FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF THE
CHAIRWOMAN

May 3, 2023

The Honorable Maria Cantwell
Chair
Committee on Commerce, Science, and Transportation
United States Senate
428 Dirksen Senate Office Building
Washington, DC 20510

Dear Madam Chair:

In the Secure and Trusted Communications Networks Act (the Act), Congress directed the Commission to establish the Secure and Trusted Communications Networks Reimbursement Program to advance our national security by supporting the removal, replacement, and disposal of communications equipment and services produced or provided by Huawei Technologies Company or ZTE Corporation from our nation's communications networks. The Commission has made the successful implementation of the Reimbursement Program one of its top priorities. Last year I provided five updates to Congress concerning the Commission's work to review and process the applications submitted to the Reimbursement Program.[1] I am now writing to keep you informed of the status of our work to administer the Reimbursement Program and upcoming deadlines under the Secure and Trusted Communications Networks Act and the Commission's rules.

As you may know, in order to apply for funding from the Reimbursement Program, eligible providers of advanced communications service were asked to file applications with the Commission. These applications were required to include a plan for the complete removal, replacement, and disposal of the Huawei and ZTE equipment and services in their networks; a timeline for completing that plan; and an initial estimate of costs associated with this effort under the Act. The Commission issued decisions approving and denying these applications on July 15, 2022.

As my prior correspondence noted, were the Commission to fund all reasonable and supported cost estimates in the approved applications, the Reimbursement Program would require approximately $4.98 billion, reflecting a $3.08 billion shortfall from the current

[1] Letter from Jessica Rosenworcel, Chairwoman, Federal Communications Commission, to The Honorable Frank Pallone, Jr., et al. (Feb. 4, 2022); Letter from Jessica Rosenworcel, Chairwoman, Federal Communications Commission, to The Honorable Gary C. Peters, et al. (May 20, 2022); Letter from Jessica Rosenworcel, Chairwoman, Federal Communications Commission, to The Honorable Frank Pallone, Jr., et al. (June 1, 2022); Letter from Jessica Rosenworcel, Chairwoman, Federal Communications Commission, to The Honorable Frank Pallone, Jr., et al. (June 15, 2022); Letter from Jessica Rosenworcel, Chairwoman, Federal Communications Commission, to The Honorable Frank Pallone, Jr., et al. (July 15, 2022).

appropriation of $1.9 billion. Because the demand for support exceeds the current appropriation, under the Act the Commission is required to allocate funding in specific way. As a result, the applicants with the greatest priority for funding are those that have two million or fewer customers (Priority 1). Priority 1 applicants sought approximately $4.64 billion in cost estimates that were deemed reasonable and supported. As this amount also exceeded available funding, the Commission's rules required that allocations of funding to Priority 1 applicants be prorated on an equal basis, consistent with the requirement of the Act that Reimbursement Program funding be distributed equitably.[2] The pro-rata factor applied was approximately 39.5 percent. No approved applicants fell within the next prioritization tier (Priority 2), which are applicants that are accredited public or private non-commercial educational institutions providing their own facilities-based educational broadband service. In the last prioritization tier (Priority 3), providers of advanced communications service with between two and ten million customers, there is only one applicant. In light of the current appropriation and demand in Priority 1, the applicant in Priority 3 will not receive any funding support.

There are important deadlines that are upcoming for those applicants approved for funding support in the Reimbursement Program. Under the Commission's rules, they are required to submit at least one reimbursement claim to the agency by July 15, 2023.[3] In addition, the Act requires that Reimbursement Program recipients complete the permanent removal, replacement, and disposal of Huawei and ZTE communications equipment and services in their networks within one year of the initial distribution of reimbursement funds to the recipient.[4]

With July 15, 2023 now less than three months away, the lack of an additional appropriation means that the Commission will need to plan to proceed with the prorated funding process described above. However, the Act does permit the Commission to grant a six-month extension of the removal, replacement, and disposal deadline for all recipients if the agency determines that the supply of needed equipment and services is inadequate to accomplish the Reimbursement Program's goals.[5] The Commission also has authority under the Act to grant individual extensions to qualified recipients that fail to meet the deadline "due to no fault of such recipient."[6]

As of April 24, 2023, reimbursement claim requests have been submitted for 52 of the 126 applications approved for the Reimbursement Program and the Commission has approved distributions of reimbursement funds for 38 of those applications, which now have deadlines to

---

[2] 47 U.S.C. § 1603(d)(5)(A) ("[T]he Commission shall make reasonable efforts to ensure that reimbursement funds are distributed equitably among all applicants for reimbursements under the Program according to the needs of the applicants, as identified by the applications of the applicants.").

[3] 47 CFR § 1.50004(g)(1) ("Within one year of the approval of its Reimbursement Program application, a recipient must file at least one reimbursement claim.").

[4] 47 U.S.C. § 1603(d)(6)(A).

[5] 47 U.S.C. § 1603(d)(6)(B).

[6] 47 U.S.C. § 1603(d)(6)(C).

remove all Huawei and ZTE communications equipment and services ranging from September 29, 2023 to April 21, 2024, based on the initial distribution of funds to the recipients. Deadlines to complete removal and replacement will continue to be set on an application-specific basis as additional reimbursement requests are submitted and approved.

While this process continues at the Commission in a manner consistent with the Act and our rules, many recipients report they will face difficulties completing the removal and replacement of vulnerable equipment in their networks as a result of the lack of sufficient funding. Some recipients may not begin actually removing this equipment until additional funding is appropriated. In light of this, and the need to ensure that our Nation's communications networks are free of this vulnerable and insecure equipment, the Commission stands ready to assist Congress in any efforts to fully fund the Reimbursement Program.

Finally, the Commission takes its duty to protect the Reimbursement Program from waste, fraud, and abuse very seriously, and has instituted internal controls to ensure that reimbursements are only approved pursuant to the requirements of the Act, the Commission's rules, and Reimbursement Program procedures. As required by the Act, the Commission has established a compliance plan for the Reimbursement Program, and plans to begin audits and field investigations that we expect to begin later this year.

I hope this information is helpful to you, and I look forward to continuing to work with you to achieve the goals of the Reimbursement Program and the essential task of securing our Nation's communications networks.

Sincerely,

Jessica Rosenworcel