

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

HEARING ON THE FCC'S FISCAL YEAR 2021 BUDGET REQUEST

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

MARCH 11, 2020

Chairman Quigley, Ranking Member Graves, and Members of the Financial Services and General Government Subcommittee, thank you for inviting me here to present the Federal Communications Commission's Fiscal Year 2021 Budget Request. The Commission requests \$343,070,000 for FCC salaries and expenses and an auction spending cap of \$134,495,000.

I'd like to take this opportunity to thank the Subcommittee for supporting the Commission's work. The funding you have provided has allowed us to pursue policies that are working and delivering real results for the American people. The digital divide is closing with new fiber deployment setting records in both 2018 and 2019. Broadband service is improving with average speeds skyrocketing, and the Internet remaining free and open. The United States is leading in 5G with the FCC delivering low-, mid-, and high-band spectrum. One national carrier now covers over 200 million Americans with 5G and small-cell deployment is booming. And communications technology is making the American people safer and more secure with improved and more targeted wireless emergency alerts now available to the vast majority of our citizens.

But of course, our work is not done. And looking to the future, our budget request would modestly increase general spending by \$4 million and lift the spectrum auctions cap by \$2 million. These additional funds would support our continuing commitment to improving and modernizing information technology as well as cover legally mandated pay increases for our staff.

Since I last appeared before the Subcommittee, the Commission has moved ahead aggressively to accomplish its strategic goals—closing the digital divide, promoting innovation, protecting consumers and public safety, and reforming the FCC's processes. As our budget and strategic goals indicate, we aim to move full speed ahead in the next fiscal year. I'd like to discuss with you some of the Commission's most important priorities for the upcoming year.

Our top priority continues to be closing the digital divide. I've seen for myself what affordable high-speed Internet access can do for a community—for its families, its schools, its hospitals, its farms, its businesses—as well as the impact of its absence. That's why we've been working to promote rural broadband deployment by reducing regulatory burdens and reforming our Universal Service Fund (USF) programs to efficiently distribute funding for those areas where there isn't currently a business case for the private sector to deploy on its own. And I'm proud that during the first two years of this Administration, we've reduced the number of Americans without access to 25/3 Mbps fixed broadband by 30% and the number of Americans without access to 250/20 Mbps fixed broadband by about three-quarters.

Through our 2018 Connect America Fund Phase II reverse auction, the Commission has now authorized nine waves of funding totaling over \$1.4 billion to expand connectivity to more than 627,000 homes and businesses nationwide, including in Illinois, Georgia, Pennsylvania, California, Florida,

Arizona, Nevada, Utah and Ohio. And by allocating these funds through a reverse auction process, we ended up reducing the costs of connecting these homes and businesses by more than two-thirds.

Going forward, the Rural Digital Opportunity Fund represents the Commission's boldest step yet in bridging the digital divide. This new program will build on the success of the CAF Phase II auction and provide more than \$20 billion over the next decade to support up to gigabit service for up to 6 million rural home and businesses through a competitive reverse auction. We'll target support to areas that lack access to fixed 25/3 Mbps broadband through a two-phase approach. The first phase will address areas of the country that everybody agrees are unserved. The second phase will cover areas in which the first phase doesn't yield winning bidders and any areas that are partially served (for instance, some households in a census block are covered but the remainder are not). And to identify eligible areas for this second phase, we will use the data to be gathered through our Digital Opportunity Data Collection, a new program to collect more granular deployment data that we adopted last August.

Through the Rural Digital Opportunity Fund, we will connect more Americans to faster broadband networks than any other USF program in history. On February 28, 2020, the Commission adopted a Public Notice proposing bidding procedures for the first phase of the auction, which is scheduled to begin in October and will make up to \$16 billion available for the deployment of fixed broadband networks across rural America. Our staff's initial estimate shows that in each of 25 states, there would be more than 100,000 locations that would be eligible for Phase I of the Fund. The benefits would be felt from the Gulf Coast to the Appalachian Mountains, and from the Great Plains to the Pacific Ocean. For example, in Illinois, the FCC staff estimates that approximately 246,000 rural homes and businesses could be eligible for Phase I RDOF bidding. And Phase I would also have a big impact in Arizona (147,000 estimated eligible locations), California (421,000), Florida (143,000), Georgia (197,000), Ohio (215,000), Pennsylvania (197,000), and Utah (16,000) just to name some of the impacted states.

On the mobile side of the broadband ledger, we recognize that there are going to be rural areas where the business case for deploying 5G, the next generation of wireless connectivity, may not exist. I firmly believe we must ensure that 5G narrows rather than widens the digital divide and that rural Americans receive the benefits that come from wireless innovation. That's why I intend to circulate a proposal soon to establish the 5G Fund. This program would make up to \$9 billion in USF support over 10 years available to carriers to deploy advanced 5G mobile wireless services in rural America. This is a major investment in rural areas that will be allocated through a reverse auction and will target hard-to-serve areas with sparse populations or rugged terrain.

One component of the 5G Fund bears special mention. I've seen first-hand that America's farms and ranches have unique wireless connectivity needs. That's why I intend to propose reserving at least \$1 billion specifically for deployments facilitating precision agriculture.

In another action aimed at closing the digital divide, the Commission at our February 28 Open Meeting adopted a Notice of Proposed Rulemaking to expand our White Space device rules, paving the way for improved broadband coverage for rural Americans. Unlicensed White Space devices operate in slivers of spectrum in the TV broadcast bands as well as other 600 MHz frequencies which are not being used for other authorized services. These airwaves are attractive because they can deliver communications services over long distances, making them well-suited for wireless broadband services in rural areas. As part of our balanced spectrum strategy, I am optimistic that these proposed rules would provide for more robust service and efficient use of White Space devices particularly in rural areas, without increasing the risk of harmful interference to protected services in the TV bands. Our proposed rules would also provide flexibility for these devices to support applications like the Internet of Things, as urged by Representative Joyce and numerous other Members.

The Commission's budget request also is essential to advancing the FCC's strategy to Facilitate America's Superiority in 5G Technology, our 5G FAST Plan. The 5G FAST Plan includes three main

components: freeing up spectrum, promoting wireless infrastructure, and modernizing regulations to encourage fiber deployment. I'd like to give you an update on the significant progress we've made on implementing this plan.

During my tenure as Chairman, we have left no stone unturned in our exhaustive search for spectrum resources. We have repurposed airwaves to provide licensed and unlicensed spectrum and leveraged our engineers' expertise to find better and more efficient ways to use spectrum we've already allocated. The details may be complex, but the result is simple: American consumers are getting better value for the public resources they own, and our economy is better off.

During the last 16 months, we have completed three 5G spectrum auctions. In Auction 101, we auctioned 850 megahertz of spectrum in the 28 GHz band. In Auction 102, we auctioned 700 megahertz of spectrum in the 24 GHz band. And just last week, we concluded Auction 103, where bidders won licenses for 3,400 megahertz of spectrum in the upper 37, 39, and 47 GHz bands. All told, these three auctions made available almost five gigahertz of high-band spectrum for commercial use. To put that in perspective, that is more spectrum than is currently used for terrestrial mobile broadband by all wireless service providers in the United States combined. And gross proceeds for these three auctions totaled over \$10 billion.

All of this highlights that money spent on our auctions program is an exceptionally wise investment. By the end of the last fiscal year, the Commission had held 93 auctions since Congress granted the FCC this authority in 1993 and raised an average of \$4.5 billion a year, for a total of \$117 billion sent to the Treasury.

But despite the difficult and highly technical nature of this work, we have only used a small fraction of auctions proceeds—less than \$2 billion of the \$117 billion total raised—to operate the program. That's a massive return on the investment you've helped make possible over the years.

Looking ahead, we will continue to be exceptionally active with respect to 5G spectrum auctions, and our focus will be on mid-band spectrum. On June 25, for example, we will begin our 3.5 GHz auction, where we will make available 70 megahertz of spectrum for Priority Access Licenses. Indeed, this auction will involve the greatest number of licenses—over 22,000—ever offered by the FCC in a single auction.

And I am pleased to report that we're on track to begin a C-band auction on December 8 because of the decisive action that the FCC took last month to bring this essential spectrum to market for 5G. I stated that my decision in the C-band proceeding would be based on four guiding principles, and the Order we adopted is consistent with each of those principles. First, the FCC is making available a significant amount of C-band spectrum, 280 megahertz, for 5G. Second, by offering accelerated relocation payments, we'll make this spectrum available quickly. Third, we're generating significant revenue for the federal government by holding a public auction. And fourth, we're protecting the services that are currently delivered using the C-band by reserving the upper 200 megahertz of the band for incumbent users.

The FCC's C-band decision is a major boost for American leadership in 5G as well as bringing 5G to rural America, and I'm proud to stand behind it. In addition to the C-band, we've been hard at work on the two other aspects of the 5G FAST plan—promoting wireless infrastructure and modernizing regulations to encourage fiber deployment. And our work to clear regulatory hurdles and facilitate infrastructure build-out is spurring record-breaking capital investments in essential infrastructure, including fiber-optic cables and small cells. Indeed, hundreds of thousands of small cells are being deployed on an annual basis in addition to new towers, creating new employment opportunities for skilled employees doing this work. Notably, Commissioner Carr has been at the forefront of bringing attention to the need to train more skilled infrastructure specialists and developing programs to address this problem.

Thus far, I've discussed closing the digital divide and promoting innovation. Our third priority is to continue fulfilling our important mission to enhance consumer protection and protect public safety. We ended last month by following up on a number of consumer protection and safety issues of importance to this Subcommittee. First, we acted on the outstanding investigatory efforts of our Enforcement Bureau and proposed significant fines against the nation's four largest wireless carriers for apparently selling access to their customers' location information without taking reasonable measures to protect against unauthorized access to that information. We also let the carriers know in no uncertain terms that they may not disclose their customers' location information to a third party without their customers' express consent. This FCC will not tolerate phone companies putting Americans' privacy at risk.

We also continue to protect American citizens and the national security of the United States. I know these issues are of particular interest to Chairman Quigley, who brings expertise from his service on the House Permanent Select Committee on Intelligence. At our November 2019 meeting, the FCC unanimously adopted rules to prohibit USF fund recipients from purchasing equipment from vendors deemed national security risks, initially designated Huawei and ZTE as such vendors. And last month, the FCC launched an information collection from carriers on their use of Huawei and ZTE equipment and services in their networks. The Commission also rejected the section 214 application of China Mobile to enter the U.S. market and is reviewing existing section 214 authorizations of other Chinese telecommunications companies to determine whether those authorizations should be revoked. Finally, I personally have participated extensively in consultation with foreign governments, both through multilateral fora (such as the Czech Republic-organized conference last year that resulted in the "Prague Proposals" on 5G security) and bilateral meetings (including Bahrain, Brazil, Germany, India, Malaysia, Singapore, and many other countries).

I also know that public safety is a vital issue for the members of this Subcommittee, especially Representative Torres who served as a 9-1-1 dispatcher. 9-1-1 dispatchers represent the first of the first responders in any emergency, and we must support the essential work that they do. Under the leadership of Commissioner O'Rielly, the Commission has been reporting on and calling attention to the diversion of 911 fees collected at the state level. Our latest report finds that in 2018, over \$187 million in taxpayer funds (or approximately 7.0% of all 911/E911 fees collected) that should have been used for the implementation and support of 911, E911, and NG911 services were instead used to fund other activities. This is an outrageous misuse of these funds and an abuse of public trust.

Additionally, February 17, 2020 was the effective date of Kari's Law, which requires all new multi-line telephone systems—which are commonly used in hotels, office buildings, and college campuses—to directly route 911 calls, without the need to dial a prefix to reach an outside line. This will help save lives by enabling those who need it most to reach help immediately.

Another public safety issue involves suicide prevention and mental health. Suicide rates in this country are reaching levels not seen since World War II. Vulnerable populations are particularly at risk, such as veterans, rural Americans, and LGBTQ youth. Access to trained counselors could make the difference between life and death. And so, with the urging of Members of this Subcommittee, especially Representative Stewart, we have proposed to designate 988 as a new, nation-wide, 3-digit number for suicide prevention and mental health. If this number is implemented, those in crisis will only need to dial a 3-digit number to be connected with professionals who staff the current National Suicide Prevention Lifeline (1-800-273-TALK).

I am also pleased to provide you with an update on our work to combat robocalls. I know this is another important concern of every member of this Subcommittee. Like most Americans, and like me, you are sick and tired of robocalls. The Commission has continued its mission to fight robocalls—consistently our top source of consumer complaints—by allowing telephone providers to block suspected malicious and illegal calls by default, and we've taken aggressive enforcement action against these

violators. And last week, I shared with my fellow commissioners a draft Report and Order to mandate the implementation of caller ID authentication technology known as STIR/SHAKEN. This technology enables phone companies to verify the caller ID information that is transmitted with a call and will help them identify calls with illegally spoofed caller ID information before those calls reach Americans' phones. At our March Open Meeting, we'll vote on this item—a significant step toward ending the scourge of spoofed robocalls and a step supported by Congress's passage of the TRACED Act.

We're pleased that we can absorb the costs for the TRACED Act—less than \$200,000—within our budget, but that isn't always the case. For example, our staff estimates that the newly enacted PIRATE Act will cost upwards of \$11 million to administer, potentially bringing our total budget figure to \$354 million. That number would include an \$8 million increase to the base budget. Specifically, in order to combat the problem of illegal radio operations, the statute requires a sweeping process that will require new equipment and a substantial number of additional field agents to implement fully. We are submitting a formal amendment to the Office of Management and Budget concerning costs associated with the full implementation of the PIRATE Act and will work with this Subcommittee toward determining a reasonable funding level for that program.

As we move ahead in FY20 and look forward to FY21, I want to assure the Subcommittee that we will continue essential projects that focus on American territories and Tribal communities. A good example of the former is the \$950 million in long-term funding we approved last year to expand, improve, and harden broadband networks in Puerto Rico and the U.S. Virgin Islands through the Uniendo a Puerto Rico Fund and Connect USVI Fund.

And with respect to Tribal communities, with the Subcommittee's support and direction, we will be continuing our efforts to expand broadband opportunities on Tribal Lands. We have increased support for carriers providing communications services on Tribal lands and created a priority window that allows Tribes to obtain free access to unassigned 2.5 GHz spectrum on rural Tribal Lands. This priority window opened on February 3, 2020 and will close on August 3, 2020. We are also following through with the Subcommittee's direction to work with Tribes to ensure that the Commission is adequately addressing their needs.

What's next for the Commission itself? During the current fiscal year, the Commission will be making a fresh start in a new headquarters building where we will realize rent savings of millions of dollars in FY21 and future years. This Subcommittee is responsible for funding the move and we greatly appreciate your support. Our staff has worked hard to develop a comprehensive plan and we are hoping to have a seamless move at the end of June.

As you can see from this testimony, the FCC has been exceptionally busy and will continue to be so during FY21. And we have been able to accomplish all of this because of the talents and dedication of our extraordinary staff. Indeed, since I became Chairman, we have held 38 monthly Open Meeting at which more than 200 items were adopted, 80% of which were passed with bipartisan support. The hard-working men and women of the FCC serve the American public each day with skill and commitment, and I am deeply honored to work alongside them.

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Chairman Quigley, Ranking Member Graves, and Members of the Subcommittee, thank you for this opportunity to testify. I am pleased to answer your questions.