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4 REAUTHORIZATION OF THE FEDERAL COMMUNICATIONS COMMISSION:

5 THE FCC'S FISCAL YEAR 2016 BUDGET REQUEST

6 WEDNESDAY, MARCH 4, 2015

7 House of Representatives,

8 Subcommittee on Communications and Technology

9 Committee on Energy and Commerce

10 Washington, D.C.

11 The Subcommittee met, pursuant to call, at 10:33 a.m.,  
12 in Room 2322 of the Rayburn House Office Building, Hon. Greg  
13 Walden [Chairman of the Subcommittee] presiding.

14 Members present: Representatives Walden, Latta,  
15 Shimkus, Lance, Guthrie, Olson, Pompeo, Kinzinger, Bilirakis,  
16 Johnson, Collins, Cramer, Eshoo, Clarke, and Pallone (ex

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17 officio).

18           Staff present: Ray Baum, Senior Policy Advisor for  
19 Communications and Technology; Leighton Brown, Press  
20 Assistant; Andy Duberstein, Deputy Press Secretary; Gene  
21 Fullano, Detailee, Telecom; David Redl, Counsel, Telecom;  
22 Charlotte Savercool, Legislative Clerk; Jeff Carroll,  
23 Democratic Staff Director; David Goldman, Democratic Chief  
24 Counsel, Communications and Technology; Tiffany Guarascio,  
25 Democratic Deputy Staff Director and Chief Health Advisor;  
26 Margaret McCarthy, Democratic Professional Staff Member; and  
27 Ryan Skukowski, Democratic Policy Analyst.

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|

28           Mr. {Walden.} We will call to order the Subcommittee on  
29 Communications and Technology. And I certainly welcome our  
30 witness, Mr. Wilkins, from the Federal Communications  
31 Commission. We are honored to have you with us today.

32           We are here today to talk about the FCC's fiscal year  
33 2016 budget request. Today, as we commence a series of  
34 hearings into the agency's reauthorization, I hope to start  
35 with the basics and take a close look at the Federal  
36 Communication Commission's budget request for fiscal year  
37 2016. This is similar to the hearing we had last year on the  
38 FCC's budget request, and I believe fully, as the oversight  
39 committee, we need to always take this action.

40           This year is a request for \$530 million in spending  
41 authority that, if approved, would be the highest spending  
42 authority in the history of the agency. When the FCC was  
43 last formally reauthorized in 1990, its appropriated budget  
44 was a little shy of \$117 million.

45           Much has changed since the last reauthorization of the  
46 commission. The industries and markets, certainly, that the  
47 commission oversees have, without question, undergone

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48 dramatic changes and continue to evolve at a rapid pace. But  
49 in the intervening years the FCC has struggled to reflect the  
50 evolution of technology that has brought about the  
51 integration of voice, video, and data services and the  
52 significant shifts in consumer consumption patterns that have  
53 resulted.

54 On the contrary, because it is structured in much the  
55 same way as its governing legislation, the Communications Act  
56 of 1934, the agency continues to reflect a regulatory scheme  
57 predicated on separate titles for specific network  
58 technologies and services. Now, this siloed scheme is out of  
59 touch with the convergence of technologies in the modern  
60 digital era and deserves reform. Nowhere is the  
61 Communications Act's failure of imagination more evident than  
62 in the FCC's decision to reclassify broadband service under  
63 rules developed to regulate the telegraph's heyday, by  
64 restructuring a regulatory scheme that had been going the way  
65 of the single-use copper line telephone network it was  
66 intended to govern, three FCC commissioners repudiated years  
67 of light touch regulation of the Internet under both  
68 Republican and Democratic administrations.

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69           Now, all this is something some of have differing  
70 opinions on in this subcommittee. Our purpose today is not  
71 to delve into the issues of net neutrality, but rather to get  
72 into the issues of the way the agency has operated and the  
73 budget they propose.

74           The FCC has requested an increase in its budget to \$505  
75 million, including \$388 million in budget authority from  
76 regulatory fee collections, and \$117 million from auction  
77 funds. That is an increase of \$59 million from the fiscal  
78 year 2015 appropriation. Specific items noted in the request  
79 includes the usual pay raises for personnel, but also  
80 includes funds for the implementation of the public safety  
81 answering points do-not-call registry, as required by the  
82 Middle Class Tax Relief and Job Creation Act of 2012, \$3  
83 million in costs for the National Broadband Map and the FCC  
84 inherited--or, I am sorry, that the FCC inherited from NTIA  
85 when it ran out of stimulus funds to pay for it, a \$5.8  
86 million increase in recurring and a \$11.7 million one-time  
87 increase in IT costs, \$51 million in additional funds as the  
88 agency prepares to move or restack as their building lease  
89 expiration date approaches.

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90           One component of the request that resonates in  
91 particular, and is in addition to the \$59 million increase in  
92 funding, is a request for a \$25 million transfer from the  
93 Universal Service Fund to pay the FCC's costs related to  
94 administration of the fund, raising the total increase to \$84  
95 million.

96           In the past, Congress funded the FCC's Office of  
97 Inspector General with a transfer of USF funds for the  
98 purpose of bolstering audits and investigations to address  
99 waste, fraud, and abuse in the fund following a GAO report,  
100 and those funds have been expended by the Office of Inspector  
101 General over the last several years. The request for \$25  
102 million is not for audits and investigations by the Office of  
103 Inspector General which, based on our last hearing, appears  
104 to have a rocky relationship with the chairman's office, but  
105 to reimburse the commission for the costs of performing the  
106 core function of implementing section 254 of the  
107 Communications Act. This is a disturbing proposal, I would  
108 tell you from my perspective. Mr. Wilkins states in his  
109 testimony that recovering these costs from the fund will  
110 relieve the burden on companies with no relationship to USF

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111 that pay fees to the commission. However, this realignment,  
112 as it is called, would create a separate funding stream for  
113 the agency that comes directly out of the pockets of  
114 consumers to implement and support a subsidy program the size  
115 of which is determined by the FCC and that has become so  
116 large and burdensome that it appears that it has outgrown the  
117 FCC's capacity for adequate oversight. It is even more  
118 disturbing when we recognize the fact that the Universal  
119 Service Administrative Company, USAC, an independent  
120 organization designated to manage the fund, already draws in  
121 excess of \$100 million a year from the fund for its  
122 administration and oversight, and that the FCC's Office of  
123 Inspector General dedicates a portion of its funding to USF  
124 audits and investigations. According to its last report,  
125 USAC had 356 employees at a cost of \$41.6 million.

126 We have more work to do, obviously. We welcome you  
127 here.

128 [The prepared statement of Mr. Walden follows:]

129 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

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|

130           Mr. {Walden.} I have used up the balance of my time. I  
131 now recognize my friend and colleague from California, Ms.  
132 Eshoo.

133           Ms. {Eshoo.} Thank you very much, Mr. Chairman. And  
134 good morning to you and to the Members, and to Mr. Wilkins.  
135 Welcome.

136           Today's topic is an important one; the FCC's budget, and  
137 we again welcome you back to the subcommittee, Mr. Wilkins.

138           I noticed that we have some very young people in the  
139 audience, and I just--it occurred to me, I wonder if they  
140 know what we are talking about, if they are going to get  
141 this. So let us see if we can't keep it at an elemental  
142 level so that you understand what the committee is doing and  
143 why we are here today. It is very important because we are  
144 reviewing the proposed budget for a very important agency,  
145 the Federal Communications Commission.

146           I think the questions that I would like to see addressed  
147 anyway, because I think that they are very high import, are  
148 the following. And that is, will the agency have the  
149 necessary staff to carry out the world's first voluntary



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150 incentives spectrum auction, along with the IP transition,  
151 the review of pending mergers, and USF reform. These are all  
152 topline priorities, not only for the agency, but for this  
153 committee that has really shaped those policies that are  
154 carried out by the FCC. So I want to make sure that you have  
155 the resources to do that.

156 Will the agency be able to upgrade its IT infrastructure  
157 so that public comments on issues that are important to the  
158 American people can be filed without crashing your Web site.  
159 We saw what happened last year when there were over four  
160 million people that weighed-in, voicing their support for  
161 enforceable net neutrality rules, and I would like to hear  
162 about that, what plan do you have and what is built into your  
163 budget to handle that. Will the agency remain on track to  
164 move its headquarters within the next 2 years? It is my  
165 understanding that by reducing the agency's footprint, that  
166 it is estimated that approximately \$119 million of taxpayer  
167 dollars would be saved over 15 years. Now, that may not be  
168 the biggest number in the Federal Government, but I think  
169 anyone that is in the room would welcome having \$119 million  
170 in their checking account over the next 15 years. Finally,

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171 will the FCC be able to develop and implement, and I think  
172 the chairman raised this, a do-not-call registry for  
173 telephone numbers used by 911 call centers. This is, again,  
174 another high priority of ours. Certainly, it has been mine,  
175 going back to the '90s. This provision was included in the  
176 Public Safety and Spectrum Act that we wrote in this  
177 committee in 2012 to ensure that automatic dialing or robo-  
178 call equipment does not tie up public safety lines, and  
179 unnecessarily divert critical emergency resources.

180         So I don't think these are small questions. They are  
181 important ones, and they track on a parallel track what the  
182 subcommittee's priorities and legislation has been, and  
183 especially when the agency, and this is my understanding, you  
184 can confirm it or deny it, that the agency is employing today  
185 the lowest number of full-time staff in 30 years. The agency  
186 has to have the tools and the resources to fulfill its  
187 mission, and--which means more successful spectrum auctions,  
188 like the nearly \$45 billion, we are so proud of that, we  
189 really are very proud of that, that was raised earlier this  
190 year.

191         So whether it is protecting the public interest,

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192 promoting competition, enhancing innovation, these are all of  
193 the core of the mission of the FCC, and we look forward to  
194 hearing your testimony. Thank you for your service, and I  
195 look forward to your directing answers to us on the questions  
196 that I pose.

197 And with that, I yield back. Thank you, Mr. Chairman.

198 [The prepared statement of Ms. Eshoo follows:]

199 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

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|

200 Mr. {Walden.} Gentlelady yields back the balance of her  
201 time.

202 Gentleman--the chairman recognizes the gentleman from--

203 Ms. {Eshoo.} I forgot something, Mr. Chairman. May--  
204 can I ask for--

205 Mr. {Walden.} Of course.

206 Ms. {Eshoo.} --unanimous consent to submit a letter for  
207 the record from Consumers Union? It regards the importance  
208 of the FCC's IT modernization for American consumers.

209 Mr. {Walden.} Without objection.

210 Ms. {Eshoo.} Thank you.

211 [The information follows:]

212 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

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|

213           Mr. {Walden.} Now we recognize the gentleman from Ohio,  
214 the vice chair of the Subcommittee on Communications and  
215 Technology, Mr. Latta, for 5 minutes.

216           Mr. {Latta.} Well, thank you very much, Mr. Chairman.  
217 And, Mr. Wilkins, thanks for being with us today.

218           Oversight of the FCC serves as a critical function in  
219 maintaining accountability and transparency at the agency.  
220 Given the FCC's integral role in the information and  
221 communications technology marketplace, we have a  
222 responsibility to ensure that the processes at the commission  
223 are not wasteful, and reflect a capability to handle such  
224 significant parts of our Nation's economy. With that said,  
225 today's hearing represents a valuable opportunity to examine  
226 the commission's budget management and spending practices.  
227 Additionally, it is important for us to gain a better  
228 understanding of the challenges facing the agencies that  
229 contribute to limiting the efficiency of its operations. As  
230 a representative, I take great responsibility in ensuring  
231 that taxpayer dollars are spent wisely and effectively.

232           I look forward to discussing how Congress can work with

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233 the commission to ensure the advancement of the  
234 communications and technology economy in a fiscally-  
235 responsible manner.

236 And, Mr. Chairman, I yield back the balance of my time.

237 [The prepared statement of Mr. Latta follows:]

238 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

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|

239 Mr. {Walden.} Gentleman yields back the balance of his  
240 time.

241 Chair recognizes the ranking member of the full  
242 committee, the gentleman from New Jersey, Mr. Pallone, for 5  
243 minutes.

244 Mr. {Pallone.} I want to thank the chairman and our  
245 Ranking Member Eshoo for having this hearing, and welcome  
246 Managing Director Wilkins.

247 We are here today to take a look at the Federal  
248 Communications Commission's fiscal year 2016 budget  
249 estimates. The FCC has broad jurisdiction. It oversees  
250 industries that account for approximately 1/6 of the economy,  
251 and growing, but it also has been operating with the same  
252 budget for the better part of a decade now, and that does not  
253 account for the damage done by the sequester. So I should  
254 note that the FCC operates with fewer than 1,700 full-time  
255 employees, and I would say that that is certainly a small but  
256 efficient agency.

257 This year, the FCC asked for a \$48 million increase in  
258 its budget authority over last year. The vast majority of

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259 that increase would pay to move the commission's headquarters  
260 to a new home. Overall, the move would create a smaller  
261 footprint for the agency, which will save \$119 million over  
262 the next 15 years. Most of the remaining increase is to  
263 upgrade the commission's aging and creaky information  
264 technology infrastructure, which Ms. Eshoo mentioned, and  
265 that is an update that will net a savings of up to \$10  
266 million over the next 5 years. This is the same computer  
267 system that famously ground to a halt under the weight of  
268 4,000 Americans writing in to voice their opinions about  
269 network neutrality, and 4,000 is certainly an eye-popping  
270 number when it comes to comments on a single proceeding.  
271 Modern computers, however, should be able to handle that load  
272 without blinking.

273 Now, together, these temporary budget increases will  
274 save the government nearly \$130 million in the long run.  
275 Rejecting these costs out-of-hand would be penny wise but  
276 pound foolish, and fortunately, this subcommittee is  
277 practiced at reviewing these types of budget requests.

278 Today's hearing is actually different than other FCC  
279 budget hearings for a couple of reasons. First, it is the



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280 start of an effort to revive an FCC reauthorization process  
281 that has been dormant for 25 years, with the struggle  
282 republicans have been facing to find the department--or I  
283 should say to fund the Department of Homeland Security,  
284 however, I doubt the public wants us to create a brand new  
285 funding cliff. Second, the timing of today's budget hearing  
286 has raised some eyebrows, coming just days after the  
287 commission adopted a new network neutrality protections. And  
288 now, that might be a coincidence, and I am hopeful it is  
289 because I think we should all agree that this committee has a  
290 responsibility to conduct a genuine oversight. We must make  
291 sure the FCC's dollars go as far as possible, but we should  
292 also ask whether the commission has sufficient funding to  
293 maintain its critical services for the public, and together,  
294 it is our job to make sure that we strike the right balance.

295 And I guess there is nobody else, so I will yield the  
296 balance of my time.

297 [The prepared statement of Mr. Pallone follows:]

298 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

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299           Mr. {Walden.} Gentleman yields back the balance of his  
300 time.

301           As I said in my opening statement, this is an annual  
302 process authorization committees are supposed to go through  
303 to review budgets, so that is why we are here today.

304           And, Mr. Wilkins, we are delighted you could join us  
305 today as the managing director for the Federal Communications  
306 Commission, a big duty, and we welcome your testimony and the  
307 work you do down there. Please go ahead.

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|

308 ^STATEMENT OF JON WILKINS, MANAGING DIRECTOR, FEDERAL  
309 COMMUNICATIONS COMMISSION

310 } Mr. {Wilkins.} Thank you, Chairman Walden, Ranking  
311 Member Eshoo, members of the subcommittee. I do appreciate  
312 the chance to be here today to talk to you about our budget  
313 request.

314 I submitted my written testimony. What I thought I  
315 would use my introductory time for is just to say a few words  
316 about each of the four slides that I submitted, because they  
317 provide some good context for our budget.

318 [Slide]

319 The first slide. So just taking the historical  
320 perspective, the FCC does have a 2-plus decades record of  
321 being a very good fiscal steward for the U.S. Government. So  
322 the left-hand side of the chart shows that we are now closing  
323 in on \$100 billion of revenue raised for the Treasury since  
324 1994, overwhelmingly from our auctions proceeds. Over that  
325 same time frame, we have spent less than \$8 billion on agency  
326 operation. So for the U.S. Treasury, that means that 8 cents

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327 spent on the FCC generates \$1, and of course, even that 8  
328 cents doesn't come from general revenues, it comes either  
329 from retained auction proceeds for a very tiny portion of  
330 those auction revenues, or from our Section 9 reg. fees.

331 Now, our budget request for '16 is significant, and  
332 exactly as you said, Chairman Walden, it is for \$84 million.  
333 I just want to make three points about that request. The  
334 first one is that the lion's share of that request, 71  
335 percent, is from a management standpoint, these are  
336 unavoidable costs; these are not costs that management is,  
337 for example, seeking as a new initiative. The bulk of it is  
338 for the move. Our current lease expires in October 2017, and  
339 we do have to spend some money to reap the long-term benefits  
340 of lower lease costs. We are requesting \$21 million for IT.  
341 The bulk of that is to finish the job that we started to  
342 truly transform and modernize our IT infrastructure. It is  
343 by far our most important management initiative. It will  
344 bring benefits and costs in efficiency and in operations.  
345 And then the third point, these are the only things we are  
346 requesting more funds for. In the last several years, we  
347 have asked for more money from more people, for example. We

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348 are not doing that. We heard the message and, in fact, over  
349 the last year we have had a chance to look at our workforce.  
350 We think we can do the job with the people we have if we can  
351 upgrade the IT. So it is a big request, but it is really  
352 just for these things.

353 Now, to put that budget request in context, for the last  
354 6 fiscal years, on the left-hand side, the FCC has been  
355 essentially flat. Our auctions funds was at \$85 million for  
356 9 years. It has gone up 2 of the last 3 years, specifically  
357 for the incentive auctions. We appreciate that, and that  
358 work is going well. In our non-auctions area though, we have  
359 been actually flat in nominal terms. We had a very small  
360 increase from '11 to '12 that was more than offset by  
361 sequestration, and in real terms, our purchasing power has  
362 gone down. So we are mainly a people-centered agency.  
363 Federal pay increase alone increases our cost by a couple of  
364 million dollars a year. Our rent goes up a little bit every  
365 year. So to put that in context, fiscal year 2015, our flat  
366 budget was paired up against almost \$7 million of increased  
367 costs just for our people and our rent and other contracts.  
368 That is about 40 to 50 people. In a given year, the FCC

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369 loses about 100, 120 people, just to retirement and other  
370 attrition. So what the flat line really means is that for  
371 every two people that leave the commission right now, we can  
372 only replace one. And the right-hand side shows the results  
373 of that. As Member Eshoo said, our staffing is at its  
374 lowest, again, in '15, and our current management plan is for  
375 it to go even lower in 2016; more than 100 lower than 6 years  
376 ago, and more than 200 lower from the 20-year average.

377       Finally, IT we think really is the solution to this.  
378 There is no question that we can use IT to do our work more  
379 efficiently, more transparently, and to support all the  
380 things that Congress wants us to do. Over the last year, we  
381 have put in place a very strong plan. We have actually  
382 started to move it down the field. Three main areas,  
383 infrastructure costs. As of today, we still have over 200  
384 very expensive large servers sitting in very expensive  
385 downtown real estate, being serviced by very expensive direct  
386 contractors. Using some reprogramming money we got last  
387 year, we have just finalized a contract to move those to an  
388 off-site facility. It is the first step in moving to a truly  
389 low-cost, secure cloud, efficient environment. When you do

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390 that, you can improve the way you work with data. So at the  
391 FCC, we have over 100,000 data objects, including multiple  
392 definitions of the same basic thing that, to a business  
393 person, seems ridiculous, 40 terabytes of data, very  
394 expensive. When we have the infrastructure upgraded, we can  
395 then essentially put all that data into a similar shared  
396 environment that we can use much more efficiently. And that  
397 then gets to the third piece; mission systems. That is where  
398 we really saved the most money. We right now do most of our  
399 software development on kind of a custom model. Everything  
400 is a, you know, it is a custom renovation, if you will. We  
401 want to get to a world where it is, you know, it is IKEA, you  
402 know, you just have the pieces, it is pretty easy to build.  
403 When the infrastructure and the data are modernized, we think  
404 that we can cut our development costs by 50 to 75 percent and  
405 the times to be shorter. So this is a thing that, from a  
406 management perspective, we just want to plant our flag. We  
407 want to be able to do this, and it will allow us to do a lot  
408 of things more efficiently, and better do what Congress needs  
409 us to do.

410 And with that, I am happy to take any questions. Thank

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411 you again.

412 [The prepared statement of Mr. Wilkins follows:]

413 \*\*\*\*\* INSERT A \*\*\*\*\*



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|

414 Mr. {Walden.} I appreciate that, and I appreciate the  
415 leadership you have given.

416 I want to go back to this ratio, the 13 times, because  
417 \$79 billion of that actually is from three auctions--

418 Mr. {Wilkins.} True.

419 Mr. {Walden.} --correct? So it is--you are not going  
420 to sit here and guarantee me that you are going to return 13  
421 times investment every year, year in and year out. It is  
422 really pretty lumpy in there.

423 Mr. {Wilkins.} It is lumpy, and--

424 Mr. {Walden.} Yeah.

425 Mr. {Wilkins.} --the average--actually, until the AWS-  
426 3--until the most recent AWS-3 auction, the average was  
427 around \$2.2 billion a year.

428 Mr. {Walden.} Yeah.

429 Mr. {Wilkins.} Actually, when you add in \$45 billion,  
430 that goes up quite a bit--

431 Mr. {Walden.} Yeah, right.

432 Mr. {Wilkins.} --but it will be lumpy. That is the  
433 nature of auctions--

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434 Mr. {Walden.} Yeah.

435 Mr. {Wilkins.} --but over the long--on the long--

436 Mr. {Walden.} But the commission itself is not  
437 generating 13 times investment year in and year out.

438 Mr. {Wilkins.} Certainly, it depends on auction  
439 proceeds.

440 Mr. {Walden.} There you go. I believe you are aware  
441 that the committee sent an oversight request to the  
442 commission on February 18, asking for a set of information  
443 related to the commission's regulatory and administrative  
444 processes, that request was signed by me and Chairman Upton  
445 and Chairman Murphy, motivated by a concern with the variety  
446 of lapses that we perceive in the way the commission has been  
447 conducting its regulatory and administrative business. As  
448 you are--may be aware, the due date for that production of  
449 that information was today, and I was distressed to be  
450 informed by my staff a little while ago that that apparently  
451 is not going to be available today, which we had hoped. I  
452 don't know how much you have been involved in that matter,  
453 but I hope you will convey the following message to the  
454 chairman's office, that we understand the commission and

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455 staff is very busy, we do not intend to pose meaningless or  
456 trivial obligations, but we do take seriously our oversight  
457 responsibility. With respect to this specific request, I  
458 would strongly recommend the chairman's staff make available  
459 every effort to comply with our information request by  
460 today's deadline. Based on the rigor of the response, we  
461 will make every effort to work with the chairman and his  
462 staff to be fair and reasonable.

463 Do you have anything to add to that?

464 Mr. {Wilkins.} No. I absolutely will convey that back  
465 to the chairman's staff when I am back at the commission  
466 later.

467 Mr. {Walden.} So there have been some issues come up  
468 lately I wanted to ask you about, given your expansive role  
469 there. Does the FCC have policies or rules regarding staff  
470 use of social media, such as Twitter, in their capacity as  
471 employees of the commission, and do these policies or rules  
472 proscribe a recordkeeping and retention policy for those  
473 communications?

474 Mr. {Wilkins.} So any use of personal, whether it is  
475 email or social media, certainly is subject to general

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476 Federal Records Act requirements--

477 Mr. {Walden.} Right.

478 Mr. {Wilkins.} --including the schedules that we have  
479 in place. Those rules, as you know, certainly do require if  
480 you are doing things that are official government business in  
481 those environments, it is the responsibility of the employee  
482 to bring them back into our records environment.

483 Mr. {Walden.} All right. Recently, it was reported  
484 that a senior member of the Greenhill and Company had left  
485 his position and joined the commission as a volunteer. I  
486 have a couple of questions here. Could you describe what he  
487 will be doing? Didn't the commission contract with Greenhill  
488 to perform work related to the auction? I would like to know  
489 about that contract, was it competitively bid, was Greenhill  
490 the lowest-cost bidder, when was it awarded, you know, the  
491 basic sort of oversight that we need to do here. What can  
492 you tell me about this issue involving Greenhill and Company?

493 Mr. {Wilkins.} So let me follow up on the exact details  
494 of that contract. Greenhill, as you know, it is an  
495 investment firm that we contracted with to do estimates of  
496 the value of broadcast licenses--

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497 Mr. {Walden.} Okay.

498 Mr. {Wilkins.} --for the spectrum auction, as part of  
499 that process.

500 Mr. {Walden.} Right.

501 Mr. {Wilkins.} The results of their work has been  
502 shared with quite a few broadcasters around the country.

503 Mr. {Walden.} Um-hum.

504 Mr. {Wilkins.} I think we have found them pretty  
505 valuable. In terms of that individual, we will follow up  
506 with you on the details.

507 Mr. {Walden.} Yeah, we will have more questions on that  
508 for the record, but the extent to which you can follow up,  
509 and we are trying to get this information back because, you  
510 know, the week after--when we return after next week, we will  
511 have all five commissioners here, and so it would be, I  
512 think, helpful for that hearing if we had--

513 Mr. {Wilkins.} Okay.

514 Mr. {Walden.} --some of this information. And so we  
515 will follow up with more of the questions related to  
516 Greenhill.

517 So let me move on to the USF issue because that is one

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518 that has obviously gotten our attention. It appears that a  
519 little less than 1/2 of the \$25 million in the Universal  
520 Service Fund is going to the Wireline Competition Bureau, is  
521 that accurate?

522 Mr. {Wilkins.} Yes.

523 Mr. {Walden.} And is any of that money going to the  
524 Wireline Competition Bureau?

525 Mr. {Wilkins.} Yes.

526 Mr. {Walden.} And for what purpose and what kind of USF  
527 work does WCB do?

528 Mr. {Wilkins.} Um-hum. So WCB, of course, are the  
529 program owners of each of the four main universal service  
530 programs. Everything from policy development to  
531 administration of policies, everything from rules to appeals,  
532 sort of all of the day-to-day operations of the program in  
533 the legal sense.

534 Mr. {Walden.} And is any of that money going to the  
535 International Bureau, and if so, for what purpose and what  
536 kind of work do they do?

537 Mr. {Wilkins.} No. That should not go to the  
538 International Bureau unless I am missing some small detail,

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539 but no.

540 Mr. {Walden.} All right.

541 Mr. {Wilkins.} It is definitely intended to focus on  
542 activities related to USF.

543 Mr. {Walden.} And is any of that money going to the  
544 Office of Legislation Affairs? There are other bureaus and  
545 offices that are slated to get some of this money, correct?

546 Mr. {Wilkins.} No. So the way--and I--just more  
547 broadly, we developed that \$25 million figure based on the  
548 amount of activities related to USF across the commission,  
549 and it is all activities, it is not just--

550 Mr. {Walden.} Right.

551 Mr. {Wilkins.} --audits, for example. A very small  
552 portion of that, if there was leg. affairs work-related to  
553 USF communications with Congress, for example--

554 Mr. {Walden.} Right.

555 Mr. {Wilkins.} --I think we would include that. The  
556 idea was to fully capture the costs related to USF work.

557 Mr. {Walden.} All right. I have a couple of other  
558 issues for the record that I will add to that, but my time  
559 has expired. And again, I thank you for your testimony and

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560 the good work you do.

561 And now, I would recognize the gentlelady from  
562 California, Ms. Eshoo.

563 Ms. {Eshoo.} Thank you, Mr. Chairman, and thank you  
564 again for having this hearing. It is always an important  
565 one, and our oversight is just essential. It is one of the  
566 major responsibilities that we have in the Congress.

567 And, Mr. Wilkins, you are a terrific testifier.

568 Mr. {Wilkins.} Thank you.

569 Mr. {Eshoo.} You were brief in your opening statement,  
570 you didn't have to read anything, you are smart, you know the  
571 agency, and it is very helpful to us because you give very  
572 direct answers.

573 You testified that the FCC plans a net reduction of 37  
574 full-time employees for fiscal year 2016. We know that  
575 agencies can essentially cook the books by reducing the  
576 number of full-time employees, but then hire them back as  
577 contractors. Is that anywhere near the case with the agency?  
578 Can we just dispense of this as something that is not going  
579 to take place? Can you assure us that it is not--

580 Mr. {Wilkins.} Yes.



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581 Ms. {Eshoo.} --going to?

582 Mr. {Wilkins.} Absolutely.

583 Ms. {Eshoo.} Well, that is good news.

584 I want to congratulate the agency on its recent efforts  
585 to crackdown on consumer billing fraud. Just last week, the  
586 FCC announced a \$9 million fine against a company that was  
587 illegally billing consumers, and switching their telephone  
588 company without the consent of the consumers. I just--I--it  
589 makes me really wonder why people will do what they do.  
590 Think they--I guess they think they can get away with it, but  
591 it is an important function of the FCC.

592 So specifically, how does your budget request help the  
593 FCC continue this important consumer protection work?

594 Mr. {Wilkins.} Um-hum.

595 Ms. {Eshoo.} Where is that buried in the budget--

596 Mr. {Wilkins.} Sure.

597 Ms. {Eshoo.} --and do you know how much it is?

598 Mr. {Wilkins.} Well, the Enforcement Bureau is around  
599 240 people right now--

600 Ms. {Eshoo.} Uh-huh.

601 Mr. {Wilkins.} --but we are not projecting staff

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602 increases for any bureau including the Enforcement Bureau.

603 Ms. {Eshoo.} Um-hum.

604 Mr. {Wilkins.} The Enforcement Bureau, actually, is a  
605 great example of how our IT actually can enable more  
606 effective use of the people that we have.

607 Ms. {Eshoo.} Um-hum.

608 Mr. {Wilkins.} And it actually relates to process  
609 reform. Process reform in my office is an internal support  
610 exercise. Interestingly, the Enforcement Bureau is the first  
611 large bureau at the commission that has, what I would call, a  
612 real tracking system of how they do work. That was put in  
613 place in 2012.

614 Ms. {Eshoo.} Um-hum.

615 Mr. {Wilkins.} We have a new bureau chief there who, I  
616 can tell you, is very aggressively using that sort of metrics  
617 to make sure he is deploying his staff on them most important  
618 areas, such as the ones that you mentioned.

619 Ms. {Eshoo.} Um-hum.

620 Mr. {Wilkins.} So the way we think about it is, we  
621 don't need to add dozens of people to any given bureau to  
622 deliver those results. We think we have very good people, we

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623 just want to use them more efficiently--

624 Ms. {Eshoo.} Um-hum.

625 Mr. {Wilkins.} --and we see a lot of opportunities for  
626 the IT--

627 Ms. {Eshoo.} Right.

628 Mr. {Wilkins.} --where we--to do that.

629 Ms. {Eshoo.} On the whole issue of IT, I think the  
630 chairman raised this, you mentioned it in your opening  
631 statement, my experience in Congress, both in--on this  
632 committee and as a member of the Intelligence Committee, is  
633 that the government is really lousy when it comes to  
634 procurement of IT. People don't know what they are buying.

635 Mr. {Wilkins.} Um-hum.

636 Ms. {Eshoo.} And I mean you can have a GS-14 and they  
637 may know the agency really well, but they really don't know  
638 what they are buying. People can sell them just about  
639 anything. A lot of tax dollars--taxpayer dollars wasted.

640 My question to you is, and you started to mention a part  
641 of this is, what you plan to purchase relative to the IT  
642 system to make it robust and 21st century and effective, and  
643 all of that. Is this being built for you, or is it off-the-

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644 shelf?

645 Mr. {Wilkins.} Right. Off-the-shelf.

646 Ms. {Eshoo.} Great. That is the best answer you could

647 have given me. I don't have to--nothing to pursue there.

648 That was just what I wanted to hear.

649 On the AWS-3 auction, and the near \$45 billion that it

650 raised, we were very specific about where those dollars were

651 to be applied. What I would like to know is when will these

652 funds be available for obligation?

653 Mr. {Wilkins.} Okay. So we have over \$40 billion in

654 our FCC accounted treasury--

655 Ms. {Eshoo.} Uh-huh.

656 Mr. {Wilkins.} --for the close of the auction. There

657 is the usual post-auction--any disputes, all issues have to

658 be resolved. The licenses then can be issued by the Wireless

659 Bureau--

660 Ms. {Eshoo.} Um-hum.

661 Mr. {Wilkins.} --and then the money can flow to--

662 Ms. {Eshoo.} So when do you think that money will be

663 obligated?

664 Mr. {Wilkins.} Congresswoman, I can't give you an

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665 estimate, all I can say is we are working on it as fast as we  
666 can. We know--

667 Ms. {Eshoo.} No, but I mean do you think it is going to  
668 be in a year or 6 months, or just some ballpark.

669 Mr. {Wilkins.} I think that the ballpark, it is within  
670 a year--

671 Ms. {Eshoo.} Uh-huh.

672 Mr. {Wilkins.} --but in this case, obviously, it is a  
673 very high dollar auction, lots of questions--

674 Ms. {Eshoo.} Right.

675 Mr. {Wilkins.} --all I can say is we will move as  
676 quickly as we can.

677 Ms. {Eshoo.} Okay. There has been a lot of attention  
678 given to the need for enhanced location accuracy when calling  
679 911, you know, from a wireless phone. We have--many landline  
680 phones in large office buildings still only provide the  
681 building's address. Where is the FCC on this? If you had to  
682 make a 911 call--

683 Mr. {Wilkins.} Internally?

684 Ms. {Eshoo.} --from your--yeah. Tell me how it would  
685 work.

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686 Mr. {Wilkins.} So--

687 Ms. {Eshoo.} Is it going to work or--

688 Mr. {Wilkins.} Yes.

689 Ms. {Eshoo.} --is it in the works that it is going to  
690 work, or--

691 Mr. {Wilkins.} If 911 is called within our facilities,  
692 we can identify where in the building the call came from.  
693 That is an issue in and of itself; is it eighth floor, fifth  
694 floor, wherever. So we have a process where our security  
695 team knows when the call goes out, it goes through to first  
696 responders, but then we also--

697 Ms. {Eshoo.} Well, I know what the process is with  
698 first responders and all that, but--

699 {Voice.} You dial 911.

700 Ms. {Eshoo.} Yeah, exactly. You dial 911, but I want  
701 to know what happens after that. Does the first responders,  
702 do they have the granular location information--

703 Mr. {Wilkins.} Yes, our--

704 Ms. {Eshoo.} --do callers need to dial an extra 9  
705 before the 911?

706 Mr. {Wilkins.} Yes. Our system, we do dial the extra

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707 9. So we are 9911.

708 Ms. {Eshoo.} Are you going to fix that?

709 Mr. {Wilkins.} We service a lot of agencies. There is

710 a--

711 Ms. {Eshoo.} Are you going to get rid of the 9?

712 Mr. {Wilkins.} There are mixed practices out there.

713 And then in terms of location, our security team knows where  
714 in the building the call came from, both tells responders and  
715 then also delivers our folks there.

716 Ms. {Eshoo.} Yeah, well, you are really not behind the  
717 8 ball on this. That really needs to be upgraded, and  
718 especially that it is the FCC. You should be the example,  
719 not only for the rest of the Federal Government, but for the  
720 entire country, so you need to work on that.

721 My time is up, Mr. Chairman. Thank you.

722 Mr. {Walden.} You are welcome.

723 Ms. {Eshoo.} Thank you, Mr. Wilkins.

724 Mr. {Walden.} Thank you, Mr. Wilkins.

725 We will now turn to the vice chair of the subcommittee,  
726 Mr. Latta.

727 Mr. {Latta.} Thank you, Mr. Chairman. Again, Mr.

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728 Wilkins, thanks very much for being here, and thanks for your  
729 testimony.

730 The Inspector General is required to conduct audits of  
731 the commission's financial statements. Did the IG audit the  
732 commission's fiscal year 2014 financial statements?

733 Mr. {Wilkins.} Yes.

734 Mr. {Latta.} Did the audit report a material weakness  
735 with regard to the Universal Service Fund?

736 Mr. {Wilkins.} Yes.

737 Mr. {Latta.} Could you describe what that--what those  
738 weaknesses were or are?

739 Mr. {Wilkins.} Yes. It was a specific material  
740 weakness that related to the way USAC, or the Universal  
741 Service Administrative Company, reconciled its invoice  
742 amounts against obligated funds. It specifically related to  
743 the extent of the invoice deadlines in a particular year, and  
744 their systems didn't automatically report back to their  
745 obligation system. They actually found the problem. We were  
746 aware of it before the auditors came in, of course. We told  
747 the auditors. So the auditors, quite appropriately, said  
748 this is a problem to fix, but no money was lost, it actually



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749 was a management step that was identified.

750 Mr. {Latta.} So there was no impact on any monies out  
751 there?

752 Mr. {Wilkins.} No. No money was lost.

753 Mr. {Latta.} Okay. And did you say has this weakness  
754 been corrected and identified?

755 Mr. {Wilkins.} Yes.

756 Mr. {Latta.} Okay.

757 Mr. {Wilkins.} Yes.

758 Mr. {Latta.} And how far back did that go?

759 Mr. {Wilkins.} That was just from 1 year because they  
760 changed the invoice system for 1 year.

761 Mr. {Latta.} Okay. And also, I guess to follow up on  
762 that, is this the same issue that we discussed during your  
763 last visit here, and is it associated with any new financial  
764 system?

765 Mr. {Wilkins.} No, that was--that is our FCC genesis  
766 system. This issue you are raising was at USAC, which is a  
767 separate--

768 Mr. {Latta.} Okay, and who is the contractor?

769 Mr. {Wilkins.} For our system?

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770 Mr. {Latta.} Right.

771 Mr. {Wilkins.} A company called CGI.

772 Mr. {Latta.} CGI, okay, thank you. And again, in  
773 fiscal year 2016, the budget request, it states that the  
774 commission is in the process of creating a Joint USF  
775 Antifraud Taskforce to combine resources agency-wide.

776 Mr. {Wilkins.} Um-hum.

777 Mr. {Latta.} And I appreciate the effort for a more  
778 targeted approach to identify and prevent fraudulent  
779 activities within USF, however, the agency has requested \$10  
780 million for antifraud efforts within USF. How was this  
781 amount determined for the \$10 million?

782 Mr. {Wilkins.} Right. So we think that the need to  
783 have that joint effort is very important. What we are doing  
784 though is redeploying resources we have to staff it, whereas  
785 a year ago we said actually give us more money to hire more  
786 people. And I think it is an example of, you know, a year in  
787 there as the senior management team looking very hard at the  
788 people we have and where we can be more efficient, we said  
789 let us use the FTEs we have to do this work, instead of  
790 asking for more.

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791 Mr. {Latta.} Okay. And could you give a specific  
792 breakdown of that cost, for that \$10 million?

793 Mr. {Wilkins.} Yeah, so the--so in 2015 we requested  
794 \$10.8 million for 45 FTEs, I believe the breakdown was 17 for  
795 the Enforcement Bureau, I want to say 20 for the Wireline  
796 Competition Bureau, another 10 for my office, and the rest  
797 for the IG, I believe. I might be off by one or two, but  
798 that was the rough breakdown. We are not going to have that  
799 high of a staffing level so, for example, instead of those 17  
800 for the Enforcement Bureau, right now that USF enforcement  
801 component of the Enforcement Bureau, it was five people, and  
802 that is--those are roles that we have filled as people have  
803 left. So the group will not be as big, but we will--as we  
804 have the opportunity to reallocate resources we have, we  
805 think we will staff that up because we are seeing lots of  
806 benefits from what we are doing.

807 Mr. {Latta.} Okay. Well, and additionally, how much of  
808 the money is expected to be recovered through taxes of the  
809 taskforce and other antifraud measures?

810 Mr. {Wilkins.} Well, certainly, and I think the IG  
811 would agree with this too, you know, \$1 of enforcement or

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812 oversight in USF tends to generate positive, you know, more  
813 than \$1 of returns, you know, from those activities.  
814 Certainly, our reason for creating that effort is because  
815 universal service, all those programs have been going through  
816 lots of change over the last 2 or 3 years, essentially around  
817 modernizing it for broadband. When you do that, the rules  
818 change. Simple compliance can be harder for people to  
819 participate in it because the rules are different.  
820 Obviously, USF--and sometimes you have, you know, you have  
821 criminal or fraud issues, but frankly, compliance with the  
822 rules is an important issue for us. If--our rules say if you  
823 don't comply with them, you shouldn't get the money. And  
824 that is the kind of thing that we are really focusing on  
825 internally is making sure that there is compliance as the  
826 rules change so that the money goes where it should go.

827       Mr. {Latta.} Okay. And the commission has also, as  
828 mentioned earlier, is requesting over \$44 million to move to  
829 a new headquarters or for restacking. The budget request  
830 states that by moving or restacking FCC headquarters, this  
831 process would save the commission up to \$119 million over 15  
832 years. Can you explain how the commission reached that

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833 estimate of \$119 million over the timeline of 15 years?

834 Mr. {Wilkins.} Yeah. So our current fully-loaded lease  
835 costs to remain at headquarters is around \$40 million, \$41  
836 million. The space planning that we are doing already with  
837 GSA, essentially to bring us, I would say, just in line with  
838 current federal guidelines, we would be reducing that space  
839 by around 30 percent. And I think GSA--I mean obviously, we  
840 are customers of GSA in this process. They would also  
841 propose probably a lower per square foot. So essentially,  
842 the idea would be for our lease costs to go down by \$11  
843 million to \$12 million a year over 15 years. You deduct from  
844 that though the, for example, the \$51 million we are  
845 requesting now to facilitate that move, and the net would be  
846 \$119 million over the 15 years.

847 Mr. {Latta.} Okay. Thank you, Mr. Chairman. And my  
848 time has expired, and I yield back.

849 Mr. {Walden.} Thank the gentleman.

850 Now recognize the ranking member of the full committee,  
851 Mr. Pallone, for questions.

852 Mr. {Pallone.} Thank you.

853 Mr. Wilkins, I--Ms. Eshoo started--was talking about

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854 this issue, but I wanted to follow up. I am very concerned  
855 about consumers being hit with fraudulent charges on their  
856 monthly communication bills through scams like cramming. And  
857 the FCC has made strides over the past year trying to curb  
858 this practice, but the question is if the FCC's budget  
859 continues to flat line the way it has since 2009, will it  
860 impact the FCC's ability to protect consumers from fraud?

861 Mr. {Wilkins.} Yeah. If we continue to be flat lined,  
862 it will impact our ability to delivery all areas of our  
863 mission. I think our current budget proposal that we can  
864 make do with fewer people is based on having much better IT  
865 to use those people much more efficiently. And in the  
866 consumer enforcement area you are describing, for example,  
867 there is a huge opportunity to use data and analytics, using  
868 IT to be much smarter about finding areas that we then go  
869 focus the resources we have instead of just perhaps, you  
870 know, waiting for someone to complain. So that is the  
871 opportunity we see, but it does require the investment. I  
872 mean if we are flat lined, there is no way we can make the  
873 investments nearly as promptly as we want to. And I would  
874 actually add, if we are flat lined for '16, in the sense of

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875 not being able to fund those move costs, that money is going  
876 to come from somewhere. I mean our lease, after 2017, goes  
877 up by \$9 million a year, and nothing else changes, someone  
878 has to pay that. I mean there really is a--kind of a  
879 downward spiral around this move that, everything else aside,  
880 really would affect our ability to fund anything at a  
881 reasonable level.

882 Mr. {Pallone.} Okay. I think you have answered in your  
883 response the other two questions I had, but let me just look  
884 at this a second. With regard--again, you talked about the  
885 aging computer system that, I guess, will eventually slow  
886 down your ability to continue these reform efforts. I think  
887 you have answered that in terms of, you know, what happens if  
888 you don't because that is where the bulk of this additional  
889 money goes to, correct?

890 Mr. {Wilkins.} Yeah. I think right now, our cost  
891 profile for IT continues to grow because the cost of  
892 maintaining things that are older and older grows every year.  
893 And in--when I was here in September, I testified that over  
894 1/2 our systems are more than 10 years old in terms of  
895 software, and the software, well, that might as well be 100

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896 years, right? The cost to do a software update for something  
897 that was installed in 2004 is astronomical because almost no  
898 one else does it. And so it is really that treadmill; if you  
899 don't invest to get off the treadmill, it just goes faster  
900 and faster, and you run faster and faster, and you don't get  
901 anywhere and you are just spending more money to essentially,  
902 you know, deliver the same or worse.

903 Mr. {Pallone.} And I think you talked about the staff  
904 too, that the FCC has a historically low number of full-time  
905 staff, and whether any further reduction in the number of  
906 full-time staff would impact your ability to carry out your  
907 responsibilities. I think you kind of answered that too, but  
908 if you want to add anything.

909 Mr. {Wilkins.} We think with sufficient IT support, the  
910 staffing level we propose in '16 lets us do everything  
911 Congress needs us to do.

912 Mr. {Pallone.} Okay. All right, thanks a lot.

913 Thank you, Mr. Chairman.

914 Mr. {Walden.} Thank you very much. The gentleman  
915 yields back.

916 And the chair now recognizes the gentleman from



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917 Illinois, Mr. Shimkus, for 5 minutes.

918 Mr. {Shimkus.} Thank you. Mr. Wilkins, welcome. It is  
919 good to have you back.

920 Ranking Member Eshoo talked about the 9911 issue, and--  
921 but Commissioner O'Reilly in a blog post said that it is a  
922 simple programming change. And the first question--and this  
923 is for, obviously, the facility which you are operating out  
924 of. Is that your understanding, and did you give him that  
925 information as far as the headquarters itself?

926 Mr. {Wilkins.} Yes. So it is--it would be a  
927 programming change for our voice-over IP phone system. It  
928 would cost some money. Depends on if we just did it for our  
929 main headquarters facility, or went to all of our remote  
930 locations. You know, actually hearing the committee's  
931 interest and concern in that, I would be very glad to go back  
932 and talk again with my IT team and see what else we can do.

933 I will say that having looked at it, the one question  
934 that we had for management is, you know, the people that use  
935 our phones are our internal people; we don't have members of  
936 the public back in our offices, and at some level, they are  
937 used to dialing 9 to get out. And so we, you know, we will--

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938 Mr. {Shimkus.} Yeah. Yeah. I guess I would only say,  
939 you may have guessed, obviously, a lot of people who are  
940 outsiders come into the--

941 Mr. {Wilkins.} Yeah.

942 Mr. {Shimkus.} --FCC to have meetings, you may have  
943 bring your kid to work day--

944 Mr. {Wilkins.} Yeah.

945 Mr. {Shimkus.} --it is just--and we just--these are  
946 really terrible stories that--

947 Mr. {Wilkins.} We will be very glad to go back and--

948 Mr. {Shimkus.} And really governments should try to  
949 lead as much as possible in doing this, and if it is a simple  
950 programming then we can tell other entities that, hey, it is  
951 a simple programming issue, and it may cost a little bit but  
952 the return on investment over time, just for you all  
953 sending--leading by example, could be very helpful.

954 Mr. {Wilkins.} Okay.

955 Mr. {Shimkus.} The--I would like to then go to a  
956 question on, last time we had talked about your--talking  
957 about the internal reporting processes for auction-related  
958 expenditures--

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959 Mr. {Wilkins.} Um-hum.

960 Mr. {Shimkus.} --and reviewing the use of auction funds  
961 and IT. Have you completed this review?

962 Mr. {Wilkins.} Yes. And so I think--my QFRs or one of  
963 our document requests to this committee last year, we  
964 specifically broke out--as I said, we--wherever we can, we do  
965 direct accounting. So a person who works on auctions, they  
966 literally do their timecode and say I worked on auctions.  
967 And wherever we can, we do that. An IT contract that is for  
968 the new auctions platform, obviously goes to auctions.

969 Around \$55 million of our current auction spending is  
970 directly accounted for.

971 Mr. {Shimkus.} Can you provide that stuff to us?

972 Mr. {Wilkins.} Yes. Yeah, we--yes, we will--

973 Mr. {Shimkus.} And the other follow-up--and you are  
974 providing an audit of these responses and reviews, on the  
975 accuracy? Are you--

976 Mr. {Wilkins.} We are certainly doing ongoing review to  
977 make sure those costs are accurately reflected.

978 Mr. {Shimkus.} And can you provide us some of the  
979 ongoing review and--

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980           Mr. {Wilkins.} Sure. We will be glad to provide all  
981 the information.

982           Mr. {Shimkus.} And, I am sorry I am going fast. I want  
983 to get to the last one. You are also requesting \$3 million  
984 for the ongoing maintenance, improvement costs for the  
985 broadband map. As many of us know on the subcommittee, who  
986 have been here for a while, NTIA funded the map through  
987 Recovery Act funds or stimulus funds. That is correct.  
988 Those funds were exhausted, so last year FCC became  
989 responsible for its cost. So we are trying to figure out how  
990 that happened. How did we go from NTIA, an agency of the  
991 Department of Commerce, now where the FCC kind of took  
992 control of this, and then we are trying--the other question  
993 is who made that decision?

994           Mr. {Wilkins.} So as you said, NTIA got the funding in  
995 the Recovery Act, set up a--because the FCC has expertise in  
996 it, lot of our processes obviously involve collecting  
997 broadband data, NTIA set up an interagency contract to fund  
998 us to actually do the IT systems, and that was the practice  
999 until their funding went away. So the idea of transferring  
1000 it to us, I wouldn't say it was like a preordained it

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1001 transferred to the FCC, it is more of de facto we run it,  
1002 they can't fund it anymore. We have found it to be a  
1003 valuable policy tool and we would like to keep funding it,  
1004 but, as you said, it was not funded last year, and right now  
1005 it is on hold. I mean we are actually not investing money to  
1006 keep upgrading it or operating it in any kind of real way.

1007 Mr. {Shimkus.} But it didn't rise to the level of a,  
1008 you know, the commission actually making a decision or the  
1009 chairman saying we are going to do this, was this done just  
1010 internally kind of by default?

1011 Mr. {Wilkins.} Right. It was--I mean--

1012 Mr. {Shimkus.} You got handed the ball and you are--

1013 Mr. {Wilkins.} Yeah, well, it was an--it was the kind  
1014 of thing where agencies, you know, can collaborate on--NTIA  
1015 had some money, we had some expertise, we did the  
1016 arrangement, set it up that way, and it worked pretty well  
1017 while they had the funding. And now we have to figure out if  
1018 we want to maintain it, where the funding comes from.

1019 Mr. {Shimkus.} Okay. Chairman, my time is over. Thank  
1020 you very much. Thank you, Mr. Wilkins.

1021 Mr. {Latta.} [Presiding] The gentleman yields back.

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1022           The chair now recognizes the gentlelady from New York,  
1023 Ms. Clarke, for 5 minutes.

1024           Ms. {Clarke.} Thank you, Mr. Chairman. And I thank our  
1025 ranking member. I thank Mr. Wilkins for coming today to  
1026 share information with us.

1027           I am a new Member to this committee, and wanted to just  
1028 ask a couple of questions; one is somewhat parochial. I was  
1029 visited by my local regional broadcasters just recently, and  
1030 they raised a concern about regional office staffing,  
1031 particularly in the New York region, some concerns about  
1032 radio piracy, and I was wondering whether you have considered  
1033 looking at these regional offices and the staffing levels,  
1034 and the concerns that these regions have, whether you would  
1035 be addressing that in this budget, and whether there is a  
1036 line item specific to those regional offices?

1037           Mr. {Wilkins.} Thank you for that question. So one of  
1038 the activities we are now undertaking with our most recent  
1039 budget being less than we asked for, is a systematic review  
1040 of all of our people, all of our offices, to find out how we  
1041 can most efficiently deploy with the resources we have. So  
1042 we are actively looking at that. It is not a line item in

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1043 our budget necessarily--

1044 Ms. {Clarke.} Um-hum.

1045 Mr. {Wilkins.} --but we are definitely looking into  
1046 staffing levels in offices like New York, and trying to make  
1047 sure we are making the best use of the people and the money  
1048 that we have.

1049 Ms. {Clarke.} Just wondering, do you look at perhaps  
1050 activities nationally, and then look at allocation of staff  
1051 based on, you know, you may have a larger problem, say, in a  
1052 place like New York--

1053 Mr. {Wilkins.} Sure.

1054 Ms. {Clarke.} --than you may have in other parts of the  
1055 country, whether it is appropriate to shift staff according  
1056 to need?

1057 Mr. {Wilkins.} Yeah, I would agree. So the only way  
1058 that we can, especially in that field part of the FCC, the  
1059 only way we can manage is to find out where is the highest  
1060 density of need, and how can we deploy the people and the  
1061 resources we have against that. So I would--that is  
1062 absolutely the principle that we are using as we are doing  
1063 this review right now.

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1064 Ms. {Clarke.} Very well. Immediately upon taking  
1065 office, Chairman Wheeler identified FCC process reform as a  
1066 priority. An intra-agency staff working group produced the  
1067 report on the FCC process reform. What progress has been  
1068 made to implement the recommendations in that report, and  
1069 could you please explain what other steps the commission has  
1070 taken to improve the FCC's process?

1071 Mr. {Wilkins.} Thank you for that question. That is a  
1072 very important priority for the chairman. My office is  
1073 responsible for, I would describe as the internal process  
1074 reform steps. There is a separate set of issues around how  
1075 the commissioners operate that my office doesn't really play  
1076 a role in. I will give you a couple of examples. There are  
1077 a lot of things on the internal process reform report around  
1078 improving transparency and using metrics to better manage our  
1079 internal resources. One thing that we just completed, with  
1080 my office as the main implementer, was a new system for  
1081 consumers to register complaints with the commission. We  
1082 have a new online system, it is a Web site. You have a  
1083 problem related to your phone bills or any other FCC issue,  
1084 it is actually much easier for you as an individual to go and



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1085 make that complaint. The process reform angle is we now have  
1086 a much easier way to track those things, to figure out is the  
1087 backlog or the volume going up or down in given areas, be  
1088 more transparent about it and manage our resources better.  
1089 So that is one example. And I would just emphasize that the  
1090 IT investments that we want to make here, that we have talked  
1091 about so far in the hearing, are overwhelmingly about having  
1092 that model be used in many other areas for process reform  
1093 improvement, and that is why the chairman is on my back to  
1094 make sure we get the IT right.

1095 Ms. {Clarke.} Very well. And as you know, FCC licenses  
1096 pay the cost associated with the FCC's operations. It is,  
1097 therefore, critical for the FCC to ensure that its regulatory  
1098 fees are assessed in a fair and equitable fashion. Can you  
1099 explain the FCC's efforts to ensure fairness in the  
1100 regulatory fee structure?

1101 Mr. {Wilkins.} Yes, and let me answer that with two  
1102 examples. We did--my office actually does the fee  
1103 proceedings. We just completed one last year where we tried  
1104 to make at least a few areas better. So for example, we set  
1105 a new de minimis standard where a very small business, under

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1106 the old formula, may have had to pay us a few hundred dollars  
1107 and, frankly, spend more money on lawyers and filing costs  
1108 than the money, we just exempted them. So trying to make it  
1109 just less of a burden.

1110 This also is the USF proposal in our current budget. It  
1111 is specifically designed so that the parts of the industry  
1112 that are involved in USF are the ones who would support those  
1113 activities of the commission, and the ones who aren't  
1114 involved in USF would not. Under our current model, I mean a  
1115 broadcaster is a good example, broadcasters don't have  
1116 anything to do with USF. Part of the reg. fee a broadcaster  
1117 pays does, in our current model, go to basically pay for our  
1118 USF activities. And given that our costs will go up because  
1119 of the move for a year or two, we just thought this was the  
1120 exact right time to propose that alignment so that the people  
1121 that pay fees, that sort of pay for things that relate to  
1122 their business or their activity.

1123 Ms. {Clarke.} Thank you very much.

1124 Mr. Chairman, I yield back.

1125 Mr. {Latta.} The gentlelady yields back.

1126 And the chair now recognizes the gentleman from New

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1127 Jersey, Mr. Lance, for 5 minutes.

1128 Mr. {Lance.} Thank you, Mr. Chairman. And good morning  
1129 to you, Mr. Wilkins.

1130 The FCC makes a one-time request of \$51 million for  
1131 restacking, and is this similar--for move or restacking. Are  
1132 a move or restacking equivalent, and which of the two would  
1133 be less costly?

1134 Mr. {Wilkins.} Right. Certainly. So we always use  
1135 move or restacking because, certainly, our current landlord  
1136 is eligible to bid to retain our lease, and so the restacking  
1137 would be we would stay at the current facility but in smaller  
1138 space. So we would collapse and literally restack where the  
1139 offices were laid out. And so I think it is important from  
1140 the GSA perspective that we maintain as much competition for  
1141 our lease as possible, so we always maintain that.

1142 The \$51 million budget request certainly applies to  
1143 either one of those, because really what that pays for, it  
1144 pays for internal construction, you know, walls and, you  
1145 know, these are not exciting things but they are necessary  
1146 things. So the furniture, and even if we restacked our  
1147 current location, you would change the footprint because you

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1148 are going to smaller offices, et cetera. And, you know, we  
1149 are committed to those--I mean we are committed and, frankly,  
1150 GSA is going to make sure we are committed to those lower  
1151 lease costs in the long term as we talked about.

1152 Mr. {Lance.} Are these competitively bid, or to the  
1153 lowest responsible bidder, or--

1154 Mr. {Wilkins.} Right. So the process would--so  
1155 Congress has to first approve a prospectus. That hopefully  
1156 will be coming from OMB relatively soon. And then an RFP  
1157 goes out to commercial lessors for the period of several  
1158 months, and people look at our requirements, how much space,  
1159 other things, and there is a competitive bidding process that  
1160 GSA runs and, you know, we try to get the best deal for the  
1161 taxpayer.

1162 Mr. {Lance.} Well, thank you. At your convenience, we  
1163 would appreciate a--if you would provide us with a list of  
1164 the awardees. And--

1165 Mr. {Wilkins.} Certainly.

1166 Mr. {Lance.} We appreciate that, thank you. The budget  
1167 request includes \$2.4 million to engage an administrator to  
1168 manage the Broadcast Relocation Fund.

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1169 Mr. {Wilkins.} Um-hum.

1170 Mr. {Lance.} Is this going to be awarded through a  
1171 competitive bidding process--

1172 Mr. {Wilkins.} Yes.

1173 Mr. {Lance.} --as well?

1174 Mr. {Wilkins.} Yes.

1175 Mr. {Lance.} Thank you. That ends my question. I--  
1176 anybody on our side wants the balance of my time?

1177 Mr. {Latta.} I believe the gentleman yields back.

1178 Mr. {Lance.} I will yield back.

1179 Mr. {Latta.} Thank you very much.

1180 And the chair now recognizes the gentleman from New York  
1181 for 5 minutes, Mr. Collins.

1182 Mr. {Collins.} See if this is working. It wasn't last  
1183 week. Thank you, Mr. Wilkins.

1184 I will begin one real quick question on the rural  
1185 broadband map.

1186 Mr. {Wilkins.} Um-hum.

1187 Mr. {Collins.} I represent some very rural counties,  
1188 and you currently use, if I understand, like the 9-digit zip  
1189 code. In these counties, your 9-digit zip code is showing as

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1190 much as 97 percent coverage. The counties knew that was  
1191 wrong. They did their own in-depth study. It is under 50  
1192 percent. So I am assuming you are aware of the shortcomings  
1193 in that, and is that what you are trying to address so we can  
1194 actually get a number?

1195 Mr. {Wilkins.} Right. Yes, so the--right, the use of  
1196 the broadband map is a tool exactly to facilitate that kind  
1197 of input and two-way dialogue, because you are right, in  
1198 universal service, for example, we are deploying millions of  
1199 dollars and it really is supposed to be where it is most  
1200 needed.

1201 Mr. {Collins.} Where it is needed, which is our  
1202 counties, and they are not getting it because of the 9-digit  
1203 zip code--

1204 Mr. {Wilkins.} Exactly.

1205 Mr. {Collins.} --methodology.

1206 Mr. {Wilkins.} Exactly. And so the broadband map has  
1207 been used, and our hope is to use it as a tool just to make  
1208 that easy, because it is one thing to have some complicated  
1209 data set to look at, it is another thing to see a map of your  
1210 county which you know--

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1211 Mr. {Collins.} Is wrong.

1212 Mr. {Wilkins.} --see what the FCC thinks is right or  
1213 wrong, and if it is wrong, to be able to tell us.

1214 Mr. {Collins.} I think all of us in this day and age  
1215 would appreciate the more accurate you can get it, the funds  
1216 can go where they actually are needed, which is many of the  
1217 rural counties.

1218 So couple of questions on the budget. That is what I  
1219 have spent my life doing, both as a county executive in the  
1220 largest upstate county of New York, where I implemented Lean  
1221 Six Sigma for the first time in a large municipal government.  
1222 We have over 5,000 employees. I cut 22 percent of the  
1223 workforce, improved efficiency, improved delivery of service,  
1224 and those cuts saved \$100 million a year. So in budgeting,  
1225 there are two ways of looking at it. Let us flat line and  
1226 add to, and then there is zero-based. And just first  
1227 question, are you familiar with Lean Six Sigma, have you  
1228 looked at it, because as a generality, you can reduce your  
1229 workforce 22 percent.

1230 Mr. {Wilkins.} Yes.

1231 Mr. {Collins.} I did it and actually improved service.

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1232           Mr. {Wilkins.} Yes. I am familiar with Six Sigma. I  
1233 can tell you that in my budget discussion with Chairman  
1234 Wheeler, you know, he and I are both relatively new to the  
1235 government, from the private sector, and I am familiar with  
1236 zero-based budgeting. Certainly, Chairman Wheeler's  
1237 instructions to me are to find ways to be as efficient as  
1238 possible. You know, in the federal context, you know,  
1239 restructuring your workforce takes more time and energy  
1240 because there are a number of constraints, and actually what  
1241 we are--

1242           Mr. {Collins.} Well, and I had a unionized workforce.

1243           Mr. {Wilkins.} Well, and what we are doing now though  
1244 is consistent with those obligations that we have to follow,  
1245 how can we most effectively restructure.

1246           Mr. {Collins.} So would it make any sense, and I have  
1247 done this so--to pick a department, to pick a unit that has--  
1248 I mean you might even think some areas where efficiencies  
1249 would be--and try to--I am assuming you have never really  
1250 tried it. You have never brought in master black belts, you  
1251 have never process mapped, you have--is that--

1252           Mr. {Wilkins.} So we are doing some of that work now.



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1253 I mean we are--in some of our areas we are doing--

1254 Mr. {Collins.} But using the skill set of Lean Six

1255 Sigma, or is it just--

1256 Mr. {Wilkins.} Well, not Six Sigma specifically, but

1257 using tracking information we have and doing more of a zero-

1258 based exercise of--

1259 Mr. {Collins.} If--

1260 Mr. {Wilkins.} --what does it really take to do the

1261 work that is being--

1262 Mr. {Collins.} I would love to see if you could provide

1263 me just some examples. That is my background.

1264 Mr. {Wilkins.} Sure. Be glad do.

1265 Mr. {Collins.} And perhaps even encourage you to

1266 consider, even on a satellite basis or some small basis, try

1267 it and then it can be--it can catch on, and the savings can

1268 just be dramatic.

1269 Mr. {Wilkins.} We agree.

1270 Mr. {Collins.} It is not normally the way government

1271 works.

1272 Mr. {Wilkins.} Agreed.

1273 Mr. {Collins.} So another comment, and I know--I am not

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1274 going to try and trick you here, but you implied that because  
1275 8 cents in your budget brought in \$1. You said that. Number  
1276 one, I would say you are kind of taking undue credit for the  
1277 wildly successful spectrum audit that far exceeded your  
1278 estimates. And so kind of a rhetorical question, if we  
1279 increased your budget \$10 million, could you guarantee us  
1280 \$120 million coming back in on top of your current budget?  
1281 Or if I gave you \$100 million, could you guarantee us \$1.2  
1282 billion coming back?

1283 Mr. {Wilkins.} No, I wouldn't want to say that. I  
1284 would emphasize--

1285 Mr. {Collins.} I didn't think so.

1286 Mr. {Wilkins.} --thought that when spectrum auctions  
1287 were created in the mid-'90s, I don't think anyone expected  
1288 it would lead to the--

1289 Mr. {Collins.} Well, my point is, I understand how you  
1290 did the numbers--

1291 Mr. {Wilkins.} Um-hum.

1292 Mr. {Collins.} --but in fairness to us, I think you are  
1293 trying to take credit for some things that were outside of  
1294 your scope, and I know that is a good thing to do but--

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1295 Mr. {Wilkins.} Well, we do--our auction staff does do  
1296 that work. I mean that money comes from somewhere. It is  
1297 because there is an auction staff that runs those auctions.

1298 Mr. {Collins.} So if we increased your budget by \$10  
1299 million, could you give us another \$120 million--

1300 Mr. {Wilkins.} Well--

1301 Mr. {Collins.} --coming back?

1302 Mr. {Wilkins.} I think that the recent increases for  
1303 our auction--

1304 Mr. {Collins.} No, no, no, on top of your current  
1305 budget--

1306 Mr. {Wilkins.} Well, I think for--yes, for auctions,  
1307 the \$11 million that we are requesting for our auctions fund  
1308 probably will generate more than \$100 million from the--

1309 Mr. {Collins.} No, but if I gave you 10 on top of that,  
1310 could you give us another--so if we give you 20, can you give  
1311 us 240?

1312 Mr. {Wilkins.} No, no, clearly, clearly, there is a  
1313 limiting principle--

1314 Mr. {Collins.} Okay. Well, I only bring that up  
1315 because you were a little self-serving on that one.

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1316 Mr. {Wilkins.} Okay.

1317 Mr. {Collins.} Okay.

1318 Mr. {Wilkins.} That is fair.

1319 Mr. {Collins.} Thank you, Mr. Chairman. Yield back.

1320 Mr. {Latta.} Thank you very much. The chairman--or the  
1321 gentleman yields back.

1322 And at this time, the chair recognizes the gentleman  
1323 from North Dakota, Mr. Cramer, for 5 minutes.

1324 Mr. {Cramer.} Thank you, Mr. Chairman. Thank you, Mr.  
1325 Wilkins, for being here. Thank you for your--you are very  
1326 knowledgeable and it is great to have a witness that is both  
1327 knowledgeable and forthcoming.

1328 I want to just follow up a little bit on where I think  
1329 Mr. Lance was going, and maybe expand it a little, and Ms.  
1330 Eshoo as well. I appreciated your answer to her with regard  
1331 to, you know, contractors or, you know, former employees  
1332 coming back as contractors, and that was a good answer. I am  
1333 just--but I am missing detail I think when I look at the  
1334 budget request, and I would just say it could be very helpful  
1335 for us, and give us sense of confidence if we could get more  
1336 details about not just the \$44.1 million, you know, for the

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1337 moving and stacking, which I think is a large amount, and I  
1338 wish I had a local moving company to bid on it, but the \$32  
1339 million in addition to that is pretty vague, to say the  
1340 least, and I would just really want to encourage you, first  
1341 of all, if you can explain that a little bit, but then  
1342 provide us some detail, again, you know, before the chairman  
1343 and the commissioners visit here.

1344 Mr. {Wilkins.} Okay. Absolutely.

1345 Mr. {Cramer.} That would be very helpful.

1346 Mr. {Wilkins.} Would you like me to--I can--

1347 Mr. {Cramer.} Please.

1348 Mr. {Wilkins.} --say a little more?

1349 Mr. {Cramer.} Yes, please.

1350 Mr. {Wilkins.} So on the move costs, so it is \$51  
1351 million that is just in our budget request.

1352 Mr. {Cramer.} Right.

1353 Mr. {Wilkins.} It is split as our usual practice  
1354 between auctions and non-auctions.

1355 Mr. {Cramer.} Right.

1356 Mr. {Wilkins.} \$51 million. That would be the first of  
1357 two fiscal years where some of that spending is required.

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1358 The total estimate we are getting from GSA is closer to about  
1359 \$80 million, so \$50 million would be the larger chunk.

1360 Just to give you some context, for the amount of square  
1361 feet that we are talking about for our new lease, that would  
1362 be about \$175 per square foot, fully loaded, for everything  
1363 from walls and furniture to the cost to move the stuff. That  
1364 compares to, let us see, GSA gave us three examples, NIH and  
1365 NLRB both recently did moves that were \$206 a square foot, so  
1366 we are a little lower than that. Recently, the FTC, which is  
1367 sort of a similar agency to us in terms of--

1368 Mr. {Cramer.} Sure.

1369 Mr. {Wilkins.} --people, moved about half as many  
1370 people, it wasn't their full staff, it was a part of their  
1371 staff, about 900 people, total was \$75 million over several  
1372 fiscal years. They had some different issues going on, but  
1373 again, we are talking about a similar amount of money for  
1374 twice as many people. So I am not an expert in move costs,  
1375 but from what GSA has told us, the numbers are pretty much in  
1376 the range that they would typically do with a federal agency.  
1377 The rest of the cost, so exactly as the chairman said, total  
1378 is \$84 million, take 51 away from that for the move, that

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1379 leaves you with 33. We have got \$4 million for the PSAP  
1380 system and the broadband map, \$8 million in inflation and \$1  
1381 million for the IG. We could talk about any one of those,  
1382 but those are kind of--

1383 Mr. {Cramer.} Sure.

1384 Mr. {Wilkins.} Those are what they are. We are left  
1385 with \$21 million of--we are left with \$15 million if you take  
1386 the PSAP and broadband map out. So those are, as  
1387 Congresswoman Eshoo said, that is to buy the off-the-shelf IT  
1388 infrastructure, instead of having--I mean we literally have  
1389 200 giant servers like you would see in a movie from 20 years  
1390 ago, sitting in very expensive real estate over here on 12th  
1391 Street.

1392 Mr. {Cramer.} Um-hum.

1393 Mr. {Wilkins.} I mean that is not how you do IT,  
1394 certainly in the private sector, and you shouldn't in the  
1395 public sector now either. So we have a--literally, a truck  
1396 is going to show up to the FCC in a couple of weeks and take  
1397 those suckers out to West Virginia. And that is the first  
1398 step to going to a true cloud environment which, for storage  
1399 and your basic servers, is just the way to do it. So that is

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1400 what those costs are, and we will be glad to give staff  
1401 follow-up on all of the specifics of those contracts.

1402 Mr. {Cramer.} I would be helpful, just because,  
1403 obviously, details are--and information keeps the imagination  
1404 from getting too far astray, if you know what I mean.

1405 I don't have anything else, but thank you. I yield  
1406 back.

1407 Mr. {Latta.} Thank you very much. The gentleman yields  
1408 back.

1409 The chair now recognizes the gentleman from Ohio, Mr.  
1410 Johnson, for 5 minutes.

1411 Mr. {Johnson.} Thank you very much, Mr. Chairman. And,  
1412 Mr. Wilkins, thank you for being here today.

1413 You have requested \$25 million out of the USF fund to  
1414 reimburse the agency for costs of oversight administration of  
1415 the fund, with \$10 million of this amount going to the  
1416 creation of the Joint USF Antifraud Taskforce. Do you expect  
1417 the fund for USF oversight administration to be a one-time  
1418 disbursement, or do you expect this to be an ongoing effort?

1419 Mr. {Wilkins.} Right. So we certainly would, in a--if  
1420 that was granted in '17, then we would have to, in fact,



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1421 resubmit it and it would be reapproved by Congress, if it was  
1422 approved. I get--

1423 Mr. {Johnson.} So it is ongoing, am I understanding  
1424 that--

1425 Mr. {Wilkins.} Well, I really think it is obviously  
1426 Congress' decision, and it is just about this issue of fee-  
1427 ness to the fee payers.

1428 Mr. {Johnson.} Um-hum.

1429 Mr. {Wilkins.} And to be clear, the money is the money.  
1430 Right? In other words, those are people that we largely have  
1431 today. We may be reallocating some of our current workforce  
1432 to that on the margin, but those are costs that are right now  
1433 being paid by our fee payers. Out Section 9 fees, they pay  
1434 it.

1435 Mr. {Johnson.} What--

1436 Mr. {Wilkins.} That is not going to change a lot.

1437 Mr. {Johnson.} What is that money going to be used for?  
1438 The budget request says salaries and IT. Is it going to pay  
1439 salaries--

1440 Mr. {Wilkins.} No.

1441 Mr. {Johnson.} --IT or both?

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1442 Mr. {Wilkins.} No, if--IT, that is a mistake if that is  
1443 what it says. It is just for the salary and expenses for the  
1444 people who do USF work at the commission.

1445 Mr. {Johnson.} Prior to this request, how did the  
1446 agency fund these costs?

1447 Mr. {Wilkins.} Out of our regular Section 9 reg. fees.

1448 Mr. {Johnson.} Okay. The FCC acknowledges that it has  
1449 collected just over \$90 million in excess regulatory fees, so  
1450 will the commission or the Administration, as was called for  
1451 in GAO's 2012 report to Congress, titled Federal  
1452 Communications Commission regulatory fee process needs to be  
1453 updated, provide--will they provide Congress with a proposal  
1454 to true-up these fees so as to avoid continued growth of the  
1455 uncollected funds?

1456 Mr. {Wilkins.} Well--

1457 Mr. {Johnson.} Over-collected funds, I am sorry.

1458 Mr. {Wilkins.} Sure. It is--I mean it certainly does  
1459 strike us as a, you know, as a burden on our fee pays, and I  
1460 would love to have the money, but that is sort of the--it is  
1461 outside the FCC's control. That is certainly something for  
1462 the Administration to work with Congress on what to do with

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1463 those funds.

1464 Mr. {Johnson.} All right. As you also know, Mr.  
1465 Wilkins, the FCC is well aware of the legal challenges ahead  
1466 once the Order is released. There may be reconsideration  
1467 requests filed at the commission, Motions for a Stay of the  
1468 Order, and appeals of the Order that could go all the way to  
1469 the Supreme Court. Has the FCC budgeted and estimated the  
1470 potential resources needed and costs of the litigation for  
1471 this year's budget request?

1472 Mr. {Wilkins.} Um-hum. So I can--so with regard to  
1473 open Internet issues, you know, my office--I am the budget--I  
1474 am the green eyeshade guy, not the policy guy. I can tell  
1475 you unequivocally we do not have a current plan to add more  
1476 resources to say Wireline Competition Bureau or the General  
1477 Counsel's Office. I mean this is certainly an important  
1478 issue that will take staff work, but in terms of my staffing  
1479 discussions with those office and bureau heads, it is not  
1480 different than, I would say, the usual large important issues  
1481 that those staff support. So there is no increase in this  
1482 budget, for example, to support that activity.

1483 Mr. {Johnson.} Okay. Litigating the Title II Order

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1484 will not be costless though. Do you agree that is fair to  
1485 say?

1486 Mr. {Wilkins.} Certainly. I mean--yes. Yes.

1487 Mr. {Johnson.} Has the commission projected how much  
1488 the cost will be for 2016, '17, '18 and '19? You may have  
1489 just answered that. You haven't projected that out?

1490 Mr. {Wilkins.} No. Our current budget assumes that the  
1491 litigation support that we have in the General Counsel's  
1492 Office, for example, will be able to handle that. Now, if  
1493 the office chiefs change their minds on that, they would  
1494 bring it to me, but right now that is our plan.

1495 Mr. {Johnson.} Okay. One final question, and if you  
1496 would please for the sake of time, just a simple yes or no.  
1497 Wouldn't the commission have a--have saved a significant  
1498 amount of money if it had let Congress legislate on net  
1499 neutrality instead of moving forward with an ill-fated Title  
1500 II Order that it knows is going to be litigated for years?

1501 Mr. {Wilkins.} No.

1502 Mr. {Johnson.} No. Why? Why do you say no? Cost of  
1503 litigation? Because you just said that it was going to be--

1504 Mr. {Wilkins.} Well--

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1505           Mr. {Johnson.} The cost of litigation was not going to  
1506 be negligible, so--

1507           Mr. {Wilkins.} Well, our bureaus and offices that deal  
1508 with those sorts of issues, essentially, these are, you know,  
1509 these are expert, experienced attorneys or economists or  
1510 policy people, and this is their job. Any given year, we  
1511 will have major litigation, we will have major issues, those  
1512 offices are built to do that. And certainly--

1513           Mr. {Johnson.} But that litigation is not free. That  
1514 litigation is not free. The taxpayers are paying for that  
1515 litigation, so the answer is--the question is wouldn't it  
1516 have been more prudent to let Congress work with the FCC to  
1517 get a legislative fix to net neutrality, rather than spending  
1518 taxpayer dollars to litigation something that they know is  
1519 going to be litigated?

1520           Mr. {Wilkins.} Well, Congressman, from my office's  
1521 perspective, I can assure you there is no incremental budget  
1522 requests that are being driven to support that. We have  
1523 people who do that. Certainly, the prioritization question--

1524           Mr. {Johnson.} But they don't do it for free, that is  
1525 the point I am making. They don't do it for free.

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1526 Mr. {Wilkins.} No.

1527 Mr. {Johnson.} If they weren't doing that, they would  
1528 be doing other things that are meaningful and useful for the  
1529 taxpayers, not litigating something that they could have  
1530 precluded by working with Congress. Do you see what I am  
1531 saying?

1532 Mr. {Wilkins.} Certainly, the cost of the people to do  
1533 that--

1534 Mr. {Johnson.} Okay.

1535 Mr. {Wilkins.} --will, you know, will be--

1536 Mr. {Johnson.} I yield back, Mr. Chairman.

1537 Mr. {Latta.} The gentleman yields back.

1538 And the chair recognizes the gentleman from Kansas, Mr.  
1539 Pompeo, for 5 minutes.

1540 Mr. {Pompeo.} Thank you, Mr. Chairman.

1541 Mr. Wilkins, you said in your testimony ``you are  
1542 currently examining additional workforce restructuring at all  
1543 FCC facilities.'' Can you tell me if that includes studying  
1544 closing field offices?

1545 Mr. {Wilkins.} We are doing a thorough review of  
1546 actually every part of the commission, and certainly, the

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1547 field, you know, is part of that review, yes.

1548 Mr. {Pompeo.} And have you--are you doing that  
1549 internally or do you have third parties that have assisted  
1550 you in conducting that review?

1551 Mr. {Wilkins.} No, it is a--actually, as the--as Mr.  
1552 Collins from New York said, we have brought in some  
1553 management experts to support our internal staff in doing  
1554 that review.

1555 Mr. {Pompeo.} Have they provided you with reports?

1556 Mr. {Wilkins.} We have been--

1557 Mr. {Pompeo.} Drafts, memos, PowerPoint slides?

1558 Mr. {Wilkins.} We do not have a final report yet. We  
1559 have a final report quite soon actually that we would be glad  
1560 to--

1561 Mr. {Pompeo.} Do you have a draft report, do you have  
1562 interim reports, do you have anything that you can share with  
1563 us?

1564 Mr. {Wilkins.} They have been sharing their analyses  
1565 with us as we have been going along, and their final report  
1566 is due, actually, next week.

1567 Mr. {Pompeo.} Is there recommendation to close field

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1568 offices?

1569 Mr. {Wilkins.} They have made us good recommendations  
1570 for how we can look at the people we have, the real estate  
1571 costs we have, and deliver the mission better.

1572 Mr. {Pompeo.} Right. I asked a direct question, you  
1573 gave a generic response. Is there recommendation to close  
1574 field offices for the FCC and relocate people to your  
1575 headquarters?

1576 Mr. {Wilkins.} In the interim analysis they have done,  
1577 they have shown some cost-based ideas that could be  
1578 consistent with that, but there is not a final recommendation  
1579 yet.

1580 Mr. {Pompeo.} And is this reflected--are these savings  
1581 reflected in the budget that you have provided us?

1582 Mr. {Wilkins.} No.

1583 Mr. {Pompeo.} You said they could show some savings.  
1584 You have seen the interim report, did you assume, yeah, we  
1585 are going to go down that path and--

1586 Mr. {Wilkins.} Well--

1587 Mr. {Pompeo.} --the budget includes it?

1588 Mr. {Wilkins.} The answer is as our '16 budget request



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1589 does presume, or does project, that our staffing levels drop,  
1590 we are going to look at every possible area we can to most  
1591 efficiently effect that. The default is people retire or  
1592 leave the commission and we just don't replace them. And we  
1593 are certainly looking at other areas where we can, you know,  
1594 do other sorts of workforce changes, and not just--absolutely  
1595 not just in the Enforcement Bureau field and all across the  
1596 commission, and that was the chairman's instruction to me  
1597 when our budget came in where it did.

1598       Mr. {Pompeo.} Sure, but my question is what did you do?  
1599 You had interim reports, what did you assume and--for  
1600 purposes of your budget? Did you assume there would be  
1601 changes in the lease payments in the field offices, locality  
1602 pay connected to that, there are lots of changes, changes in--  
1603 -you might have had engineers there and you would have  
1604 lawyers here--

1605       Mr. {Wilkins.} Um-hum.

1606       Mr. {Pompeo.} --tell me what you assumed when you put  
1607 the--

1608       Mr. {Wilkins.} So our--you know, our budget request,  
1609 right, is for activities that will be taking more than, you

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1610 know, the better part of a year in advance of when the budget  
1611 is done.

1612 Mr. {Pompeo.} Um-hum.

1613 Mr. {Wilkins.} So when you are talking about that kind  
1614 of a future view, all you can do is say we will spend less  
1615 money on categories such as FTEs. Then, as Congress  
1616 considers that, we have to view our management plan and say,  
1617 okay, how are we best going to make that happen. Will it be  
1618 through changes at certain bureaus, will it be through other  
1619 savings? This type of analysis is certainly part of that  
1620 process, but it was not a preordained, that is how we are  
1621 going to pay for X. We just have to do the management work  
1622 to find out where we save the money.

1623 Mr. {Pompeo.} Right. It is just a bit disingenuous  
1624 because it is not always the case that you just let folks go.  
1625 Sometimes you let an engineer go and you bring a lawyer on,  
1626 right? And so it is worth thinking about how you do that.  
1627 It is not just a case that you used attrition, you have now  
1628 made policy and programming differences that I think are  
1629 important for us to understand. And I guess what I would ask  
1630 you in closing is, when you get this report, it sounds like

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1631 it will be in the next couple of days--

1632 Mr. {Wilkins.} Yes.

1633 Mr. {Pompeo.} --when you get a copy of this report,  
1634 will you make sure we get a copy as well?

1635 Mr. {Wilkins.} We--if we--I mean as we decide on what  
1636 to do with those recommendations and other work we are doing,  
1637 we absolutely will share it with--

1638 Mr. {Pompeo.} Right, but even before you decide, can we  
1639 just--when you get the report, you have hired--you have  
1640 clearly hired a contractor to do a report, and you already  
1641 have documents from this contractor, right?

1642 Mr. {Wilkins.} Yes.

1643 Mr. {Pompeo.} They have provided you interim reports,  
1644 that we get the interim reports.

1645 Mr. {Wilkins.} We certainly will give you the final  
1646 report. We want to make sure--

1647 Mr. {Pompeo.} Can we get the interim reports?

1648 Mr. {Wilkins.} --the interim reports are--

1649 Mr. {Pompeo.} That is a yes-or-no question. Can we  
1650 just get the interim reports?

1651 Mr. {Wilkins.} Well--

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1652 Mr. {Pompeo.} That is--

1653 Mr. {Wilkins.} --I think we wouldn't want to provide  
1654 things that ultimately weren't what we relied on.

1655 Mr. {Pompeo.} Sure you would. Sure, it is okay for us  
1656 to see them. There is no harm in us seeing them. You may  
1657 make a different decision.

1658 Mr. {Wilkins.} We--

1659 Mr. {Pompeo.} Taxpayers paid for these. There is no--  
1660 what is the harm in sharing them with the Legislative Branch?

1661 Mr. {Wilkins.} Certainly, whatever--you know, we--of  
1662 course, things that you request we will provide.

1663 Mr. {Pompeo.} Great, thank you.

1664 I yield back.

1665 Mr. {Latta.} The gentleman yields back.

1666 And the chair recognizes the gentleman from Kentucky,  
1667 Mr. Guthrie, for 5 minutes.

1668 Mr. {Guthrie.} Thank you.

1669 You said replace an engineer with a lawyer. Aren't you  
1670 both an engineer and a lawyer? So Mr. Pompeo has a good  
1671 perspective.

1672 Mr. {Pompeo.} We yield.

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1673 Mr. {Guthrie.} Not a practicing--I will yield to you,  
1674 not a practicing lawyer.

1675 I have a--just a question on spectrum. I have gotten  
1676 involved in--with Ms. Matsui on the government spectrum.  
1677 Hopefully free up more spectrum from auctions, so I was just  
1678 going to tie into that, just some budget questions on that.  
1679 And specifically the process of retaining auction revenues  
1680 and how it works in practice--

1681 Mr. {Wilkins.} Um-hum.

1682 Mr. {Guthrie.} --and I am interested in what happens  
1683 when the FCC is authorized to retain a certain amount to  
1684 offset the cost of the auction administration in a certain  
1685 year, but auctions in that particular year raise less than  
1686 the threshold. I believe that this happened in 2008-'12,  
1687 where in no year did the FCC reach the \$85 million threshold.  
1688 So my question then, when the auction failed to raise more  
1689 money than the FCC is permitted to retain, how is the  
1690 difference made up to cover the expense of the auctions?

1691 Mr. {Wilkins.} Right. So I don't have the specifics on  
1692 the year you mentioned. We will be glad to provide--

1693 Mr. {Guthrie.} Okay.

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1694 Mr. {Wilkins.} --anything additional. The general  
1695 process is, obviously--

1696 Mr. {Guthrie.} Yeah, the general process I am  
1697 interested in.

1698 Mr. {Wilkins.} Yeah. Obviously, Congress sets our cap  
1699 of revenues we are allowed to use, and then there is a--sort  
1700 of a separate process we have to do with OMB--

1701 Mr. {Guthrie.} Um-hum.

1702 Mr. {Wilkins.} --around retaining some certain amount  
1703 of auction revenue so that they can then give us those funds  
1704 as Congress sets the cap. So just for example, so right now,  
1705 I believe we have about--a little bit less than 3 years worth  
1706 of current auctions program in our auctions account at the  
1707 Treasury. So we are sort of funded, you know, through at  
1708 least the next two fiscal years and into the next, and then  
1709 certainly this question of what is retained for future FCC  
1710 use from the AWS-3 will be part of that discussion with OMB  
1711 too.

1712 Mr. {Guthrie.} So can it be carried over from previous  
1713 years and previous auctions, and if so, can you carry over to  
1714 the future auctions and are there restrictions?

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1715 Mr. {Wilkins.} Well, OMB will keep the funds in an  
1716 account, so the funds--so the money is there.

1717 Mr. {Guthrie.} Uh-huh.

1718 Mr. {Wilkins.} We certainly can use what Congress sets  
1719 our cap for, or if we have approval to, you know, reprogram  
1720 funds or if funds can be on a know your basis moved from one  
1721 to the--

1722 Mr. {Guthrie.} So they can go from one year to the  
1723 next, as long as they are within the cap.

1724 Mr. {Wilkins.} Yes. Our ability to spend the money is  
1725 just set by the Congressional appropriation process.

1726 Mr. {Guthrie.} Okay. But--

1727 Mr. {Wilkins.} The question is the money there is OMB.

1728 Mr. {Guthrie.} So when it goes above the cap, then it--  
1729 well, it depends on the appropriations process you said.

1730 Mr. {Wilkins.} Yeah, we--

1731 Mr. {Guthrie.} It would revert to the deficit reduction  
1732 at that point.

1733 Mr. {Wilkins.} Right. Yeah, we can't go above our cap  
1734 unless we got appropriator approval to do that through a  
1735 reprogramming or something.

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1736           Mr. {Guthrie.} And one other--on a related note, give  
1737 that there are no significant trenches of spectrum in the  
1738 auction queue beyond the broadcast incentive auction  
1739 scheduled for next year, and hopefully we can do some  
1740 government auction eventually, and considering the request  
1741 for an increase in the cap on retention and spending of  
1742 auction proceeds, should we--because I believe in this budget  
1743 request there is an increase in the cap on--in the cap on  
1744 retention and spending of the auction fees.

1745           Mr. {Wilkins.} Yes, to 117, yes.

1746           Mr. {Guthrie.} So should we expect the FCC to identify  
1747 additional bands that could be brought to auction during  
1748 this--during the time after the incentive auction, which  
1749 would require funding to support these activities?

1750           Mr. {Wilkins.} Well, certainly our experts in our  
1751 auctions program and our--program, you know, work with all  
1752 the different government entities involved in spectrum  
1753 planning and, you know, certainly we, you know, we want to be  
1754 in the business of making spectrum available for use, so we  
1755 will participate in that. And of course, the, you know, the  
1756 question of what level of auctions is set aside so it funds



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1757 our program, you know, from a management standpoint we try to  
1758 make sure OMB thinks at least a few years ahead so we don't  
1759 run out of money--

1760 Mr. {Guthrie.} Um-hum.

1761 Mr. {Wilkins.} --and of course, OMB wants to make sure  
1762 the money is, you know, used more broadly too, so that is  
1763 just part of the ongoing dialogue.

1764 Mr. {Guthrie.} Perfect. Well, I appreciate your  
1765 answers in this and your forthrightness.

1766 And, Mr. Chairman, I yield back.

1767 Mr. {Walden.} Gentleman yields back the balance of his  
1768 time. Appreciate his participation in the hearing.

1769 I am going to yield a minute to Ms. Eshoo who wanted to  
1770 do some follow-up comments.

1771 Ms. {Eshoo.} Thank you, Mr. Chairman. I appreciate it.

1772 The gentleman from Ohio, Mr. Johnson, we weren't back in  
1773 the room yet, but I--he raised a very interesting point  
1774 about--of--asking Mr. Wilkins would the FCC not have saved  
1775 money, essentially, if, in fact, there were a legislative  
1776 approach to the issue of net neutrality. And I think it is  
1777 important to state for the record that, you know, I mean

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1778 wherever people are on this, that is where they are--

1779 Mr. {Wilkins.} Sure.

1780 Ms. {Eshoo.} --but I think that it is important to

1781 state for the record that broadcasters sued after decisions

1782 were taken by the Congress. USF, I mean there is a line as

1783 long as Independence Avenue of people that sued relative to

1784 what the Congress did and the lawsuits that were filed.

1785 Certainly, the incentive auction brought forward lawsuits.

1786 There was, you know, previous action by the Congress on net

1787 neutrality, but I don't think it stands in the same area as

1788 the 3 that I just mentioned. So there is not a tidy answer

1789 to this. There just isn't. It is not one size fits all.

1790 Congress takes actions on a daily basis, and people sue. So

1791 it is not just one way or the other. And I just wanted to

1792 get that down for the record. And I appreciate your giving

1793 me the time.

1794 And, Mr. Wilkins, I think you have just been a terrific

1795 witness because you are an effective person at the FCC in

1796 terms of the work that you do. Thank you.

1797 And thank you, Mr. Chairman.

1798 Mr. {Walden.} Thank the gentlelady for her comments.

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1799           And, Mr. Wilkins, as you know, our committee is very  
1800 interested in doing its due diligence here, just as you are  
1801 at the commission. You know we have a lot of questions that  
1802 we have given you to work on, and again, in my opening  
1803 questions there are some we would really appreciate getting  
1804 the answers to before the five commissioners are here in a  
1805 little over 10 days. So we appreciate that. And we will  
1806 continue to go back and forth with you on the data requests  
1807 that the committee has had. And again, thank you for the  
1808 work you do down there, and thank you for participating in  
1809 our hearing.

1810           And with that, we stand adjourned.

1811           [Whereupon, at 11:53 a.m., the Subcommittee was  
1812 adjourned.]