensuring communications supply chain integrity, the FNPRM proposes and seeks comment on rules to implement Division N, Title IX, section 901 of the Consolidated Appropriations Act, 2021⁴ and their applicability to the Commission's ongoing efforts to secure the communications supply chain.

4. Specifically, the Commission proposes to amend the rules regarding provider eligibility for participation in the Reimbursement Program, the equipment and services eligible for Reimbursement Program disbursements, and the prioritization of Reimbursement Program Funds.

A. Legal Basis

5. The proposed action is authorized under sections 4(i), 201(b), 214, 254, 303(r), 403, and 503 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), 201(b), 214, 254, 303(r), 403 and 503, Division N, Title IX, section 901 of the Consolidated Appropriations Act, 47 U.S.C. §§ 1603 and 1608.

B. Description and Estimate of the Number of Small Entities to Which the Proposed Rules Will Apply

6. The RFA directs agencies to provide a description of and, where feasible, an estimate of the number of small entities that may be affected by the proposed rules, if adopted.⁵ The RFA generally defines the term "small entity" as having the same meaning as the terms "small business," "small organization," and "small governmental jurisdiction."⁶ In addition, the term "small business" has the same meaning as the term "small business concern" under the Small Business Act.⁷ A small business

¹ 5 U.S.C. § 603. The RFA, 5 U.S.C. §§ 601–612, has been amended by the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA), Pub. L. No. 104-121, Title II, 110 Stat. 857 (1996).

² See 5 U.S.C. § 603(a).

³ See *id.*

⁴ Pub. L. 116-260, Division N-Additional Coronavirus Response and Relief, Title IX-Broadband Internet access Service, § 901, 134 Stat. 1182 (2020).

⁵ 5 U.S.C. § 603(b)(3).

⁶ 5 U.S.C. § 601(6).

⁷ 5 U.S.C. § 601(3) (incorporating by reference the definition of "small business concern" in 15 U.S.C. § 632). Pursuant to the RFA, the statutory definition of a small business applies "unless an agency, after consultation with the Office of Advocacy of the Small Business Administration and after opportunity for public comment, establishes one or more definitions of such term which are appropriate to the activities of the agency and publishes such definition(s) in the Federal Register." 5 U.S.C. § 601(3).

concern is one that: (1) is independently owned and operated; (2) is not dominant in its field of operation; and (3) satisfies any additional criteria established by the Small Business Administration (SBA).⁸

7. *Small Businesses, Small Organizations, Small Governmental Jurisdictions.* Our actions, over time, may affect small entities that are not easily categorized at present. We therefore describe here, at the outset, three broad groups of small entities that could be directly affected herein.⁹ First, while there are industry specific size standards for small businesses that are used in the regulatory flexibility analysis, according to data from the SBA's Office of Advocacy, in general a small business is an independent business having fewer than 500 employees.¹⁰ These types of small businesses represent 99.9% of all businesses in the United States which translates to 28.8 million businesses.¹¹

8. Next, the type of small entity described as a "small organization" is generally "any not-for-profit enterprise which is independently owned and operated and is not dominant in its field."¹² Nationwide, as of Aug 2016, there were approximately 356,494 small organizations based on registration and tax data filed by nonprofits with the Internal Revenue Service (IRS).¹³

9. Finally, the small entity described as a "small governmental jurisdiction" is defined generally as "governments of cities, counties, towns, townships, villages, school districts, or special districts, with a population of less than fifty thousand."¹⁴ U.S. Census Bureau data from the 2017 Census of Governments¹⁵ indicate that there were 90,075 local governmental jurisdictions consisting of general purpose governments and special purpose governments in the United States.¹⁶ Of this number there were 36,931 general purpose governments (county¹⁷, municipal and town or township¹⁸) with populations of

⁸ See 15 U.S.C. § 632.

⁹ See 5 U.S.C. § 601(3)–(6).

¹⁰ See SBA, Office of Advocacy, "Frequently Asked Questions, Question 1 – What is a small business?" https://www.sba.gov/sites/default/files/advocacy/SB-FAQ-2016_WEB.pdf (June 2016).

¹¹ See SBA, Office of Advocacy, "Frequently Asked Questions, Question 2- How many small businesses are there in the U.S.?" https://www.sba.gov/sites/default/files/advocacy/SB-FAQ-2016_WEB.pdf (June 2016).

¹² 5 U.S.C. § 601(4).

¹³ Data from the Urban Institute, National Center for Charitable Statistics (NCCS) reporting on nonprofit organizations registered with the IRS was used to estimate the number of small organizations. Reports generated using the NCCS online database indicated that as of August 2016 there were 356,494 registered nonprofits with total revenues of less than \$100,000. Of this number, 326,897 entities filed tax returns with 65,113 registered nonprofits reporting total revenues of \$50,000 or less on the IRS Form 990-N for Small Exempt Organizations and 261,784 nonprofits reporting total revenues of \$100,000 or less on some other version of the IRS Form 990 within 24 months of the August 2016 data release date. See <http://nccsweb.urban.org/tablewiz/bmf.php> where the report showing this data can be generated by selecting the following data fields: Show: "Registered Nonprofit Organizations"; By: "Total Revenue Level (years 1995, Aug to 2016, Aug)"; and For: "2016, Aug" then selecting "Show Results."

¹⁴ 5 U.S.C. § 601(5).

¹⁵ See 13 U.S.C. § 161. The Census of Governments survey is conducted every five (5) years compiling data for years ending with "2" and "7". See also Census of Governments, <https://www.census.gov/programs-surveys/cog/about.html>.

¹⁶ See U.S. Census Bureau, 2017 Census of Governments – Organization Table 2. Local Governments by Type and State: 2017 [CG1700ORG02]. <https://www.census.gov/data/tables/2017/econ/gus/2017-governments.html>. Local governmental jurisdictions are made up of general purpose governments (county, municipal and town or township) and special purpose governments (special districts and independent school districts). See also Table 2. CG1700ORG02 Table Notes_Local Governments by Type and State_2017.

¹⁷ See U.S. Census Bureau, 2017 Census of Governments - Organization, Table 5. County Governments by Population-Size Group and State: 2017 [CG1700ORG05]. <https://www.census.gov/data/tables/2017/econ/gus/2017-governments.html>. There were 2,105 county governments with populations less than 50,000. This category does not include subcounty (municipal and township) governments.

less than 50,000 and 12,040 special purpose governments - independent school districts¹⁹ with enrollment populations of less than 50,000.²⁰ Accordingly, based on the 2017 U.S. Census of Governments data, we estimate that at least 48,971 entities fall into the category of “small governmental jurisdictions.”²¹

10. Small entities potentially affected by the proposals herein include eligible schools and libraries, eligible rural non-profit and public health care providers, and the eligible service providers offering them services, including telecommunications service providers, Internet Service Providers (ISPs), and vendors of the services and equipment used for telecommunications and broadband networks.

1. Providers of Telecommunications and Other Services

a. Telecommunications Service Providers

11. *Incumbent Local Exchange Carriers (LECs)*. Neither the Commission nor the SBA has developed a small business size standard specifically for incumbent local exchange services. The closest applicable NAICS Code category is Wired Telecommunications Carriers.²² Under the applicable SBA size standard, such a business is small if it has 1,500 or fewer employees.²³ U.S. Census Bureau data for 2012 indicate that 3,117 firms operated the entire year.²⁴ Of this total, 3,083 operated with fewer than 1,000 employees.²⁵ Consequently, the Commission estimates that most providers of incumbent local exchange service are small businesses that may be affected by our actions. According to Commission data, one thousand three hundred and seven (1,307) Incumbent Local Exchange Carriers reported that they were incumbent local exchange service providers.²⁶ Of this total, an estimated 1,006 have 1,500 or

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¹⁸ See U.S. Census Bureau, 2017 Census of Governments - Organization, Table 6. Subcounty General-Purpose Governments by Population-Size Group and State: 2017 [CG1700ORG06].

<https://www.census.gov/data/tables/2017/econ/gus/2017-governments.html>. There were 18,729 municipal and 16,097 town and township governments with populations less than 50,000.

¹⁹ See U.S. Census Bureau, 2017 Census of Governments - Organization, Table 10. Elementary and Secondary School Systems by Enrollment-Size Group and State: 2017 [CG1700ORG10].

<https://www.census.gov/data/tables/2017/econ/gus/2017-governments.html>. There were 12,040 independent school districts with enrollment populations less than 50,000. See also Table 4. Special-Purpose Local Governments by State Census Years 1942 to 2017 [CG1700ORG04], CG1700ORG04 Table Notes_Special Purpose Local Governments by State_Census Years 1942 to 2017.

²⁰ While the special purpose governments category also includes local special district governments, the 2017 Census of Governments data does not provide data aggregated based on population size for the special purpose governments category. Therefore, only data from independent school districts is included in the special purpose governments category.

²¹ This total is derived from the sum of the number of general purpose governments (county, municipal and town or township) with populations of less than 50,000 (36,931) and the number of special purpose governments - independent school districts with enrollment populations of less than 50,000 (12,040), from the 2017 Census of Governments - Organizations Tables 5, 6, and 10.

²² See, U.S. Census Bureau, 2017 NAICS Definition, “517311 Wired Telecommunications Carriers”, <https://www.census.gov/cgi-bin/sssd/naics/naicsrch?code=517311&search=2017>.

²³ See 13 CFR § 121.201, NAICS Code 517311 (previously 517110).

²⁴ See U.S. Census Bureau, 2012 Economic Census of the United States, Table ID: EC1251SSSZ5, Information: Subject Series - Estab & Firm Size: Employment Size of Firms for the U.S.: 2012, NAICS Code 517110, <https://data.census.gov/cedsci/table?text=EC1251SSSZ5&n=517110&tid=ECNSIZE2012.EC1251SSSZ5&hidePreview=false>.

²⁵ *Id.*

²⁶ See *Trends in Telephone Service*, Federal Communications Commission, Wireline Competition Bureau, Industry Analysis and Technology Division at Table 5.3 (Sept. 2010) (*Trends in Telephone Service*).

fewer employees.²⁷ Thus, using the SBA's size standard the majority of incumbent LECs can be considered small entities.

12. *Interexchange Carriers (IXCs)*. Neither the Commission nor the SBA has developed a small business size standard specifically for Interexchange Carriers. The closest applicable NAICS Code category is Wired Telecommunications Carriers.²⁸ The applicable size standard under SBA rules is that such a business is small if it has 1,500 or fewer employees.²⁹ U.S. Census Bureau data for 2012 indicate that 3,117 firms operated for the entire year.³⁰ Of that number, 3,083 operated with fewer than 1,000 employees.³¹ According to internally developed Commission data, 359 companies reported that their primary telecommunications service activity was the provision of interexchange services.³² Of this total, an estimated 317 have 1,500 or fewer employees.³³ Consequently, the Commission estimates that the majority of interexchange service providers are small entities

13. *Competitive Access Providers*. Neither the Commission nor the SBA has developed a definition of small entities specifically applicable to competitive access services providers (CAPs). The closest applicable definition under the SBA rules is Wired Telecommunications Carriers and under the size standard, such a business is small if it has 1,500 or fewer employees.³⁴ U.S. Census Bureau data for 2012 indicate that 3,117 firms operated for the entire year.³⁵ Of that number, 3,083 operated with fewer than 1,000 employees.³⁶ Consequently, the Commission estimates that most competitive access providers are small businesses that may be affected by our actions. According to Commission data in the *2010 Trends in Telephone Service Report*, 1,442 CAPs and competitive local exchange carriers (competitive LECs) reported that they were engaged in the provision of competitive local exchange services.³⁷ Of these 1,442 CAPs and competitive LECs, an estimated 1,256 have 1,500 or fewer employees and 186

²⁷ *Id.*

²⁸ See U.S. Census Bureau, *2017 NAICS Definition, "517311 Wired Telecommunications Carriers"*, <https://www.census.gov/cgi-bin/sssd/naics/naicsrch?code=517311&search=2017>.

²⁹ See 13 CFR § 121.201, NAICS Code 517311 (previously 517110).

³⁰ See U.S. Census Bureau, *2012 Economic Census of the United States*, Table ID: EC1251SSSZ5, *Information: Subject Series - Estab & Firm Size: Employment Size of Firms for the U.S.: 2012*, NAICS Code 517110, <https://data.census.gov/cedsci/table?text=EC1251SSSZ5&n=517110&tid=ECNSIZE2012.EC1251SSSZ5&hidePreview=false>.

³¹ *Id.* The largest category provided by the census data is "1000 employees or more" and a more precise estimate for firms with fewer than 1,500 employees is not provided.

³² See *Trends in Telephone Service*, Federal Communications Commission, Wireline Competition Bureau, Industry Analysis and Technology Division at Table 5.3 (Sept. 2010) (*Trends in Telephone Service*). https://apps.fcc.gov/edocs_public/attachmatch/DOC-301823A1.pdf.

³³ *Id.*

³⁴ See 13 CFR § 121.201. The Wired Telecommunications Carrier category formerly used the NAICS code of 517110. As of 2017 the U.S. Census Bureau definition shows the NAICS code as 517311 for Wired Telecommunications Carriers. See <https://www.census.gov/cgi-bin/sssd/naics/naicsrch?code=517311&search=2017>.

³⁵ See U.S. Census Bureau, *2012 Economic Census of the United States*, Table ID: EC1251SSSZ5, *Information: Subject Series - Estab & Firm Size: Employment Size of Firms for the U.S.: 2012*, NAICS Code 517110, <https://data.census.gov/cedsci/table?text=EC1251SSSZ5&n=517110&tid=ECNSIZE2012.EC1251SSSZ5&hidePreview=false>.

³⁶ *Id.*

³⁷ See *Trends in Telephone Service* at Table 5.3, page 5.5.

have more than 1,500 employees.³⁸ Consequently, the Commission estimates that most providers of competitive exchange services are small businesses.

14. *Operator Service Providers (OSPs)*. Neither the Commission nor the SBA has developed a small business size standard specifically for operator service providers. The closest applicable NAICS Code category is Wired Telecommunications Carriers.³⁹ The applicable size standard under SBA rules is that such a business is small if it has 1,500 or fewer employees.⁴⁰ U.S. Census Bureau data for 2012 indicate that 3,117 firms operated for the entire year.⁴¹ Of that number, 3,083 operated with fewer than 1,000 employees.⁴² According to internally developed Commission data, 359 companies reported that their primary telecommunications service activity was the provision of interexchange services.⁴³ Of this total, an estimated 317 have 1,500 or fewer employees.⁴⁴ Consequently, the Commission estimates that the majority of OSPs are small entities.

15. *Local Resellers*. The SBA has not developed a small business size standard specifically for Local Resellers. The SBA category of Telecommunications Resellers is the closest NAICS code category for local resellers. The Telecommunications Resellers industry comprises establishments engaged in purchasing access and network capacity from owners and operators of telecommunications networks and reselling wired and wireless telecommunications services (except satellite) to businesses and households. Establishments in this industry resell telecommunications; they do not operate transmission facilities and infrastructure. Mobile virtual network operators (MVNOs) are included in this industry.⁴⁵ Under the SBA's size standard, such a business is small if it has 1,500 or fewer employees.⁴⁶ 2012 Census Bureau data shows that 1,341 firms provided resale services during that year. Of that number, all operated with fewer than 1,000 employees.⁴⁷ Thus, under this category and the associated small business size standard, the majority of these resellers can be considered small entities. According to Commission data, 213 carriers have reported that they are engaged in the provision of local resale services.⁴⁸ Of these, an estimated 211 have 1,500 or fewer employees and two have more than 1,500

³⁸ *Id.*

³⁹ See U.S. Census Bureau, *2017 NAICS Definition, "517311 Wired Telecommunications Carriers"*, <https://www.census.gov/cgi-bin/sssd/naics/naicsrch?code=517311&search=2017>.

⁴⁰ See 13 CFR § 121.201, NAICS Code 517311 (previously 517110).

⁴¹ See U.S. Census Bureau, *2012 Economic Census of the United States*, Table ID: EC1251SSSZ5, *Information: Subject Series - Estab & Firm Size: Employment Size of Firms for the U.S.: 2012*, NAICS Code 517110, <https://data.census.gov/cedsci/table?text=EC1251SSSZ5&n=517110&tid=ECNSIZE2012.EC1251SSSZ5&hidePreview=false>.

⁴² *Id.* The largest category provided by the census data is "1000 employees or more" and a more precise estimate for firms with fewer than 1,500 employees is not provided.

⁴³ See *Trends in Telephone Service*, Federal Communications Commission, Wireline Competition Bureau, Industry Analysis and Technology Division at Table 5.3 (Sept. 2010) (*Trends in Telephone Service*). https://apps.fcc.gov/edocs_public/attachmatch/DOC-301823A1.pdf.

⁴⁴ *Id.*

⁴⁵ U.S. Census Bureau, *517911 Telecommunications Resellers*, <https://www.census.gov/cgi-bin/sssd/naics/naicsrch?input=517911&search=2012+NAICS+Search&search=2012> (last visited Jan. 10, 2020).

⁴⁶ 13 CFR § 121.201, NAICS code 517911.

⁴⁷ U.S. Census Bureau, 2012 Economic Census, Subject Series: Information, "Establishment and Firm Size," NAICS code 517911.

⁴⁸ See *Trends in Telephone Service*, at Table 5.3.

employees.⁴⁹ Consequently, the Commission estimates that the majority of local resellers are small entities that may be affected by the rules adopted.

16. *Toll Resellers.* The SBA has not developed a small business size standard specifically for Toll Resellers. The closest NAICS Code Category is Telecommunications Resellers. The Telecommunications Resellers industry comprises establishments engaged in purchasing access and network capacity from owners and operators of telecommunications networks and reselling wired and wireless telecommunications services (except satellite) to businesses and households. Establishments in this industry resell telecommunications; they do not operate transmission facilities and infrastructure. MVNOs are included in this industry.⁵⁰ The SBA has developed a small business size standard for the category of Telecommunications Resellers.⁵¹ Under that size standard, such a business is small if it has 1,500 or fewer employees.⁵² The 2012 Census Bureau data show that 1,341 firms provided resale services during that year. Of that number, 1,341 operated with fewer than 1,000 employees.⁵³ Thus, under this category and the associated small business size standard, the majority of these resellers can be considered small entities. According to Commission data, 881 carriers have reported that they are engaged in the provision of toll resale services.⁵⁴ Of this total, an estimated 857 have 1,500 or fewer employees.⁵⁵ Consequently, the Commission estimates that the majority of toll resellers are small entities.

17. *Wired Telecommunications Carriers.* The U.S. Census Bureau defines this industry as “establishments primarily engaged in operating and/or providing access to transmission facilities and infrastructure that they own and/or lease for the transmission of voice, data, text, sound, and video using wired communications networks. Transmission facilities may be based on a single technology or a combination of technologies. Establishments in this industry use the wired telecommunications network facilities that they operate to provide a variety of services, such as wired telephony services, including VoIP services, wired (cable) audio and video programming distribution, and wired broadband internet services. By exception, establishments providing satellite television distribution services using facilities and infrastructure that they operate are included in this industry.”⁵⁶ The SBA has developed a small business size standard for Wired Telecommunications Carriers, which consists of all such companies having 1,500 or fewer employees.⁵⁷ U.S. Census Bureau data for 2012 show that there were 3,117 firms that operated that year.⁵⁸ Of this total, 3,083 operated with fewer than 1,000 employees.⁵⁹ Thus, under this size standard, the majority of firms in this industry can be considered small.

⁴⁹ *See id.*

⁵⁰ U.S. Census Bureau, *517911 Telecommunications Resellers*, <https://www.census.gov/cgi-bin/sssd/naics/naicsrch?input=517911&search=2012+NAICS+Search&search=2012> (last visited Jan. 10, 2020).

⁵¹ 13 CFR § 121.201, NAICS code 517911.

⁵² *Id.*

⁵³ U.S. Census Bureau, *American FactFinder*, https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ECN_2012_US_51SSSZ2&prodType=table (last visited Jan. 10, 2020).

⁵⁴ *Trends in Telephone Service*, at tbl. 5.3.

⁵⁵ *Id.*

⁵⁶ *See* U.S. Census Bureau, *2017 NAICS Definition*, “517311 Wired Telecommunications Carriers”, <https://www.census.gov/cgi-bin/sssd/naics/naicsrch?code=517311&search=2017>.

⁵⁷ *See* 13 CFR § 121.201, NAICS Code 517311 (previously 517110).

⁵⁸ *See* U.S. Census Bureau, *2012 Economic Census of the United States*, Table ID: EC1251SSSZ5, *Information: Subject Series - Estab & Firm Size: Employment Size of Firms for the U.S.: 2012*, NAICS Code 517110, <https://data.census.gov/cedsci/table?text=EC1251SSSZ5&n=517110&tid=ECNSIZE2012.EC1251SSSZ5&hidePrevious=false>.

18. *Wireless Telecommunications Carriers (except Satellite)*. This industry comprises establishments engaged in operating and maintaining switching and transmission facilities to provide communications via the airwaves. Establishments in this industry have spectrum licenses and provide services using that spectrum, such as cellular services, paging services, wireless internet access, and wireless video services.⁶⁰ The appropriate size standard under SBA rules is that such a business is small if it has 1,500 or fewer employees.⁶¹ For this industry, U.S. Census Bureau data for 2012 show that there were 967 firms that operated for the entire year.⁶² Of this total, 955 firms employed fewer than 1,000 employees and 12 firms employed 1000 employees or more.⁶³ Thus under this category and the associated size standard, the Commission estimates that the majority of Wireless Telecommunications Carriers (except Satellite) are small entities.

19. The Commission's own data—available in its Universal Licensing System—indicate that, as of August 31, 2018 there are 265 Cellular licensees that will be affected by our actions.⁶⁴ The Commission does not know how many of these licensees are small, as the Commission does not collect that information for these types of entities. Similarly, according to internally developed Commission data, 413 carriers reported that they were engaged in the provision of wireless telephony, including cellular service, Personal Communications Service (PCS), and Specialized Mobile Radio (SMR) Telephony services.⁶⁵ Of this total, an estimated 261 have 1,500 or fewer employees, and 152 have more than 1,500 employees.⁶⁶ Thus, using available data, we estimate that the majority of wireless firms can be considered small.

20. *Satellite Telecommunications*. This category comprises firms “primarily engaged in providing telecommunications services to other establishments in the telecommunications and broadcasting industries by forwarding and receiving communications signals via a system of satellites or reselling satellite telecommunications.”⁶⁷ Satellite telecommunications service providers include satellite and earth station operators. The category has a small business size standard of \$35 million or less in average annual receipts, under SBA rules.⁶⁸ For this category, U.S. Census Bureau data for 2012 show

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⁵⁹ *Id.* The largest category provided by the census data is “1000 employees or more” and a more precise estimate for firms with fewer than 1,500 employees is not provided.

⁶⁰ See U.S. Census Bureau, *2017 NAICS Definition*, “517312 Wireless Telecommunications Carriers (except Satellite)”, <https://www.census.gov/cgi-bin/sssd/naics/naicsrch?code=517312&search=2017%20NAICS%20Search>.

⁶¹ See 13 CFR § 121.201, NAICS Code 517312 (previously 517210).

⁶² See U.S. Census Bureau, *2012 Economic Census of the United States*, Table ID: EC1251SSSZ5, *Information: Subject Series: Estab and Firm Size: Employment Size of Firms for the U.S.: 2012*, NAICS Code 517210, <https://data.census.gov/cedsci/table?text=EC1251SSSZ5&n=517210&tid=ECNSIZE2012.EC1251SSSZ5&hidePreview=false&vintage=2012>.

⁶³ *Id.* Available U.S. Census Bureau data does not provide a more precise estimate of the number of firms that have employment of 1,500 or fewer employees. The largest category provided is for firms with “1000 employees or more.”

⁶⁴ See <http://wireless.fcc.gov/uls>. For the purposes of this IRFA, consistent with Commission practice for wireless services, the Commission estimates the number of licensees based on the number of unique FCC Registration Numbers.

⁶⁵ See Federal Communications Commission, Wireline Competition Bureau, Industry Analysis and Technology Division, Trends in Telephone Service at Table 5.3 (Sept. 2010) (*Trends in Telephone Service*), https://apps.fcc.gov/edocs_public/attachmatch/DOC-301823A1.pdf.

⁶⁶ See *id.*

⁶⁷ See U.S. Census Bureau, *2017 NAICS Definition*, “517410 Satellite Telecommunications”, <https://www.census.gov/cgi-bin/sssd/naics/naicsrch?input=517410&search=2017+NAICS+Search&search=2017>.

⁶⁸ See 13 CFR § 121.201, NAICS Code 517410.

that there were a total of 333 firms that operated for the entire year.⁶⁹ Of this total, 299 firms had annual receipts of less than \$25 million.⁷⁰ Consequently, we estimate that the majority of satellite telecommunications providers are small entities.

21. *All Other Telecommunications.* The “All Other Telecommunications” category is comprised of establishments primarily engaged in providing specialized telecommunications services, such as satellite tracking, communications telemetry, and radar station operation.⁷¹ This industry also includes establishments primarily engaged in providing satellite terminal stations and associated facilities connected with one or more terrestrial systems and capable of transmitting telecommunications to, and receiving telecommunications from, satellite systems.⁷² Establishments providing Internet services or voice over Internet protocol (VoIP) services via client-supplied telecommunications connections are also included in this industry.⁷³ The SBA has developed a small business size standard for “All Other Telecommunications”, which consists of all such firms with annual receipts of \$35 million or less.⁷⁴ For this category, U.S. Census Bureau data for 2012 show that there were 1,442 firms that operated for the entire year.⁷⁵ Of those firms, a total of 1,400 had annual receipts less than \$25 million and 15 firms had annual receipts of \$25 million to \$49, 999,999.⁷⁶ Thus, the Commission estimates that the majority of “All Other Telecommunications” firms potentially affected by our action can be considered small.

b. Internet Service Providers

22. *Internet Service Providers (Broadband).* Broadband Internet service providers include wired (e.g., cable, DSL) and VoIP service providers using their own operated wired telecommunications infrastructure fall in the category of Wired Telecommunication Carriers.⁷⁷ Wired Telecommunications Carriers are comprised of establishments primarily engaged in operating and/or providing access to transmission facilities and infrastructure that they own and/or lease for the transmission of voice, data, text, sound, and video using wired telecommunications networks. Transmission facilities may be based on a single technology or a combination of technologies.⁷⁸ The SBA size standard for this category classifies a business as small if it has 1,500 or fewer employees.⁷⁹ U.S. Census Bureau data for 2012 show that

⁶⁹ See U.S. Census Bureau, *2012 Economic Census of the United States*, Table ID: EC1251SSSZ4, *Information: Subject Series - Estab and Firm Size: Receipts Size of Firms for the U.S.: 2012*, NAICS Code 517410, <https://data.census.gov/cedsci/table?text=EC1251SSSZ4&n=517410&tid=ECNSIZE2012.EC1251SSSZ4&hidePreview=false&vintage=2012>.

⁷⁰ *Id.* The available U.S. Census Bureau data does not provide a more precise estimate of the number of firms that meet the SBA size standard of annual receipts of \$35 million or less.

⁷¹ See U.S. Census Bureau, *2017 NAICS Definition*, “517919 All Other Telecommunications”, <https://www.census.gov/cgi-bin/sssd/naics/naicsrch?input=517919&search=2017+NAICS+Search&search=2017>.

⁷² *Id.*

⁷³ *Id.*

⁷⁴ See 13 CFR § 121.201, NAICS Code 517919.

⁷⁵ See U.S. Census Bureau, *2012 Economic Census of the United States*, Table ID: EC1251SSSZ4, *Information: Subject Series - Estab and Firm Size: Receipts Size of Firms for the U.S.: 2012*, NAICS Code 517919, <https://data.census.gov/cedsci/table?text=EC1251SSSZ4&n=517919&tid=ECNSIZE2012.EC1251SSSZ4&hidePreview=false>.

⁷⁶ *Id.*

⁷⁷ See U.S. Census Bureau, *2017 NAICS Definition*, “517311 Wired Telecommunications Carriers”, <https://www.census.gov/cgi-bin/sssd/naics/naicsrch?code=517311&search=2017>.

⁷⁸ *Id.*

⁷⁹ See 13 CFR § 121.201, NAICS Code 517311 (previously 517110).

there were 3,117 firms that operated that year.⁸⁰ Of this total, 3,083 operated with fewer than 1,000 employees.⁸¹ Consequently, under this size standard the majority of firms in this industry can be considered small..

C. Description of Projected Reporting, Recordkeeping, and Other Compliance Requirements for Small Entities

23. The FNPRM proposes rules that: raise the eligibility threshold in the Reimbursement Program for providers of advanced communications service from two million to ten million customers, restrict the use of Reimbursement Program funds to equipment or services produced or provided by any company deemed to pose a national security threat to the integrity of communications networks or the communications supply chain, make equipment and services obtained on or before June 30, 2020 eligible for reimbursement, and revise a prioritization scheme to award Reimbursement Program funding. We seek comment on these proposals, and their likely costs and benefits, as well as on alternative approaches and any other steps we should consider taking.

D. Steps Taken to Minimize the Significant Economic Impact on Small Entities, and Significant Alternatives Considered

24. The RFA requires an agency to describe any significant, specifically small business, alternatives that it has considered in reaching its proposed approach, which may include the following four alternatives (among others): “(1) the establishment of differing compliance or reporting requirements or timetables that take into account the resources available to small entities; (2) the clarification, consolidation, or simplification of compliance and reporting requirements under the rule for such small entities; (3) the use of performance rather than design standards; and (4) an exemption from coverage of the rule, or any part thereof, for such small entities.”⁸²

25. In compliance with the CAA, the FNPRM proposes to increase the pool of eligible participants in the Reimbursement Program to all providers of advanced communications services with ten million or fewer customers, limit the use of Reimbursement Program funding to remove, replace, and dispose of to allow Reimbursement Program allocations to be used to remove, replace, and dispose of equipment or services produced or provided by any company deemed to pose a national security threat to the integrity of communications networks or the communications supply chain, make equipment and services obtained on or before June 30, 2020 eligible for reimbursement, and revise the prioritization scheme to prioritize advanced communications service providers with two million or fewer customers, then public or private non-commercial educational institutions providing their own facilities-based educational broadband services, and then to any remaining eligible applicants.

26. We expect to take into account the economic impact on small entities, as identified in comments filed in response to the FNPRM and this IRFA, in reaching our final conclusions and promulgating rules in this proceeding. The FNPRM generally seeks comment on how to adopt enacted legislation that mandates action by the Commission and seeks specific comment on how to mitigate the impact on small entities.

E. Federal Rules that May Duplicate, Overlap, or Conflict with the Proposed Rules

27. None.

⁸⁰ See U.S. Census Bureau, *2012 Economic Census of the United States*, Table ID: EC1251SSSZ5, *Information: Subject Series - Estab & Firm Size: Employment Size of Firms for the U.S.: 2012*, NAICS Code 517110, <https://data.census.gov/cedsci/table?text=EC1251SSSZ5&n=517110&tid=ECNSIZE2012.EC1251SSSZ5&hidePreview=false>.

⁸¹ *Id.* The largest category provided by the census data is “1000 employees or more” and a more precise estimate for firms with fewer than 1,500 employees is not provided.

⁸² See 5 U.S.C. § 603(c).

**STATEMENT OF
ACTING CHAIRWOMAN JESSICA ROSENWORCEL**

Re: *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs*, WC Docket No. 18-89, Third Further Notice of Proposed Rulemaking (February 17, 2021).

There is no task at this agency—or in any part of the federal government—that is more important than keeping the American people safe. But history demonstrates that no single entity can meet this challenge alone. That is why I am committed to working with our federal partners and the private sector to increase the security and resiliency of our nation’s communications networks. Moreover, I am guided by the conviction that working with our allies and multilateral institutions can multiply our strength across the globe. I believe it is time for this agency to revitalize its approach to network security because it is an essential part of our national security, our economic recovery, and our leadership in a post-pandemic world.

So let’s get started—right here, right now. In appropriations legislation late last year Congress provided \$1.9 billion for the Federal Communications Commission to implement the requirements of the Secure and Trusted Communications Networks Act. This law bolstered this agency’s multi-year efforts to secure the communications supply chain, by providing us with the authority to help remove and replace insecure network equipment across the country from the Chinese companies Huawei and ZTE and then reimburse carriers for the cost of doing so. This is critical. That’s because we know there are vulnerabilities that come with this equipment and those vulnerabilities could provide foreign interests with access to our networks, jeopardizing the security of communications in the United States.

That brings me to today’s rulemaking. It’s an effort to harmonize the past work of the agency on this topic with the new requirements in the appropriations legislation. That means raising the eligibility cap for those participating. It means modifying rules about how reimbursement funds can be used. And it means updating prioritization policies in the event that reimbursement costs exceed funding available. But above all, it means getting going. The sooner we conclude this proceeding, the swifter we can start helping providers secure their networks.

But this is only the beginning. The damage from recent supply chain attacks, like the SolarWinds software breach, demonstrates the need for a coordinated, multifaceted, and strategic approach to protecting our networks from all threats. With this new appropriation from Congress, we have an opportunity to do just that. But we also have an opportunity right now to refresh our networks and reinvigorate our approach to network security so that the United States leads in the future of innovation. So we need to meet this moment with more than just a plan to address yesterday’s security challenges but with ideas for tomorrow’s as well. That is why I have already reached out to my peers in other parts of the federal government to help coordinate and advance our implementation of the law. That includes speaking with present leadership at the National Telecommunications and Information Administration, the Cybersecurity and Infrastructure Security Agency, and the Deputy National Security Advisor for Cyber and Emerging Technology in the new Administration.

While we make it a priority to coordinate externally, we need to do the same internally. So my office is exploring changes to the FCC process for reviewing matters related to national security, which right now are siloed within the agency’s various bureaus and offices. If we are going to keep pace with the growing threats to our communications, we need a dedicated interagency and cross-bureau team of experts advancing a comprehensive approach to securing our nation’s communications. That work is already underway, and I look forward to the improved decision-making that will result.

For their diligent work to protect our network security and national security, I thank Pam Arluk, Brian Cruikshank, Elizabeth Cuttner, Justin Faulb, Billy Layton, Kris Monteith, and Ryan Palmer of the

Wireline Competition Bureau; Patrick Brogan, Alex Espinoza, Tanner Hinkel, Ken Lynch, Giulia McHenry, Chuck Needy, Eric Ralph, and Emily Talaga of the Office of Economics and Analytics; and Malena Barzilai, Michael Carlson, Rick Mallen, Linda Oliver, and Bill Richardson of the Office of General Counsel.

**STATEMENT OF
COMMISSIONER BRENDAN CARR**

Re: *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs*, WC Docket No. 18-89, Third Further Notice of Proposed Rulemaking (February 17, 2021).

When we launched this proceeding nearly three years ago, we did so with a simple and important goal in mind—to protect America’s communications networks and in turn our national security. After all, if our communications networks are threatened, everything we value is threatened.

Back in April 2018, I asked my colleagues to broaden the scope of our initial Notice of Proposed Rulemaking to put additional options on the table. In addition to prohibiting carriers from using USF funds to purchase insecure equipment on a going forward basis, I suggested that we seek comment on removing any insecure gear that may already be in our communications networks. And last December, the FCC unanimously adopted just such a requirement, as well as a reimbursement program to support the efforts of our country’s smaller carriers. But one thing was missing: funding.

Congress provided that a few weeks later when it appropriated \$1.9 billion for our rip and replace program. So today we take steps to incorporate the new provisions passed by Congress, which will help expedite the removal of insecure equipment. I look forward to reviewing the record and moving swiftly to an Order.

But our work to secure U.S. communications networks certainly goes far beyond this supply chain proceeding. And that is because the threats posed by Communist China do not end with Huawei or ZTE or any equipment supplier. There are multiple telecom providers operating in the U.S. today that are owned or controlled by the People’s Republic of China. And their operations within our borders provide opportunity for PRC state-actors to engage in malicious cyber activity, thus enabling economic espionage as well as the disruption and misrouting of U.S. communications. That is why I called on the FCC last April to commence a top to bottom review of every telecom carrier with ties to the communist government.

As a result, we immediately issued Show Cause Orders to four companies that are owned or controlled by the Chinese government: China Telecom Americas, China Unicom Americas, Pacific Networks, and ComNet. Doing so demonstrated the strength and resolve necessary to confront the modern-day threats that Communist China poses to our communications networks. Any backsliding or softening of our approach to China would be a monumental mistake, leaving Americans less safe and our networks less secure. Now is not the time for a return to the weak and timid approach to China of the past.

So as we move forward with this supply chain proceeding, we should also move with dispatch to reach final decisions in these pending matters. I look forward to working with my colleagues to bring these proceedings to a close without delay.

**STATEMENT OF
COMMISSIONER GEOFFREY STARKS**

Re: *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs*, WC Docket No. 18-89, Third Further Notice of Proposed Rulemaking (February 17, 2021).

Over the last two years, the Commission has made significant progress in our efforts to replace the untrustworthy Huawei and ZTE equipment in American communications networks. When I convened the *Find It, Fix It, Fund It* workshop in June 2019, we had an enormous challenge in front us: identifying the untrustworthy equipment in our networks, setting out a plan to fix it, and providing funding for the replacement process. Today, with bipartisan support in Congress and widespread participation from across the telecommunications industry, we have gathered information about the scope of the security problem and developed a plan to require replacement of untrustworthy equipment and provide reimbursements.

The 2021 Consolidated Appropriations Act marks an important milestone in our ongoing efforts. In response to the Commission's 2020 data collection on Huawei and ZTE equipment and services in U.S. networks, filers reported it would cost an estimated \$1.837 billion to remove and replace all covered equipment—significantly more than the \$1 billion envisioned by the 2019 Secure and Trusted Communications Networks Act. I am pleased that Congress has now provided funding that will cover those estimated costs, and I am especially thankful for the leadership of Senator Gary Peters, who led the charge to expand access to federal replacement funding. I was pleased to support Senator Peters' Ensuring Network Security Act last summer, and I am glad to see those ideas adopted into law.

Today's Notice of Proposed Rulemaking begins the process of updating our rules in response to these legislative changes. I thank Acting Chairwoman Rosenworcel for prioritizing this necessary step toward beginning the reimbursement process and the Wireline Competition Bureau for their hard work expediting this item for our consideration. Insecure networks by definition cannot provide the stable, reliable, always-on communications all Americans deserve. If we want all Americans to have the benefits of broadband, we must keep the focus on cybersecurity. I look forward to working with my colleagues to continue these efforts in the coming months.