

**Testimony of Jon Wilkins  
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**Before the Committee on Energy and Commerce  
Subcommittee on Communications and Technology  
U.S. House of Representatives**

**Hearing on Oversight of FCC Budget and Management  
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Good morning Chairman Walden, Ranking Member Eshoo, and Members of the Subcommittee. My name is Jon Wilkins, and since November 2013, I have served as the Federal Communications Commission's Managing Director. My testimony today will focus on the Commission's management activities and how they relate to our budget and internal process reforms.

As Managing Director, I am the only employee at the FCC with a position mandated by the Communications Act. Section 5(e) defines my role as performing all administrative and executive functions delegated by the Chairman, who appointed me subject to the approval of the entire Commission. My primary function is the direction and oversight of the Commission's Office of Managing Director, or "OMD." This office includes 208 employees in six "associate" offices: Administrative Operations, Financial Operations, Human Resources Management, Information Technology (IT), Office of the Secretary, and Performance Evaluation and Records Management. On any given day, OMD employees work on a broad range of projects and operations, including developing and applying the FCC's budget, dealing with facilities management issues, procuring essential supplies, maintaining and improving the integrity of the FCC's IT systems, performing financial oversight functions for USF, and contributing to intra-agency task forces.

Immediately upon taking office, Chairman Wheeler identified FCC process reform as a priority management objective and set a 60-day deadline for drafting staff recommendations to achieve this goal. OMD actively participated in the intra-agency Staff Working Group led by Special Counsel Diane Cornell to produce the February 14, 2014 *Report on FCC Process Reform (Process Reform Report)*. The Staff Working Group started with the twin overarching goals of transparency and efficiency and then identified specific impediments to operational excellence, leading directly to a comprehensive set of recommendations focused on technical management changes such as modernizing our IT systems and recruiting, training, and supporting highly qualified staff. The *Process Reform Report's* introduction specifically notes that "[s]ome of the [recommendations] are relatively straightforward and can be addressed quickly with current resources. Many of the suggestions would require the commitment of more extensive analysis and resources. . . ."

OMD has been hard at work supporting both the near-term and long-term implementation requirements for process reform. My office's focus has been on providing the internal budget, staffing, and employee tools to foster a productive work environment that encourages cross-agency communications, efficient use of resources, and the optimization of staff efforts. OMD activities have included: (1) identifying currently available resources to initiate IT upgrades as well as plan for long-term modernization; (2) reforming the consumer complaint process for an expected October launch; (3) making FOIA reports website-accessible; (4) transitioning to electronic filings instead of cumbersome paper filings; (5) improving the functionality of FCC.Gov; (6) providing support to bureaus so that they could close 1,500 dockets deemed appropriate for this action from a substantive perspective; and (7) continuing work on OPM contract efforts to design and implement a successful Human Capital Plan.

I discuss below the Commission's current budget and management status and outline some of the progress and challenges in implementing the *Process Reform Report's* recommendations, with a focus on budget, IT, and staffing.

### **Budget**

The budget is the starting point for any effort to improve an agency's operations. Without adequate funding levels, we cannot provide sufficient staffing levels or the tools needed by our employees to carry out Congress' mandates. Budget development and financial operations involve complex activities to support both the FCC's daily operations as well as its long-term strategic objectives. As with any other agency, the FCC must work within the four corners of its statutory framework, as well as a host of other laws and regulations that affect our operations. In addition to working with our authorizing and appropriations committees, we are required to provide routine data to the Office of Management and Budget (OMB) and adhere to that agency's general financial oversight.

The Commission's Chief Financial Officer (CFO) directs the FCC staff handling all related accounting and budgetary analysis as well regulatory fee collections and Universal Service Fund financial oversight. OMD's CFO and his staff currently are completing activities related to the end of Fiscal Year 2014, while analyzing spending impacts of the expected Fiscal Year 2015 Continuing Resolution (CR) levels, and simultaneously developing the Fiscal Year 2016 budget. This process is especially challenging because we must plan a sound budgetary approach based on funding levels that will not initially be set until December of this year – or later – to support activities that will be carried out across three fiscal years.

When the Chairman and I arrived last November, we had to use the OMB-approved numbers to support newly established process reform goals and other objectives. In some cases, we reprioritized our objectives within the four corners of the budget presented to us to best pursue the managerial and operational goals of the current Chairman. The President's Fiscal Year 2015 budget requested \$375,380,313 for FCC operations, with \$11,090,000 specifically allocated to the Office of Inspector General (OIG). Meanwhile, the current FCC spending level (Fiscal Year 2014) is \$339,844,000, and it will remain at that level until at least December 11, 2014 under the CR currently being considered by Congress.

The requested increase in the FCC's budget falls into three basic spending categories identified by the Chairman during his testimony before the House and Senate Appropriations Committees: (1) increased inflationary costs for such items as rent, utilities and contracts, and personnel pay raises; (2) IT modernization to carry out reform mandates and support Commission mission objectives (addressed in more detail below); and (3) enhanced USF enforcement supported by 45 new FTEs and contractor support, at a cost of \$10.8 million, as part of an intra-agency USF Oversight Task Force to combat waste, fraud, and abuse, as well as ensure rigorous performance of our broader USF oversight responsibilities. On this last point, robust enforcement will return money to the Treasury and encourage compliance. More broadly, Chairman Wheeler has directed OMD to take steps to deliver enhanced oversight not only to protect the integrity of the program going forward, but also to deliver operational transparency and efficiency in the way USF funds are used.

The House Appropriations bill passed in July (H.R. 5016) provides \$322,748,000 for FCC operations but allocates the full OIG level, while the Senate provided the full \$375,380,313 funding request to the Commission, as well as the \$11M to the OIG. Flat funding since 2009, despite the growth in our operational costs, has challenged the FCC's ability to maintain current service levels. In addition, sequestration created a gap in our budget that not only challenged the FCC's ability to commit funds to basic programmatic needs, but also introduced budget uncertainties that made it difficult to pursue opportunities to invest in improved efficiency. For example, we see tremendous potential for the IT modernization strategy we have developed and requested support for in our Fiscal Year 2015 request. Executing this strategy, however, will require a sustained three-year effort by our IT team with sufficient budget support to match.

When we analyze and develop our budget we must also consider the impact of our spending levels on the industries that we regulate. Because the Commission's licensees pay the costs associated with our operations, we are careful to ensure that we assess "Section 9 Regulatory Fees" in a fair and equitable fashion. This fee review process is complex and labor-intensive, involving the long-term focus of highly qualified staff knowledgeable in accounting principles, as well as industry trends. During the past two years, OMD's staff has been reviewing the regulatory fee structure to update the Commission's payment scale. As a result, we have made numerous changes and improvements. The Regulatory Fee Order released on August 31, 2014 ended specific exemptions and brought industry apportionments more into line with market trends. Importantly, during the next year, we have raised the *de minimis* payment level to exclude those licensees owing less than \$500 from paying, thus permitting a break for small businesses and also helping the FCC realize cost savings for processing. These changes are expected to exclude approximately 2,500 small licensees.

The Commission also funds specific auctions activities through Section 309(j). Both the House and Senate Appropriations bills set a \$106 million cap for auctions spending for Fiscal Year 2015, but we cannot obligate above the Fiscal Year 2014 level of \$98 million for upcoming auctions under the anticipated Continuing Resolution. Overall, the Commission has raised \$53 billion for the Treasury in auctions revenues since 1994 – with \$1.56 billion of that coming from this year's H- Block auction. We have used 2.6 percent of this total amount for our auctions operations. Auctions are necessarily IT-intensive, and OMD works closely with the Office of General Counsel to ensure that attributable costs reflect auctions activities in that area as well as

in staffing and facilities use. Our auctions staff are truly the world's experts in spectrum auction theory and practice, making them an irreplaceable asset to the American people.

### **Information Technology**

When the Chairman testified before the House and Senate Appropriations Committees in March 2014, he outlined the practical consequences of funding challenges. He focused on a number of operational issues and their potential impact on the economy. Importantly, the Chairman testified that maintaining the Commission's 207 legacy IT systems is less cost-efficient than modernizing systems. By then, the FCC's recently-appointed and highly qualified Chief Information Officer (CIO) was already mapping a detailed plan to effectuate real and lasting improvements to the FCC's IT infrastructure. Also, the *Process Reform Report* had called attention to the importance of modernizing the FCC's IT infrastructure. The *Process Reform Report's* findings made it clear that IT upgrades, including enhancing access to Commission data, improving cyber security, and additional related operational improvements are integral to the FCC's daily activities, and essential to ending wasteful spending on the maintenance of costly, outdated systems. Process reform is unsupportable without efficient, modern IT systems, and the lack of updated equipment undermines the very reforms that both the Chairman and this Subcommittee have championed.

In fact, the importance of funding and modernizing the Commission's IT infrastructure has been illustrated in stark relief by the processing delays and other systemic issues resulting from a dramatic increase in the volume of comments in a recent rulemaking proceeding. Our electronic comments filing system, which may have been state-of-the-art 18 years ago, is no longer able to cope with the world as it exists in 2014. And when your Committee asked us in June 2014 to put together docket and workload matrices, as well as develop activity and backlog snapshots, some of our bureaus were working from archived files in old systems while at the same time compiling and comparing data from new systems. Backlog reduction is perhaps one of the most IT-dependent of all process reform goals because it requires electronic systems and trained employees to get the most out of those systems.

This problem will only worsen without long-term, systematic changes. IT will continue to become more and more complex and integral to the FCC's work and core mission, requiring necessary upgrades and an enhanced staff. Importantly, the IT staff must become more sophisticated in their efforts to deal with system intrusions and cyber security issues. IT is not a luxury item or a tool to be traded by reducing qualified staff. It is probably the most important tool that our staff uses to carry out our mission. Moreover, cost savings will be realized through IT modernization and improving the ratio of qualified, permanent FTEs to contractors.

Here are some of our planned IT goals for the requested additional funding and the importance of making these investments:

- Improve Secure Telework and Mobility: This will enable the FCC to secure its workforce in the field, on travel and teleworking to maintain the security posture for the agency, business operations, and business continuity.

- Secure Internal & External Collaborations: The FCC must be able to assure collaborations internally and externally are both secure and productive, as well as act on the Chairman's and Congressional priorities with appropriate speed.
- Strengthen FCC's IT Security Posture: The FCC needs to implement the appropriate risk-based security controls and Internet filters to protect stakeholder data appropriately and protect the integrity of the FCC's mission.
- Transform Access to FCC Enterprise Data: The FCC must provide access to data in a transparent, timely, and usable fashion that enables effective telecommunications policy and informs the public.
- Modernize Legacy Systems and Tracking: The FCC is obligated to provide the ability to engage in effective, efficient, and transparent auctions and licensing processes that stimulate business activities for the national economy.
- Phase II FCC.gov Improvements and Consumer Complaint Reform: The FCC needs to build on previous website improvements to handle web-based inquiries and complaints in an efficient, effective, timely, informed, and actionable manner.
- Increase Transparency and System Usability: These changes will ensure stakeholders internally and externally will benefit from enhanced transparency and usability, increasing efficiency for all operations.

We have asked for \$18 million in funds to initiate a complete and thorough IT overhaul and modernization in Fiscal Year 2015. Our emphasis would be on long-term planning to alleviate the problems caused by 207 legacy systems – to consolidate to fewer systems, create efficiencies, enhance access to Commission data for all stakeholders, improve our website accessibility and system use for businesses and consumers, and most importantly, improve the environment for processing our workload. If the requested Fiscal Year 2015 resources become available, the FCC will take significant positive strides in our three-year modernization plan that will take us to entirely managed IT services and an effective, secure, off-premise cloud platform approach for all of our aging infrastructure that currently is housed at our Washington, D.C., Headquarters, while simultaneously improving the Commission's overall performance metrics.

### Staffing

The FCC is a compact agency with most employees onsite at its Washington, D.C., headquarters. In addition, the FCC maintains laboratory, enforcement and public safety facilities in Columbia, Maryland; a licensing and consumer complaint facility in Gettysburg, Pennsylvania; and three regional and 24 field offices nationwide. The FCC relies upon seven bureaus with identified subject matter concentrations, which are supported by specific offices with expertise in engineering, economics, and administration. Bureaus and offices are not restricted to a type of personnel; most have support staff, para-professionals, economists, attorneys, engineers, and other professionals. Our employees are paid on the regular GS scale, and many are highly skilled technology professionals.

On July 21, 2014, the FCC submitted a report to the House and Senate Appropriations Committees in response to Public Law 113-76's Explanatory Statement directing the Commission to "submit a review of the current FCC organizational structure as well as a proposal for improvement that reflects today's technology landscape and competitive

marketplace.” This report summarized the FCC’s general staffing structure and provided a comprehensive outline of the Commission’s ongoing contract with the Office of Personnel Management Human Resource Solutions (OPM or OPM/HRS) to support FCC human capital planning efforts. Upcoming phases under the OPM contract include completion of a workforce analysis and development of a long-term Strategic Human Capital Plan.

Many of the initial contract findings are discussed in Chairman Wheeler’s March 14, 2014, answers to your Committee’s data and document request. The ongoing workforce analysis will examine the strength, composition, and deployment of FCC staff, including hiring and attrition trends in mission-critical occupations. OPM currently is scheduled to complete the workforce analysis, a key component of the Strategic Human Capital Plan, by the end of the year. The FCC’s work with OPM on the development of a long-term Strategic Human Capital Plan (Plan) will be completed later this year as well. The Plan will review the skill sets needed by the FCC to address its statutory responsibilities in the fast-changing technological environment that exists in the communications sector.

Overall, the FCC has been mindful of the need to continue to review and assess its workforce, update the FCC’s existing Strategic Human Capital Plan, and address recent Government Accountability Office findings regarding strategic human capital planning. Unfortunately, flat funding and sequestration have had a negative impact on the FCC’s ability to recruit and maintain a workforce capable of fully keeping pace with the highly sophisticated and technological nature of our work. In Fiscal Year 2011, the FCC had 1,776 FTEs or regular employees. By 2013 we had dropped to a 30-year low of 1,723, and we are still near that level. While some agencies have increased their reliance on outside contractors to supplement the work done by FTEs, the number of FCC contracting personnel also has steadily decreased by almost half since 2009. We are currently recruiting some positions to cover attrition, while maintaining our staff at 1,735 FTEs.

### **Conclusion**

The Commission is engaged in a transformative process that will improve our internal management practices and foster operational excellence. As an agency completely reliant upon regulatory fees for our Salaries and Expenses Account, we are mindful of the importance of making every dollar count and providing our licensees with the best value for their money. At the same time, we are an agency mandated by Congress to be a caretaker of the public interest, and we must meet our obligations there by providing all consumers with the opportunity to participate in our policy-making activities. Today’s complex world requires us to meet these challenges with secure and efficient tools, of which a modern IT infrastructure is one of the most essential. The Commission requires the funding to modernize aging and inefficient legacy systems, and the flexibility to support these systems and other Commission mission goals with appropriate staffing. With adequate resources, staffing, and tools, I am confident the Commission will succeed in its goal of improving the efficiency, effectiveness, and transparency of our operations.

Thank you for this opportunity to discuss our management goals and aspirations. I look forward to answering the Subcommittee’s questions.