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"FY2015 FUNDING REQUEST OF THE FEDERAL COMMUNICATIONS COMMISSION"

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Chairman Udall, Ranking Member Johanns, and Members of the Subcommittee, it is a privilege to appear before you today. Thank you for inviting me to testify on the work of the Federal Communications Commission (FCC).

We have been busy, and today I'd like to share with you my views on several important issues that we are confronting, namely: freeing up spectrum for commercial use, reforming the Universal Service Fund's high-cost and E-Rate programs, removing regulatory barriers to infrastructure investment, adjusting our rules to the changing media marketplace, ensuring Americans can always reach help when they dial 911, and reforming the agency's processes.

Spectrum.—Given this Subcommittee's focus on appropriations, it is worth noting that the FCC is one of few agencies that can generate a profit for the federal government. By auctioning off spectrum, the Commission has raised tens of billions of dollars for the Treasury over the last two decades. Between 2005 and 2008, for example, the Commission's spectrum auctions raised over $33 billion that was used for deficit reduction, and the FCC's auctions program was a net contributor to the Treasury each and every year.

But the Commission's auction program has not always turned a profit. From January 2009 through December 2013, the Commission raised a paltry $72 million in auction revenue, or about two-tenths of one percent of the amount raised in the prior four years. Indeed, when you account for the Commission's spending on auctions, our auctions program has actually lost money during the last five years. This is bad news not just for the Treasury but also for American consumers, whose demands for additional bandwidth have increased as their use of tablets and smartphones has spiked over this same period of time.

That is why, since joining the Commission, I have concentrated on trying to accelerate the allocation of spectrum for mobile broadband and to rejuvenate the Commission's auction program. And I am pleased to report that we recently have made real progress on both of these fronts. Just last month, the Commission completed its first major spectrum auction in six years by auctioning off the H Block, 10 MHz of long-fallow spectrum once thought to be virtually worthless, to the tune of $1.564 billion. Former Chairwoman Clyburn deserves credit for pushing that auction through, as does Chairman Wheeler for finishing the job.

But our work isn't finished. In the Middle Class Tax Relief and Job Creation Act of 2012, often called the Spectrum Act, Congress entrusted the Commission with holding a number of spectrum auctions, all with the twin goals of getting new spectrum into the commercial marketplace and raising at least $27.95 billion for national priorities.

What are those national priorities? In short, they are deficit reduction and public safety—two things I'm sure every Member of this Subcommittee holds as priorities. Regarding the former, our incentive auctions hold the promise of raising more than $20 billion for deficit reduction. Indeed, Congress counted on us raising this money when it passed the Spectrum Act, so if the Commission fails to follow through, we will be responsible for increasing the budget deficit.

As for public safety, successful spectrum auctions will provide money for key public safety priorities, such as the First Responder Network Authority's (FirstNet's) build-out of a nationwide,

interoperable public safety broadband network. That $7 billion build-out makes good on the recommendation of the 9/11 Commission that first responders need interoperable communications systems in times of disaster. The Spectrum Act also set aside up to $135 million for state and local public safety officials, up to $300 million to advance the research and development of wireless public safety communications, and up to $115 million for the deployment of next-generation 911 (NG911). Under the law, all of this funding will be realized only if the net revenues of our wireless auctions are at least $27.95 billion.

Given these important national priorities, we need to aim high. The H Block auction was a first step towards those goals, but a chunk of the money raised there will pay for running our auctions program. We still have about $27 billion to go.

The next step towards raising these needed funds will be the auctioning of federal spectrum as required by the Spectrum Act. Most important to that effort are two bands of spectrum, 1755–1780 MHz paired with 2155–2180 MHz, that will hopefully become part of a new AWS-3 service. These bands are already internationally harmonized for commercial use, which means deployment will be swifter and cheaper than other options. That also means carriers are likely to bid more for this spectrum, which can lead to greater net revenues for the national priorities I described above.

Note that I said "hopefully." Under the Commercial Spectrum Enhancement Act, the Commission can only assign commercial licenses for this spectrum if the revenues from the auction exceed 110 percent of the costs of relocating federal users out of that spectrum and coordinating with those that remain. And the best way to make sure that we hit that mark and push that spectrum out into the marketplace is to invite all carriers to participate in the auction and offer a band plan that incentivizes the carriers to bid up the spectrum without restraint.

One further note on this band: I regret that we will not be bringing all of this spectrum to the marketplace free and clear from interference by incumbent federal users. Clearing 1755–1780 MHz of federal users would be the best way to maximize the value of spectrum, both at auction and for consumers. That's what we did ten years ago when we created the AWS-1 band that is so important to mobile broadband today, and that's why the Spectrum Act puts a thumb on the scale for clearing and allows sharing only if clearing is "not feasible because of technical or cost constraints." But it appears that the decision has been made that clearing is not feasible at this point. I therefore hope that the government will do its part for the public, publishing specific and detailed transition plans as early as possible and coordinating with carriers quickly so that this spectrum can be put to use soon.

After this auction of federal spectrum in the fall, the broadcast incentive auction will be the Commission's best opportunity to push a large amount of spectrum well-suited for mobile broadband into the commercial marketplace and raise the billions we need. With this auction, television broadcasters will have the opportunity to relinquish their spectrum that wireless carriers will then have the opportunity to purchase, with the bid-ask spread (i.e., the net revenues) going to the Treasury once the Commission has paid for the relocation expenses of broadcasters remaining in business.

As the Commission moves forward on incentive auctions, I believe that five principles should guide our work. *First*, we must be faithful to the statute. It is our job to implement the Spectrum Act, not to rewrite it to conform to our policy preferences. *Second*, we must respect the laws of physics. Our band plan and approach to repacking must work from an engineering perspective. *Third*, we must be fair to all stakeholders. This is especially important because the incentive auction will fail unless both broadcasters and wireless carriers choose to participate. *Fourth*, we must keep our rules as simple as possible. The broadcast incentive auction is inherently complicated; unnecessary complexities are likely to deter participation. And *fifth*, we need to complete this proceeding in a reasonable timeframe. Prolonged uncertainty is not good for anyone.

My greatest worry regarding the incentive auction, at this point, is about participation. In order for the incentive auction to be successful, we will need robust participation by broadcasters and wireless carriers alike. But right now, I am concerned that the Commission will make unwise policy choices that will deter participation in both the reverse and forward auctions. My position on the reverse auction is simple. Prices paid to broadcasters should be determined by the market. The Commission should not set them by administrative fiat. The Commission should not deter broadcaster participation through a complicated "scoring" scheme that tries to prejudge the compensation television station owners should receive. Any attempt to restrict payments to broadcasters will prove to be penny-wise and pound-foolish. Indeed, without sufficient broadcaster participation, the entire incentive auction will fail.

And on the forward auction, the Commission should not limit carriers' ability to participate, such as by setting a spectrum cap or narrowing the spectrum screen despite the significant competition that exists in the wireless market. The inevitable effect of such a policy would be less spectrum for mobile broadband, less funding for national priorities, a higher budget deficit, and an increased chance of a failed auction. With a $27.95 billion target, we cannot let this auction fail.

Finally, there's one last piece of spectrum I'm excited to discuss: the 5 GHz band. Although we are not planning to auction this spectrum, it can—and I believe will—be of substantial value to the American economy. The 5 GHz band is tailor-made for the next generation of Wi-Fi. Its propagation characteristics minimize interference in the band and the wide, contiguous blocks of 5 GHz spectrum allow for extremely fast connections, with throughput reaching 1 gigabit per second. The technical standard to accomplish this, 802.11ac, already exists, and devices implementing it are already being built. All of this means we can rapidly realize these benefits: more robust and ubiquitous wireless coverage for consumers; more manageable networks for providers; a new test bed for innovative application developers; and other benefits we can't even conceive today.

Following the instructions set forth by Congress in the Spectrum Act, the Commission launched a rulemaking last year to make up to 195 MHz of additional spectrum in the 5 GHz band available for unlicensed use. We also proposed to allow greater utilization of those segments of the 5 GHz band already available for unlicensed use. Last summer, I urged the FCC to move forward with its 5 GHz proceeding in stages, addressing the easier questions (such as how to modify the service rules for the U-NII-1 band) before moving on to the hard ones.

And at the end of this month the Commission will be taking action. Although I cannot comment on specifics, I can say that I am pleased that we will be making the band attractive for commercial Wi-Fi while safeguarding incumbent users. That means better, faster devices for consumers, which is all the more important given the growing congestion in the 2.4 GHz band (which consumers right now commonly rely upon for Wi-Fi access).

Universal Service Fund.—Another big ticket item in the Commission's budget is the Universal Service Fund, which disbursed over $8.36 billion last year. The Fund contains four separate programs, three of which are capped. The high-cost program has a yearly budget of $4.5 billion, which is used to keep rural telephone rates "affordable" and deploy broadband to areas where the competitive market would not otherwise go. The E-Rate program, which supports schools and libraries, had a $2.38 billion cap last year, which is adjusted each year for inflation. And the rural healthcare program is capped at $400 million, but spending totaled only $157 million last year. The only uncapped program is the Lifeline program, which disbursed $1.79 billion last year, more than double the $817 million disbursed in 2008. In addition to these disbursements, the Fund spent $109 million in 2013 on administrative costs (not including the costs of Commission staff overseeing the program), with the majority ($65.6 million) dedicated to administering the E-Rate program. My testimony will focus on the high-cost program and the E-Rate program.

High-Cost.—The Communications Act of 1934 makes an important promise in its very first sentence: Congress created the Federal Communications Commission to "make available, so far as

possible, to all the people of the United States . . . a rapid, efficient, Nation-wide, and world-wide wire and radio communication service with adequate facilities at reasonable charges." We at the FCC take this promise seriously. That is one reason why the Commission adopted the 2011 *Universal Service Transformation Order*, which reoriented the Fund away from supporting telephone service and toward supporting next-generation, broadband-capable networks.

Fortunately, it looks like the Commission will soon be crossing one obstacle to rural investment off its books: the quantile regression analysis (QRA) benchmarks. For over a year, I and many others have warned that the QRA benchmarks have increased regulatory uncertainty, chilled the investment climate, and impeded the deployment of broadband to rural Americans. That said, the benchmarks have been the law for over two years so it was no small matter when Chairman Wheeler announced a change of course in December. Ending regulatory uncertainty is the right thing to do, especially given that the QRA benchmarks did not save the Fund one dollar. I am hopeful that ending the QRA benchmarks means that bringing next-generation technologies to our nation's rural citizens will be a priority during Chairman Wheeler's tenure, and I look forward to continue working with him to make that happen.

But sometimes it seems that every step forward for rural America is accompanied by a step back. I am concerned about another aspect of the *Universal Service Transformation Order* that is likely to have serious and unfortunate consequences for rural consumers: the so-called "rate floor," which was adopted before Chairman Wheeler or I arrived at the Commission. The rate floor was designed to reduce "excessive subsidies for basic phone service," but in fact it increases the state-set rates rural consumers pay *without* reducing the subsidies that carriers receive. Specifically, the rate floor offers certain rural telephone companies federal universal service dollars to increase customers' phone bills. So if a company increases its rates by a dollar, it'll receive an extra dollar for per line from the Fund.

And these rate hikes are not *de minimis*. Today, the rate floor is $14 per month, but it is set to go up to $20.46 on July 1 under the terms of the *Universal Service Transformation Order*. That's a 46 percent jump for rural consumers, many of whom are still waiting for the economic recovery to arrive. And for small carriers, it may mean more serious financial problems. Such a rate shock could send customers off the network entirely, which means further uncertainty about the economics of investing in rural America. We should not be adding to the challenges our fellow citizens face in rural America. Instead, I hope the Commission will soon freeze the rate floor indefinitely and reexamine this policy.

There are other steps that we must take to follow up on the promise of universal service. For example, we have yet to implement Phase II of the Connect America Fund, which is the FCC's primary vehicle for delivering broadband to the millions of rural Americans without it. The second phase was supposed to commence at the beginning of 2013 but it looks like it won't start until 2015 at the earliest. Given that the Wireline Competition Bureau has been doing yeoman's work to complete the model necessary for that effort—and given the urgent need for broadband in the country—we should aim to make sure that effort does not fall further behind. That means setting out the competitive bidding process that will occur in areas where price-cap carriers decline Connect America Fund support sooner rather than later because no part of rural America should miss the broadband revolution while waiting for the regulatory dust to settle.

Similarly, it is time for the Commission to start moving forward with a Connect America Fund for rate-of-return carriers. In constructing that fund, we must recognize that broadband operators in rural America today face unique challenges. Rural carriers must carefully plan their infrastructure over a ten- or twenty-year time scale if they are to recover their costs. Indeed, Congress embedded this principle into section 254 of the Act, including a statutory command that universal service support be "predictable." What is more, line loss in rural America is real. As such, we must recognize that direct support for broadband-capable facilities, within the existing budget, is critical.

E-Rate.—I am hopeful that, in the next few months, we will bring about real reform of that program. Established at the direction of Congress 18 years ago, the E-Rate program is intended to bring advanced communications services to schools and libraries across America.

In many ways, the E-Rate program has been a success. Internet access in public schools has almost tripled, and speeds have grown alongside availability. For example, a 2010 FCC survey showed that 22 percent of respondents were "completely" satisfied and another 58 percent were "mostly" satisfied with the bandwidth they're getting. And just last year, 87 percent of educators responding to an independent survey reported that "access to adequate bandwidth is available for robust communication, administrative and instructional needs" in "all" or "most" classrooms on a school campus.

But like all federal programs, E-Rate has had its share of difficulties. For applicants, the funding process from start to finish can stretch for years. To navigate arcane steps like Form 470 competitive bidding, Form 471 Program Integrity Assurance review, and the Form 500 commitment adjustment process, schools must enlist specialized E-Rate consultants, draining scarce dollars away from students and technology.

For parents, the process is so opaque that they cannot know ahead of time how much funding their child's school might receive and cannot track whether it is actually spent on enriching the education of their kids.

For school boards, E-Rate's "priority" system (under which things like paging and Blackberry services for administrators get prioritized over connecting a classroom to the Internet) distorts their spending decisions since some services are discounted by up to 90 percent while others may or may not receive any discount in a given funding year.

For government watchdogs, there's plenty of waste and abuse to worry about. For example, one Brooklyn school has gotten millions of E-Rate dollars over the years including money for Internet access services—even though the students are not allowed to use the Internet.

And for everyone with a phone line, and who hence contributes to the program, it's hard to tell what bang we're getting for our universal service buck—there is no meaningful transparency with respect to E-Rate spending and no real information on the impact of that spending.

There is a better way—one which would focus the E-Rate program on children. To create a student-centered E-Rate program, we need to fundamentally rethink how we structure the program. That means starting each school and library with an upfront allocation of funding so they know how much they can spend and can plan accordingly (a concept a Subcommittee like this one should appreciate). That means establishing a meaningful matching requirement so that schools and libraries have a strong incentive not to waste money. That means cutting the red tape so that the initial application is just one page and there's only one other form needed before funds are disbursed. That means targeting funding at next-generation technologies like broadband and Wi-Fi while still letting local schools set their own priorities. And that means publishing all funding and spending decisions on an easily accessible, central website so that every parent, every journalist, every government watchdog, every American can see just how E-Rate funds are being spent.

The student-centered E-Rate program I have outlined (a summary is appended to this testimony) would fulfill E-Rate's statutory mission of bringing advanced services to schools and libraries across the country. It would reduce waste, fraud, and abuse in the program and increase transparency and accountability. By streamlining the rules, we would also reduce the need for administrative overhead, saving the government millions more. And it would free an extra $1 billion for next-generation services in its first year ($600 million of which is currently spent each year on basic telephone service and other outdated technologies), all without collecting an extra dime from the American people.

Given the potential savings at hand, I do not support increasing the program's budget at this time, and I am pleased that Chairman Wheeler appears to be on the same page. For example, last week he said that "[s]imply sending more money to the E-Rate program to keep doing business as it has been for the last 18 years is not a sustainable strategy." I concur. Indeed, under no circumstances should we increase the size of the E-Rate program without finding corresponding new savings elsewhere in the Universal Service Fund. We cannot ask Americans to pay even more in their monthly phone bills, especially when median household income in this country is lower than it was in 2007.

If we are willing to make the "hard decisions," as Chairman Wheeler has put it, I believe that real reform of the E-Rate program can become a reality. A student-centered E-Rate program—that's what teachers and librarians need, and that's what America's students and parents are counting on us to deliver.

Infrastructure Investment.—Removing regulatory barriers to the deployment of infrastructure is another Commission priority. To give entrepreneurs, investors, and innovators the regulatory certainty they need to invest in next-generation infrastructure, we need to make sure that we are not saddling them with last-generation rules. That means hastening the IP Transition and facilitating wireless infrastructure deployment.

IP Transition.—Almost every segment of the communications industry is competing to offer newer, faster, and better broadband services. Telecommunications carriers are upgrading DSL with IP-based technology and fiber. Cable operators have deployed DOCSIS 3.0 to increase bandwidth tenfold. Satellite providers are offering 12 megabit packages in parts of the country that never dreamed of such speeds. And millions of Americans—many of whom don't subscribe to fixed broadband service at home—now have access to the Internet on the go using the mobile spectrum the Commission auctioned back in 2006 and 2008. Indeed, according to the State Broadband Initiative of the National Telecommunications and Information Administration, 98.8 percent of Americans had access to high-speed broadband as of December 2012. The common thread knitting all of these changes together is the Internet Protocol (IP), a near-universal way to route and transmit data.

What are the results of all this competition? More choices for consumers, and major challenges to old business models. Thirty years ago, most American consumers had access to one network largely run by one carrier, Ma Bell. Today, Americans are fleeing the copper network. 33.6 million Americans dropped their copper landlines over the past four years. About one in seven households with plain old telephone service over the public-switched telephone network (PSTN) dropped their service last year alone. And competition is rampant: 99.6 percent of Americans can choose from at least three wireline competitors, and 92 percent can choose from *10 or more*. The evidence also shows that consumers are in fact exercising that choice: Interconnected VoIP providers added 14.6 million subscriptions over the last four years. Essentially, voice is becoming just another application riding over the Internet.

Over a year ago, I called on the Commission to move forward with an All-IP Pilot Program, one that would give forward-looking companies a path to turn off their old TDM electronics in a discrete set of wire centers and migrate customers to an all-IP platform. Why? Because we cannot continue requiring service providers to invest in both old networks and new networks forever. Every dollar that is spent maintaining the networks of yesterday is a dollar that can't be invested in building and upgrading the networks of tomorrow. Our goal should be to maximize investment in IP infrastructure so that high-speed broadband extends to every corner of our country.

I am pleased that, under Chairman Wheeler's leadership, the Commission adopted an order establishing an All-IP Pilot Program consistent with the four guidelines I set forth last year. *First*, carrier participation should be voluntary—and the order announced that "no provider will be forced to participate in an experiment." *Second*, trials should reflect the geographic and demographic diversity of our nation—and the order sought "experiments that cover areas with different population densities and demographics, different topologies, and/or different seasonal and meteorological conditions." *Third*, no one can be left behind—and the order declared that "no consumer [may] lose[] access to service or critical

functionalities" and that residential and business customers must receive "clear, timely, and sufficient notice of any service-based experiment." And *fourth*, we must be able to evaluate an all-IP trial with empirical data—and the order sought "experiments that collect and provide to the Commission data on key attributes of IP-based services." With these core principles in place, I am optimistic that the trials will be a success.

I am especially happy that the All-IP Pilot Program is moving forward on a unanimous, bipartisan basis. As I said last year, this isn't an issue that divides the left from the right or Republicans from Democrats. Accordingly, the order reflects our consensus that companies should have the opportunity to go all-IP. What is more, the order demonstrates that reaching an agreement does not mean compromising your values. I look forward to continuing our collaborations as we assess the proposed trials that are already coming in.

Of course, preparing for the IP Transition does not end with conducting an All-IP Pilot Program. We also need to take a hard look our regulations in light of the coming transition, if for no other reason than that the private sector needs flexibility to make investment decisions based on consumer demand, not outdated regulatory mandates. Accordingly, I believe four principles should shape our approach to the overall transition.

First, we must ensure that vital consumer protections remain in place. For example, when consumers dial 911, they need to reach emergency personnel; it shouldn't matter whether they are using the PSTN, a VoIP application, or a wireless phone. The same goes for consumer privacy protections and antifraud measures like our slamming rules. *Second*, we must not import the broken, burdensome economic regulations of the PSTN into an all-IP world. No tariffs. No arcane cost studies. And no hidden subsidies that distort competition to benefit companies, not consumers. We must also repeal the old-world regulations such as retail tariffing that no longer make sense in a competitive all-IP world. While they remain on the books, wholesale expansion to IP may just be too tempting. *Third*, we must retain the ability to combat discrete market failures and protect consumers from anticompetitive harm. *Fourth*, we must respect the limits of the Communications Act and not overstep our authority. If the law does not give us the authority to act, we must turn back to Congress for guidance rather than venturing forth on our own.

Wireless Infrastructure.—Along with ending the economic regulations that deter wireline infrastructure investment and delay the deployment of next-generation networks, we need to address the business and technical challenges of deploying wireless broadband. Building a wireless network is expensive enough, but numerous federal, state, and municipal regulations can make further deployment difficult or even prohibitive. To be sure, some oversight is necessary to ensure sound engineering and safety and to respect environmental, historical, and cultural concerns. But many procedures simply frustrate, rather than facilitate, deployment. That ultimately harms consumers who are denied better and cheaper wireless services.

I am therefore pleased that the Commission moved forward last September with a Notice of Proposed Rulemaking seeking comment on a variety of ideas for reducing regulatory barriers to the construction of wireless infrastructure. In particular, I'd like to highlight three of them in my testimony this morning.

First, we should make clear that local moratoria on the approval of new wireless infrastructure violate federal law. The FCC has already put in place a shot clock for localities to address tower siting permits and other building applications. Prohibiting moratoria would address the tactic some localities have used to evade those deadlines by adopting an indefinite "time out" on the approval of wireless infrastructure.

Second, we should modernize our rules to exempt distributed antenna systems (DAS) and small cells from our environmental processing requirements, except for rules involving radio frequency

emissions. Given their small size and appearance—some small cell equipment can fit in the palm of your hand, for instance—there is no reason to subject DAS and small cells to the same environmental review process as a 200-foot tower. We should similarly update our historic preservation rules, which add yet more regulatory requirements, in order to facilitate the deployment of DAS and small cells. It bears noting that the greater the deployment of wireless infrastructure like this, the less reliance carriers (and hence consumers) must place on larger, "macro" cell sites and the less power networks and devices will consume.

Third, we should address what happens when a local government doesn't comply with our shot clock. Currently, if a city does not process an application within 150 days, the only remedy is to file a lawsuit. This increases delay and diverts investments away from networks. To fix this problem, we should supplement our shot clocks with a backstop: If a locality doesn't act on a wireless facilities application by the end of the time limit, the application should be deemed granted. (As a legal matter, I believe the FCC has this authority following the Supreme Court's decision last May in *City of Arlington, Texas v. FCC*.)

There are also other steps that the Commission can take to hasten the deployment of wireless infrastructure. For example, we have sought comment on clarifying the scope and meaning of section 6409(a) of the Spectrum Act, which prohibits state and local governments from denying certain collocation requests. I hope that we make appropriate clarifications in the near term. And we are looking for ways to expedite the deployment of infrastructure to implement positive train control, as required by the Rail Safety Improvement Act of 2008. I support moving forward on all these fronts swiftly; the American public deserves no less.

Net Neutrality.—Given the amount of work the Commission must do to remove regulatory barriers to infrastructure investment, I hope that we do not divert our attention to promulgating rules that may in fact erect new barriers. I am of course talking about "net neutrality," which has apparently returned to the FCC's agenda after the courts ruled—for the second time in four years—that the FCC exceeded its authority in attempting to regulate the network management practices of Internet service providers.

Without delving too far into the subject, let me say this. For over a decade, the nation's broadband infrastructure has been governed by four Internet Freedoms, set forth by then-FCC Chairman Michael Powell. *First*, consumers should have their choice of legal content. *Second*, consumers should be able to run applications of their choice. *Third*, consumers should be permitted to attach any devices they choose to the connection in their homes. And *fourth*, consumers should receive meaningful information regarding their service plans. Although our nation's broadband marketplace is dynamic and rapidly evolving, these four freedoms have remained vibrant throughout—they are in a sense the pillars, the foundation of the market—and they have long received bipartisan support.

With those principles already entrenched, the FCC should stay its hand and refrain from any further attempt to micromanage how broadband providers run their networks. Such restraint is the best way to ensure that the market—and hence consumers—dictate the future of the Internet. This, in turn, will encourage innovation throughout the entire Internet ecosystem and incentivize the continued deployment of high-speed, quality broadband service. Our goal should be to connect all Americans with smart networks, not to enact rules that require networks to be dumb pipes. So let's recognize net neutrality for what it is: an unnecessary distraction from the pressing need to end regulatory barriers that stand in the way of ubiquitous broadband.

Media Marketplace.—The media landscape has undergone revolutionary change in the last few decades. But the FCC's rules have not kept pace with the realities of the marketplace. Accordingly, since joining the Commission, I have advocated updating our regulations on a variety of fronts while at the same time preserving the Commission's commitment to the core values of competition, diversity, and

localism. Today I will focus on two aspects of our work: reviewing our media ownership rules and revitalizing the AM radio band.

Media Ownership.—The Commission is required by law to review its media ownership regulations every four years. This cycle's review began in September of 2009 as we announced a series of workshops to begin gathering information from various stakeholders. Now, more than four years later, our review is still not complete. The time has come for us to launch our next review, but we have not yet finished the last one. This is unacceptable and shows a troubling disregard for our legal obligations. We should bring the current quadrennial review to a close at the Commission's March 31 meeting.

We should make sensible reforms to our rules so that they reflect the marketplace realities of 2014 rather than those of 1975. For example, I supported then-Chairman Julius Genachowski's proposal to eliminate the newspaper-radio and radio-television cross-ownership rules. I also believe that the time has come to eliminate the newspaper-television cross-ownership rule. In this day and age, if you want to operate a newspaper, we should be thanking you, not placing regulatory barriers in your path. I am a realist and understand that whatever reforms we end up implementing will not go as far as I might prefer. But I do believe that we should be able to find common ground and move forward with some sensible reforms.

Unfortunately, it appears that the Commission is set on tightening our media ownership rules in a piecemeal fashion rather than engage in the holistic review that Congress envisioned. Most disturbing is a proposal to make Joint Sales Agreements (JSAs) attributable under our local television ownership rule. As broadcasters' share of the advertising market has shrunk in the digital age, television stations must be able to enter into innovative, pro-competitive arrangements in order to operate efficiently.

JSAs allow stations to save costs and to provide the services that we should want television broadcasters to offer, particularly in our nation's mid-sized and small media markets. In my home state, for example, a JSA between two Wichita stations enabled the Entravision station, a Univision affiliate, to introduce the only Spanish-language local news in Kansas. Across the border in Joplin, Missouri, a JSA between Nexstar and Mission Broadcasting not only led to expanded news programming in that market but also nearly $3.5 million in capital investment. Some of that money was spent upgrading the stations' Doppler Radio system, which probably saved lives when a devastating tornado destroyed much of Joplin in 2011.

JSAs are also an important tool for enabling minority ownership of television broadcasters. Although the Commission has not studied the link between joint sales agreements and ownership diversity, my office's own review estimated that 43 percent of female-owned and 75 percent of African-American-owned full-power commercial television stations currently are parties to JSAs. For example, WLOO serves the Jackson, Mississippi market and is owned by Tougaloo College, a historically African-American college. WLOO is also party to a JSA with another Mississippi station, WDBD, which, in the words of WLOO's general manager, "has permitted WLOO to become a real success story, enabling a new, minority station owner to reinvigorate this station and expand its local services." Without the JSA, WLOO reports that it would have to stop creating locally-produced programming so that it could redirect that money to hiring a small sales staff, and its general manager is worried that it may not have the funding to survive an equipment failure.

For stations in smaller markets like Wichita, Joplin, and Jackson, the choice isn't between JSAs or having both television stations operating vibrantly on an independent basis. Rather, the real choice is between JSAs and having at most one television station continue to provide news programming while the other does not. Indeed, the economics suggest that there likely will be fewer television stations, period.

Another piecemeal change to our media ownership rules was teed up in September with an NPRM proposing to eliminate the UHF discount portion of our national television ownership rule. Given the transition from analog to digital television, there is a strong case for ending the UHF discount; UHF

signals are not inferior to VHF signals in the digital world. Unfortunately, the Commission's NPRM went about it the wrong way.

We should not modify the UHF discount without simultaneously reviewing the national audience cap, which currently stands at 39 percent. The NPRM recognized the interdependent relationship between the national audience cap and the UHF discount, acknowledging that "elimination of the UHF discount would impact the calculation of nationwide audience reach for broadcast station groups with UHF stations." Or, to put the matter succinctly, eliminating the UHF discount would substantially tighten the national ownership limit. For example, one company that is now more than 19 percentage points under the cap would be only three points below the cap if the UHF discount were eliminated.

I was therefore disappointed that we proposed to end the UHF discount without asking whether it is time to raise the 39 percent cap. Indeed, this step is long overdue, notwithstanding *any* change to the UHF discount. The Commission has not formally addressed the appropriate level of the national audience cap since its 2002 Biennial Review Order, and it has been about a decade since the 39 percent cap was established. The media landscape is dramatically different today than it was then, and I wish that the NPRM had addressed the national television rule in a comprehensive manner.

AM Radio.—This past October, the Commission launched an AM Radio Revitalization Initiative, something I had championed for more than a year. It's been over two decades since we last comprehensively reviewed our AM radio rules. Over that time, the AM band has struggled. Interference problems, declining listenership, financial challenges for minority-owned broadcasters, and other factors have brought the band low. But millions of Americans—myself included—still rely on and believe in AM radio. So this initiative is close to my heart.

The Commission's NPRM embraced a sensible two-stage strategy for improving AM radio service. *First*, we proposed several ways to give AM broadcasters relief in the short term. For instance, we suggested a number of changes to our technical regulations, such as eliminating the "ratchet rule," which effectively prevents AM broadcasters from improving their facilities. And perhaps most importantly, we sought public input on letting AM stations apply for new FM translators so that it is easier for them to reach listeners with a quality signal. I'm the first to acknowledge that these and other proposals will not be an immediate panacea for the difficulties confronting the AM band. But based on the conversations I have had with AM broadcasters across the country during the past year, I am convinced that they can make a substantial, positive difference to numerous AM stations.

Second, we also invited the American public and stakeholders to share their proposals for the long-term future of the AM band. What steps can the Commission take so that there will be a vibrant AM radio service ten or fifteen years from now?

The comment cycle closed last week, and we received many insightful and creative submissions from broadcasters, engineers, and others with an interest in AM radio. While we continue to review those comments, I am optimistic that the Commission will act quickly to implement an initial set of reforms to help the AM band. Indeed, my office's quick review of the comments that were filed suggests overwhelming support for many of the Commission's proposals.

Connecting Americans to 911.—Federal law designates 911 as "the universal emergency telephone number within the United States for reporting an emergency to appropriate authorities and requesting assistance." So when Americans dial 911, they expect and deserve to reach emergency personnel who can assist them in their time of need. Unfortunately, a recent tragedy shows that this is not always the case.

On December 1, Kari Rene Hunt Dunn met her estranged husband in a Marshall, Texas hotel room so that he could visit their three children, ages nine, four, and three. During that encounter, Kari's husband forced her into the bathroom and began stabbing her. Kari's nine-year-old daughter did exactly what every child is taught to do during an emergency. She picked up the phone and dialed 911. The call

didn't go through, so she tried again. And again. And again. All in all, she dialed 911 *four times*—but she never reached emergency personnel. Why? Because the hotel's phone system required her to dial 9 to get an outside line. Tragically, Kari died as a result of this vicious attack. Kari's daughter behaved heroically under horrific circumstances. But the hotel's phone system failed her, her mother, and her entire family.

At first, I was shocked to hear that such a situation could exist. But when you think about it, it's probably the case in many places—hotels, office buildings, college campuses, and schools—that use "multiline telephone systems" or MLTS. But the truth of the matter is that we don't know the extent of the problem. That's why I launched an inquiry in January to gather the facts. As a first step, I sent a letter to the CEOs of the ten largest hotel chains in America. As we continue to examine the information provided by those companies, I am encouraged by their willingness to respond and work with us to ensure everyone can reach a 911 operator when they need to. I am also encouraged that the American Hotel and Lodging Association, which represents nine of the top ten chains and many, many more hotels and motels, has convened an internal task force to address the issue.

So what is the issue, precisely? In the case of Kari Hunt Dunn, it was what we call the "Direct Dial" issue—whether somebody picks up on the other end if you dial 911. But there are a couple of accompanying issues that come along with it. First is the question of *who* should pick up the other end of the line. Should it always be someone at the Public Safety Answering Point (PSAP)? Or in some buildings, should it be an on-site security office or front-desk clerk? And if the call does to go the PSAP, how does someone in the building find out that a call has been placed so that he or she can provide more immediate assistance or guide first responders to the correct room?

The second question is *location*. Do the first responders know where the call is coming from? In large office buildings or complexes, on college campuses, and in hotels, it's not enough for first responders to show up at the front door, if one even exists. Conveying accurate location information to these emergency personnel is critical. If someone calls 911 in this building, for instance, think about how long it could take EMTs to find a person in distress if they don't know exactly where to go.

We can't erase the tragedy that occurred in a Marshall, Texas hotel room last December. But we can work to prevent such tragedies from happening again, and that's what I am determined to do. I am confident that everyone here shares my belief that when an emergency strikes, people, whether in a hotel or office building, should be able to reach someone who can help.

Process Reform.—Before concluding, I would like to touch on a subject that affects all areas of the Commission's work: process reform. The U.S. House of Representatives recently passed the Federal Communications Commission Process Reform Act of 2013, H.R. 3675. I hope that this common-sense bill, as well as the Federal Communications Commission Consolidated Reporting Act of 2013, H.R. 2844, which the House of Representatives passed 415 to 0 back in September, will soon be enacted into law. Together, these bills squarely address the need to modernize the FCC to reflect our dynamic, converged communications marketplace. And they would eliminate outdated mandates on the agency, streamline its operations, and make it more accountable to the public. These are two pieces of straightforward, good-government legislation, and I hope that the President will soon have the opportunity to sign them.

The FCC, however, should not and need not sit still waiting for Congress to act. We should do what we can on our own to improve our internal processes. Our goal should be clear: The FCC should be as nimble as the industry that we oversee. All too often, proceedings at the Commission needlessly drag on for many years. I am encouraged that Chairman Wheeler has said that process reform is a priority, and many of the reforms proposed in last month's staff process reform report are a good starting point.

Indeed, a variety of reforms would improve the Commission's performance. We should streamline our internal processes where possible. For example, let's adopt a procedure akin to the U.S.

Supreme Court's *certiorari* process for handling applications for review—but one that maintains accountability by giving each of the five Commissioners the opportunity to bring a Bureau-level decision up for a Commission vote. Let's speed up our processing of smaller transactions. Let's establish more deadlines, such as a nine-month deadline for ruling on applications for review and petitions for reconsideration along with a six-month deadline for handling waiver requests—and let's ensure our internal calendar sets a schedule for getting those items prepared and circulated in time so that we can meet those deadlines. When we adopt industry-wide rules, let's more frequently use sunset clauses that require us to eventually revisit the wisdom of (and, if necessary, revise or repeal) those rules.

We should also become more transparent to the public and to Congress about how long it takes the Commission to do its work. One way to do this would be by creating an FCC Dashboard on our website that collects in one place key performance metrics. Let's keep track of how many petitions for reconsideration, applications for review, waiver requests, license renewal applications, and consumer complaints are pending at the Commission at any given time. And let's compare the current statistics in all these categories against those from a year ago, from five years ago, so everyone can see if we are headed in the right direction. If we make it easier for others to hold us accountable for our performance, I'm confident that we would act with more dispatch.

My emphasis on acting promptly is not just about good government. It is also about the impact that the FCC's decisions (or lack thereof) have on our economy. As the pace of technological change accelerates, so too must the pace at the Commission. We can't let regulatory inertia frustrate technological progress or deter innovation.

* * *

Finally, I should note that while all Commissioners are asked to vote on a budget proposed by the Chairman that is delivered to the Office of Management and Budget, I have never been asked to participate in the development of the agency's budget request. With that context in mind, I will do my best to respond to any questions you may have.

APPENDIX

A Student-Centered E-Rate Program

A student-centered E-Rate program focuses on five key goals:

1. Simplify the Program

- Schools need to fill out only two forms: an initial application and a report back on how the money was spent
- Initial application can be no more than one page
- USF administrator does all the calculations, reducing the burden on schools
- Less red tape means fewer delays, more predictability, and no need to hire consultants

2. Fairer Distribution of Funding

- Allocates E-Rate budget across every school in America; every school board and parent knows how much funding is available on day one
- Schools receive money on a per-student basis; funds follow students when they change schools
- Additional funds allocated for schools in rural and/or low-income areas as well as small schools to account for higher costs and different needs

3. Focus on Next-Generation Technologies for Kids

- Eliminates disincentive to spend money on connecting classrooms
- No more funding for stand-alone telephone service
- Students come first; funding directed only to instructional facilities, rather than non-educational buildings like bus garages
- Equal funding for all eligible services; local schools (not Washington) set priorities

4. More Transparency and Accountability

- Creates website where anyone can find out exactly how any school is spending E-Rate funds; enables parents, schools boards, press, and public to conduct effective oversight
- School district superintendent or school principal must certify that E-Rate funds were used to help students

5. Fiscal Responsibility

- Ends the "more you spend, more you get" phenomenon: Schools given fixed amount of money and must contribute at least one dollar for every three E-Rate dollars they receive
- Better incentives, reduced waste, and less red tape allows program to accomplish a lot more with the same amount of money; over $1 billion more in first year provided for next-generation technology
- Caps overall USF budget before any increase in E-Rate budget; any expansion in E-Rate must be accompanied by corresponding cuts elsewhere in USF

	Legacy E-Rate Program	Student-Centered E-Rate Program
Spending Priorities	• Prioritizes voice telephone service, long-distance calling, cellphone service, and paging ahead of connecting classrooms with broadband Internet access • Funding available for non-instructional facilities such as bus garages and sports stadiums	• Focuses on next-generation services; no funding for stand-alone telephony service • All eligible services treated equally (including connecting classrooms); local schools, not Washington, should set priorities • Students come first; funding directed only to instructional facilities
Process	• Complicated • Schools face up to 6 separate forms plus outside review by an approved planner • Schools must spend money on consultants to navigate web of rules such as the 28-day rule, the 2-in-5 rule, and discount calculations • Backlog of appeals stretches back a full decade	• Simple • Only 2 forms required; initial application is only one page • Streamlined rules eliminate need for consultants • USF Administrator does all the calculations
Funding Allocation	• Funding tied to discounts; higher-discount schools get more funding overall and funding for more services • Complex rules encourage arbitrage and gaming • Differences in spending among states and within states are largely arbitrary • >$400 million lost each year due to red tape	• Funding follows the student • Funding allocated to all schools based on student population, adjusted for challenges that schools in rural and low-income areas face • Additional allocation for very small schools and schools in remote areas like Alaska • Much less money lost as a result of red tape means more money for students
Financial Planning	• Funding available to a school may change dramatically from one year to the next • Funding tied to decisions of every other school in the country • Schools must bid out services before they know if funding is available • Funding not secured until months or even years after funding year starts	• Funding available immediately to all schools, independent of decisions made by other schools • Minimal fluctuations from one year to the next allow for long-term financial planning
Fiscal Responsibility	• The more you spend, the more you get • Some schools have little skin in the game by receiving up to a 90% discount • Priority and group-discount rules discourage long-term, efficient-scale purchasing • Cap on E-Rate but not overall Universal Service Fund	• Fixed pot of money for each school and matching requirement of one dollar for every three from E-Rate promotes prudent spending • Reducing wasteful spending allows the program to accomplish a lot more with the same amount of money; over $1 billion more provided in first year for next-generation technology • Cap overall Universal Service Fund before any increase in E-Rate budget
Transparency and Accountability	• Funding available to schools not disclosed until after the fact • Parents can't go online to see precisely how a school's E-Rate funds are being spent; online catalog just shows funding for each recipient divided into four broad categories • Relies on complicated rules and federal audits and investigations for accountability	• Funding available to schools publicly disclosed immediately to enable parents, school boards, press, and public to conduct local oversight • Schools to report online exactly what they're getting for E-Rate dollars; school administrators must certify it's spent on students • Transparency and local control are key; federal oversight a backstop
Relation to Libraries	• Libraries receive about 10% of E-Rate funding	• Libraries receive about 10% of E-Rate funding