

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

HEARING ON THE FCC'S FISCAL YEAR 2020 BUDGET REQUEST

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

APRIL 3, 2019

Chairman Quigley, Ranking Member Graves, and Members of the Financial Services and General Government Subcommittee, thank you for inviting me here to present the Federal Communications Commission's Fiscal Year 2020 Budget Request. The Commission's Office of Management and Budget-designated spending level for FY20 is \$335,660,000, derived exclusively from regulatory fees for regular FCC operations, and an auction spending cap of \$132,538,680.

But before I discuss the Commission's plans for the next fiscal year, I want to take this opportunity to thank this Subcommittee for its support during the prior year. We greatly appreciate your decision to provide us with funds above the FY19 request, as well as your permission to complete internal reorganizations to advance agency reform efforts.

Let me highlight a few positive impacts of this Subcommittee's decisions.

First, you increased auction funding by more than \$17 million. The funds provided by this Subcommittee have enabled us to meet our statutory deadline to complete our rulemaking to implement changes to the TV Broadcaster Relocation Fund and provide money to reimburse low-power television, TV translator, and FM radio stations impacted by the post-Incentive Auction spectrum repack. They have also helped us establish a dedicated call center and launch a public education campaign to assist consumers impacted by the relocation of broadcast stations. And they have funded monthly reports to Subcommittee staff on our progress with respect to the repack.

Second, you authorized two agency reorganization initiatives to help the Commission better carry out its mission. You approved the creation of the Office of Economics and Analytics, which brought together economists who were previously scattered throughout the Commission. The Office is already having a positive impact on the Commission's work, and going forward, I am confident that it will allow us to continue expanding and deepening the use of economic analysis in the Commission's decision-making. This Subcommittee also permitted us to transfer the audit and enforcement responsibilities associated with our Equal Employment Opportunity rules from the Media Bureau to the Enforcement Bureau. This reorganization, which took place earlier this year, was supported by many civil rights organizations and will help us to more effectively enforce these rules.

Third, you gave us nearly \$6 million above our general request for FY19, which is supporting a broad range of Commission efforts essential to our core mission. The FCC greatly appreciates your decision to return our funding to \$339,000,000 in FY19. This means a great deal to a small agency and aids our efforts to expand the deployment of rural broadband, improve public safety, foster technological innovation, protect consumers, and modernize our information technology.

Turning to the future, I'd like to discuss some of the Commission's most important priorities for next year—priorities that the funds requested in this budget submission are critical to advancing.

First, we will continue our work to secure our nation's leadership in 5G, the next generation of wireless connectivity. 5G networks will be 100 times faster than today's networks, maybe even more. They will have lag times that are a tenth of what they are today. And they'll have much more capacity, being able to connect as many as 1 million devices per square kilometer.

This will open the door to new services and applications that will grow our economy and improve our standard of living. Smart transportation networks that link connected cars—reducing traffic, preventing accidents, and limiting pollution. Ubiquitous wireless sensors that enable healthcare professionals to remotely monitor your health and transmit data to your doctor before problems become emergencies. Connected devices that empower farms to apply precision agriculture. And even more innovations that we can't even conceive today.

These breakthroughs will boost our economy. One study pegs 5G's potential at three million new jobs, \$275 billion in private investment, and \$500 billion in new economic growth.

To realize this potential, we've developed a comprehensive strategy that will "Facilitate America's Superiority in 5G Technology"; it's called the "5G FAST" plan. It has three key components: (1) pushing more spectrum into the marketplace; (2) promoting the deployment of wireless infrastructure; and (3) modernizing outdated regulations. In my testimony today, I'd like to concentrate on the first prong, spectrum.

The applications and services of tomorrow will require much more bandwidth. That cannot happen without spectrum. This critical resource represents the lifeblood of the communications industry—and with it, the future of our economy. That's why the FCC must continue its work to aggressively make more spectrum available for commercial use.

In my testimony to this Subcommittee last year, I said that the FCC would hold two high-band spectrum auctions during FY19: one for the 28 GHz band and another for the 24 GHz band. And I noted that conducting these auctions successfully and promptly would be important to U.S. leadership in 5G.

I am pleased to report that we have done what I said we would do. Our 28 GHz auction began last November and concluded this January. All in all, bidders won 2,965 licenses, and the auction raised \$702,572,410 in gross bids for the U.S. Treasury. Our 24 GHz auction began last month and is still underway. But as of now, there have been bids placed on over 99% of licenses, and gross bids have more than doubled the amount raised in the 28 GHz auction.

While these auctions are significant accomplishments, the FCC cannot and will not rest on our laurels. Instead, we will continue to free up spectrum for commercial use. Later this year, for example, we will hold a single auction of the upper 37 GHz, 39 GHz, and 47 GHz bands, which will release 3.4 gigahertz of spectrum into the commercial marketplace. During the next fiscal year, we also intend to auction mid-band spectrum in the 3.5 GHz band. And we will continue our work to make additional mid-band spectrum bands available for flexible use.

All in all, these auctions will free up for the commercial marketplace over 5 gigahertz of spectrum for flexible use. For context, that's more spectrum than is currently used for mobile broadband by all mobile broadband providers in the United States *combined*.

As part of our balanced spectrum strategy, we have also been working to make more spectrum available for unlicensed use. Just last month, for example, we allocated over 21 gigahertz of spectrum above 95 GHz for unlicensed operations. And we are continuing our effort to open up a large amount of unlicensed spectrum in the 6 GHz band.

The second priority I'd like to address involves our continuing efforts to close the digital divide. Last year, the Commission took a variety of steps to better enable the private sector to deploy broadband infrastructure. For example, we made it easier and cheaper for competitive providers to attach fiber to utility poles through a groundbreaking reform called "one-touch make ready."

Of course, there are some areas where the business case for broadband deployment just won't exist—no matter how much red tape we cut. These are typically rural areas with sparser populations and lower incomes. The FCC manages programs to connect these rural communities through what is called the Universal Service Fund (USF). And we've been aggressively taking action to maximize the USF's impact—to stretch scarce dollars as far as we can.

Last year, for example, we finished a landmark reverse auction called Connect America Fund Phase II. Through this novel approach, we're awarding about \$1.5 billion to connect over 713,000 homes and businesses nationwide. Before the auction, we identified parts of our country that were unserved by broadband. This was so that we could target funding to leverage—not displace—private capital expenditures. We didn't want to fund overbuilding. We also made sure the auction was open to providers of all types, including rural telecom companies, cable, fixed wireless, satellite, and electric utilities. This ensured that there would be plenty of competition.

The outcome of the auction was a tremendous success. We distributed funding much more efficiently thanks in part to intermodal, competitive bidding, saving \$3.5 billion from the \$5 billion price we initially thought would be required to connect these unserved areas. We also ensured that 99.7% of the winning bids would provide consumers with service of at least 25/3 Mbps. And we enabled a variety of entities, from fixed wireless to electric utilities, to win.

Last year, we also took many other steps through the Fund to help close the digital divide. For example, we increased the annual cap on rural healthcare program spending by nearly 43%, to \$571 million per year for that funding year. These additional funds will help to provide critical connectivity to rural healthcare institutions. We also enacted important reforms and devoted additional funding to our program providing funding to small carriers in rural areas to deploy broadband. Among other steps, we created incentives for rural carriers to provide more of their customers with access to faster broadband speeds.

Of course, it is important that we spend USF funds wisely and eliminate waste, fraud, and abuse in these programs. That's why we will soon be sending you a reorganization plan to create a Fraud Division within the Enforcement Bureau. I am pleased that this proposal was unanimously endorsed by the Commission. This reform will embed a permanent effort to combat USF fraud within the structure of the Enforcement Bureau.

In the coming year, we plan to continue our emphasis on closing the digital divide. For example, we will soon be offering many small, rural carriers the opportunity to opt into model-based universal service support, tying greater funding to greater accountability and increased deployment of high-speed broadband. We also expect to move forward with additional funding through the Uniendo a Puerto Rico and Connect USVI Funds in the coming months, and we just recently opened up a proceeding to ease the deployment of fiber for schools and libraries participating in our E-Rate program. I look forward to working with you and my colleagues to follow through on our responsibility to bring high-speed broadband to all Americans.

Third, we will continue to fulfill our important mission to protect public safety. Last year, for example, we took important steps to improve Wireless Emergency Alerts, which play a critical role in notifying Americans when emergencies strike. And we began work to implement laws passed by Congress to improve 911 calling. For example, we proposed rules to implement Kari's Law. Kari's Law requires multi-line telephone systems—which commonly serve hotels, office buildings, and campuses—to enable users to dial 911 directly. And it also contains a notification requirement so that when a 911 call is made in these settings, a front desk or security office will be alerted in order to facilitate building entry by first responders.

We have also proposed rules to help first responders locate wireless 911 callers in multi-story buildings. Just last month, we proposed to adopt a vertical, or “z-axis,” metric as part of our 911 location

accuracy rules. That's because in a multi-story building, it's not good enough for emergency personnel to know a wireless 911 caller's horizontal location. They also need to know the caller's vertical location in order to find him or her and provide assistance. And in an emergency, time wasted locating someone can be the difference between life and death.

In the coming year, the Commission intends to take further steps to improve 911 calling. Among other things, I believe that we will be able to take final action to add a z-axis metric to our location accuracy rules and finalize rules implementing Kari's Law. Last month, I traveled to New Jersey and Delaware and visited 911 call centers. These interactions underscored to me the importance of thanking and supporting those who work every day to help their fellow Americans in their time of need. And it is our mission at the FCC to do whatever we can to allow them to do their jobs to the best of their ability.

Fourth, we will continue our efforts to modernize and reform the Commission's media regulations. In particular, I am proud of the work that we have done to promote diversity in the media sector. After over two decades of debate, the FCC finally voted last year to adopt a broadcast incubator program. This was an important step towards increasing diverse participation in the broadcast industry. We anticipate being able to begin accepting applications to participate in the incubator program later this spring, and I look forward to getting started with implementation of the program shortly thereafter. I would also like to thank the FCC's Advisory Committee on Diversity and Digital Empowerment for all of its work on diversity issues. This Committee was allowed to go dormant under the prior Administration, but we revitalized it in 2017 and will be re-chartering it for another two-year term this year.

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I would like to conclude by highlighting the FCC's most important resource: our staff. Day in and day out, they come to work ready and eager to advance the public interest. Whether they are working to expand broadband deployment, combat robocalls, promote wireless innovation, protect public safety, or address consumer complaints, they serve the American people with skill and dedication, and I am honored to have them as colleagues. The funds that you provide to our Commission enable them to do their jobs, and for that I am very grateful.

Thank you for this opportunity to discuss this budget proposal. I will be pleased to answer any questions that you may have.