

CRS Report for Congress

The Federal Communications Commission: Current Structure and its Role in the Changing Telecommunications Landscape

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Patricia Moloney Figliola
Specialist in Telecommunications and Internet Policy
Resources, Science, and Industry Division



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Summary

The Federal Communications Commission (FCC) is an independent Federal agency directly responsible to Congress. It was established by the Communications Act of 1934 (1934 Act) and is charged with regulating interstate and international communications by radio, television, wire, satellite, and cable. The mission of the FCC is to ensure that the American people have available — at reasonable cost and without discrimination — rapid, efficient, nation- and world-wide communication services; whether by radio, television, wire, satellite, or cable.

The FCC is funded through the Science, State, Justice, Commerce (House) and Commerce, Justice, Science (Senate) appropriations process as a single line item. H.R. 2862 was signed by President Bush on November 22, 2005 (P.L. 109-108). It includes \$289.771 million for the salaries and expenses of the FCC. Of the amounts provided, \$288.771 million is to be derived from offsetting fee collections, resulting in a net direct appropriation of \$1,000,000.

For FY2007, the House of Representatives has recommended a budget of \$294.261 million (of that figure, \$293.261 million is to be collected through regulatory fees, with a direct appropriation of \$1.0 million) (see H.Rept. 109-520). The Senate Committee on Appropriations has recommended a budget of \$301.500 million, all of which is to be collected through regulatory fees (i.e., no direct appropriation) (see S. Rept.109-280).

Although the FCC has restructured over the past few years to better reflect the industry, it is still required to adhere to the statutory requirements of its governing legislation, the Communications Act of 1934. The 1934 Act requires the FCC to regulate the various industry sectors differently. Some policymakers have been critical of the FCC and the manner in which it regulates various sectors of the telecommunications industry — telephone, cable television, radio and television broadcasting, and some aspects of the Internet. These policymakers, including some in Congress, have long called for varying degrees and types of reform to the FCC. Most proposals fall into two categories: (1) procedural changes made within the FCC or through Congressional action that would affect the agency's operations or (2) substantive policy changes requiring Congressional action that would affect how the agency regulates different services and industry sectors.

During the 110th Congress, policymakers may continue efforts begun in the 109th Congress to restructure the FCC.

This report will be updated as needed.

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Background

The Federal Communications Commission (FCC) is an independent Federal agency directly responsible to Congress. It was established by the Communications Act of 1934 (1934 Act or “Communications Act”)¹ and is charged with regulating interstate and international communications by radio, television, wire, satellite, and cable.² The mission of the FCC is to ensure that the American people have available, “without discrimination on the basis of race, color, religion, national origin, or sex, a rapid, efficient, Nationwide, and worldwide wire and radio communication service with adequate facilities at reasonable charges.”³

The 1934 Act is divided into titles and sections that describe various powers and concerns of the Commission:⁴

- Title I — FCC administration and powers. The 1934 Act originally called for a commission consisting of seven members, but that

¹ The Communications Act of 1934, 47 U.S.C. §151 et seq., has been amended numerous times, most significantly in recent years by the Telecommunications Act of 1996, P.L. 104-104, 110 Stat. 56 (1996). References in this report are to the 1934 Act, as amended, unless indicated. A compendium of communications-related laws is available from the House Committee on Energy and Commerce at [<http://energycommerce.house.gov/108/pubs/108-D.pdf>]. It includes selected Acts within the jurisdiction of the Committee, including the Communications Act of 1934, Telecommunications Act of 1996, Communications Satellite Act of 1962, National Telecommunications and Information Administration Organizations Act, Telephone Disclosure and Dispute Resolution Act, Communications Assistance for Law Enforcement Act, as well as additional communications statutes and selected provisions from the United States Code. The compendium was last amended on December 31, 2002.

² See About the FCC, available online at [<http://www.fcc.gov/aboutus.html>].

³ 47 U.S.C. §151.

⁴ When Congress established the FCC in 1934, it merged responsibilities previously assigned to the Federal Radio Commission, the Interstate Commerce Commission, and the Postmaster General into a single agency, divided into three bureaus, Broadcast, Telegraph, and Telephone. See Analysis of the Federal Communications Commission, Fritz Messere, available online at [<http://www.oswego.edu/~messere/FCC1.html>] and the Museum of Broadcast Communications Archive at [<http://www.museum.tv/archives/etv/F/htmlF/federalcommu/federalcommu.htm>] for additional information on the history of the FCC.

number was reduced to five in 1983. Commissioners are appointed by the President and approved by the Senate to serve five-year terms; the President designates one member to serve as chairman. No more than three commissioners may come from the political party of the President. Title I empowers the Commission to create divisions or bureaus responsible for specific work assigned and to structure itself as it chooses.

- Title II — Common carrier regulation, primarily telephone regulation, including circuit-switched telephone services offered by cable companies. Common carriers are communication companies that provide facilities for transmission but do not originate messages, such as telephone and microwave providers. The 1934 Act limits FCC regulation to interstate and international common carriers, although a joint federal-state board coordinates regulation between the FCC and state regulatory commissions.
- Title III — Broadcast station requirements. Much existing broadcast regulation was established prior to 1934 by the Federal Radio Commission and most provisions of the Radio Act of 1927 were subsumed into Title III of the 1934 Act. Sections 303-307 define many of the powers given to the FCC with respect to broadcasting; other sections define limitations placed upon it. For example, section 326 of Title III prevents the FCC from exercising censorship over broadcast stations. Also, parts of the U.S. code are linked to the Communications Act. For example, 18 U.S.C. 464 makes obscene or indecent language over a broadcast station illegal.
- Title IV — Procedural and administrative provisions, such as hearings, joint boards, judicial review of the FCC's orders, petitions, and inquiries.
- Title V — Penal provisions and forfeitures, such as violations of rules and regulations.
- Title VI — Cable communications, such as the use of cable channels and cable ownership restrictions, franchising, and video programming services provided by telephone companies.
- Title VII — Miscellaneous provisions and powers, such as war powers of the President, closed captioning of public service announcements, and telecommunications development fund.

FCC Structure

The FCC is directed by five Commissioners appointed by the President and confirmed by the Senate for five-year terms (except when filling an unexpired term). The President designates one of the Commissioners to serve as Chairperson. Only

three Commissioners may be members of the same political party. None of them can have a financial interest in any Commission-related business. The current Commissioners are Kevin Martin (Chairman, term expires November 2011); Jonathan Adelstein (term expires December 2009); Michael Copps (term expires December 2010); Deborah Taylor Tate (term expires June 2007); and Robert McDowell (term expires June 2009).⁵

The day-to-day functions of the FCC are carried out by six bureaus and 10 offices. The current structure of the FCC was established in 2002 as part of the agency's effort to better reflect the industries it regulates. The bureaus process applications for licenses and other filings, analyze complaints, conduct investigations, develop and implement regulatory programs, and participate in hearings, among other things. The offices provide support services. Bureaus and offices often collaborate when addressing FCC issues.⁶ The Bureaus hold the following responsibilities:

- Wireline Competition Bureau — Administers the FCC's policies concerning common carriers — the companies that provide long distance and local service to consumers and businesses. These companies provide services such as voice, data, and other telecommunication transmission services.
- Enforcement Bureau — Enforces FCC rules, orders, and authorizations.
- Wireless Telecommunications Bureau — Handles all FCC domestic wireless telecommunications programs and policies.⁷ Wireless communications services include cellular, paging, personal communications services, public safety, and other commercial and private radio services. This bureau also is responsible for implementing the competitive bidding authority for spectrum auctions.
- Media Bureau — Develops, recommends, and administers the policy and licensing programs relating to electronic media, including cable television, broadcast television and radio in the United States and its territories.
- Consumer & Governmental Affairs Bureau — Addresses all types of consumer-related matters from answering questions and

⁵ Additional information about the Commissioners can be found online at [<http://www.fcc.gov/commissioners/>].

⁶ FCC Fact Sheet, available online at [<http://www.fcc.gov/cgb/consumerfacts/aboutfcc.html>].

⁷ Except those involving satellite communications broadcasting, including licensing, enforcement, and regulatory functions. These functions are handled by the International Bureau.

responding to consumer complaints to distributing consumer education materials.

- International Bureau — Administers the FCC's international telecommunications policies and obligations.
- Public Safety and Homeland Security Bureau — Addresses issues such as public safety communications, alert and warning of U.S. citizens, continuity of government operations and continuity of operations planning, and disaster management coordination and outreach.⁸

The only FCC office that conducts regulatory proceedings is the Office of Engineering and Technology, which advises the FCC on engineering matters. However, the Office of Administrative Law Judges also conducts hearings and issues initial decisions. Other offices are the Office of Communication Business Opportunities, Office of the General Counsel, Office of the Inspector General, Office of Legislative Affairs, Office of the Managing Director, Office of Media Relations, Office of Strategic Planning and Policy Analysis, and Office of Workplace Diversity.⁹

FCC Budget

The FCC is funded through the Science, State, Justice, Commerce (House) and Commerce, Justice, Science (Senate) appropriations process as a single line item.¹⁰ Most of the FCC's budget is derived from regulatory fees collected by the agency rather than through a direct appropriation.

FY2007 Budget

On June 29, 2006, the House of Representatives recommended a budget of \$294.261 million; of that figure, \$293.261 million is to be collected through regulatory fees, with a direct appropriation of \$1.0 million (see H.Rept. 109-520). On July 11, 2006, the Senate Committee on Appropriations recommended a budget of \$301.500 million, all of which is to be collected through regulatory fees (i.e., no direct appropriation) (see S. Rept.109-280).

⁸ For additional information on this bureau, which was formally established in September 2006, please refer to [<http://www.fcc.gov/pshs/>].

⁹ Responsibilities of each of the offices is detailed online at the FCC website at [<http://www.fcc.gov/aboutus.html>].

¹⁰ For update-to-date status on the FCC section of the yearly Commerce-Justice-State Appropriations bill, see [<http://www.congress.gov/brbk/html/apcjs64.html>].

FY2006 Budget

H.R. 2862 was signed by President Bush on November 22, 2005 (P.L. 109-108). It includes \$289.771 million for the salaries and expenses of the FCC. Of the amounts provided, \$288.771 million is to be derived from offsetting fee collections, resulting in a net direct appropriation of \$1.0 million.¹¹ The direct appropriation to the Commission is significantly less than its budget because, pursuant to Title I, section 9 of the Communications Act of 1934, the FCC derives most of its funding through regulatory fees.¹²

Table 1 lists the total appropriation, direct appropriation, and regulatory fees offset for FY1999-FY2007.

Table 1: FCC Appropriations, FY1999-FY2007
(\$ in millions)

Fiscal Year	Total Appropriation		Direct Appropriation		Regulatory Fees Offset		
	Requested	Enacted	Requested	Enacted	Requested	Enacted	Actual
1999	212.9	192.0	40.4	19.5	172.5	172.5	172.5
2000	230.8	209.9	45.1	24.1	185.8	185.8	185.8
2001	237.1	230.0	37.0	29.9	200.1	200.1	200.1
2002	248.5	245.1	29.8	26.3	218.8	218.8	218.8
2003	278.1	271.0	29.9	2.0	248.2	269.0	265.7
2004	280.8	274.0	28.8	1.0	251.9	273.0	285.0
2005	293.0	281.1	20.0	1.0	273.0	280.1	292.9
2006	304.0	289.8	4.8	1.0	299.2	288.8	N/A
2007	327.5	N/A	26.0	N/A	301.5	N/A	N/A

Note: This table was compiled, in part, from figures provided by the FCC Office of Legislative Affairs and data from the FCC Budget.

FCC Strategic Plan

In 2003, the FCC adopted a five-year strategic plan promoting six goals relating to broadband, competition, spectrum, media, homeland security, and FCC

¹¹ See H.Rept. 109-272 (November 7, 2005). See also H.Rept. 109-118 (June 10, 2005) and S.Rept. 109-88 (June 23, 2005).

¹² A full discussion of the status of the FCC budget is available online at [<http://www.congress.gov/brbk/html/apcjs64.html>].

modernization. In September 2005, the FCC updated this plan with new descriptions of each goal and incorporating “public safety” into its homeland security goal.¹³

Broadband

All Americans should have affordable access to robust and reliable broadband products and services. Regulatory policies must promote technological neutrality, competition, investment, and innovation to ensure that broadband service providers have sufficient incentive to develop and offer such products and services.¹⁴

Competition

Competition in the provision of communications services, both domestically and overseas, supports the Nation’s economy. The competitive framework for communications services should foster innovation and offer consumers reliable, meaningful choice in affordable services.¹⁵

Spectrum

Efficient and effective use of non-federal spectrum domestically and internationally promotes the growth and rapid deployment of innovative and efficient communications technologies and services.¹⁶

Media

The Nation’s media regulations must promote competition and diversity and facilitate the transition to digital modes of delivery.¹⁷

Public Safety and Homeland Security

Communications during emergencies and crises must be available for public safety, health, defense, and emergency personnel, as well as all consumers in need. The Nation’s critical communications infrastructure must be reliable, interoperable, redundant, and rapidly restorable.¹⁸

¹³ The FCC Strategic Plans for FY2003-FY2008 and FY2006-FY2011 are available online at [<http://www.fcc.gov/omd/strategicplan/>]. The Strategic Plans provide a good reference for the background, mission, and general goals of the FCC. The Strategic Plan also contains a more detailed breakdown and discussion of each of the objectives that comprise each goal.

¹⁴ FCC Strategic Plan, FY2006-FY2011, p. 3

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Ibid.

FCC Modernization

The FCC shall strive to be a highly productive, adaptive, and innovative organization that maximizes the benefit to stakeholders, staff, and management from effective systems, processes, resources, and organizational culture.

Proposals for Change

Proposals for change at the FCC can be characterized as either “procedural” changes that focus on the manner in which the agency conducts its business or “substantial” changes that focus on the manner in which the FCC regulates the communications industry.

Potential Procedural Changes

Some of procedural changes under consideration would require new legislation (e.g., Sunshine rules), while others could be achieved through internal FCC action.

Adoption/Release of Orders. The FCC often adopts orders and issues press releases with a summary of the order weeks or even months prior to releasing the order itself. For example, the Triennial Review, which dealt with controversial issues relating to competition in the local telecommunications market, and the 800 MHz order, which dealt with controversial and technically complicated issues related to interference to public safety communications, were released six months and one month, respectively, after they were officially adopted by the Commission. Some congressional policymakers have discussed instituting a “shot clock,” which would require the FCC to issue the actual order within a set time frame after it adopts the order and issues a press release.

Sunshine Rules. Under current “sunshine laws,”¹⁹ only two commissioners may meet outside the construct of an official “open meeting.” While such a requirement, in theory, promotes open discussion of issues under consideration, in reality, most Commission business is conducted by circulating drafts of orders for comment. Further, the open meeting requirement may actually hinder discussion among the commissioners, especially in cases where the disagreement on the draft is significant. In such cases, it might be possible for further compromise if a third or fourth commissioner could be involved in the discussion. While the FCC cannot institute such changes without Congressional amendment to current sunshine requirements, it could be useful to study how other agencies, which do not employ

¹⁹ The Government in the Sunshine Act, P.L. 94-409, was passed in 1976. It requires that all federal agencies with units that work independently of each other hold their meetings in public session. The bill explicitly defined meetings as essentially any gathering. Many federal agencies, most notably the independent regulatory agencies, including the FCC, are headed by multiple commissioners. These agencies make most of their decisions through discussions and voting by the board or commission members. This law was created so that these meetings would be in the public domain for all to review. Additional information on this law is available online at [http://www.everything2.com/index.pl?node_id=1161139].

circulation as much as the FCC, work through contentious issues on their agendas. Senator Ted Stevens, Chairman of the Senate Committee on Commerce, Science, and Transportation, has stated that he believes the current sunshine requirements “push too much power to the staff, and it does not allow more than two commissioners to be in the same room at one time. . . it really is the sunshine law gone awry.”²⁰

On May 1, 2006, Senator Stevens introduced the Communications, Consumer’s Choice, and Broadband Deployment Act of 2006 (S. 2686). Section 1001 of the bill would allow the Commission to conduct a meeting that is not open to the public if the meeting is attended by all members of the Commission or “at least 1 member of the political party whose members are in the minority.” This provision, in effect, would allow meetings between 2 Commissioners as long as they are from different political parties.

Timeliness. Some of the basic work of the FCC affects the every day function of the telecommunication industry (e.g., license transfers for mergers and sales and license renewals). Some policymakers have expressed concern that these processes take too long to complete. Similar to views concerning more complicated regulatory actions such as rulemaking proceedings, these policymakers believe there should be a strict time limit on how long these actions may take to complete. Such time limits, they state, would provide further operational certainty within the industry.

Enforcement. Enforcement of agency rules is currently the responsibility of the FCC’s Enforcement Bureau. Previously, enforcement responsibilities were held by a division within each bureau. For example, enforcement of slamming was done by a division within what was then the Common Carrier Bureau (now called the Wireline Competition Bureau). Some policymakers have questioned whether the current “unified” structure is more effective than the previous “diversified” structure and have suggested studying the issue.

Potential Substantive Changes

While the changes discussed above could be made by the FCC absent Congressional action, other, more significant changes would likely require the passage of legislation. In fact, the FCC has restructured over the past few years to better reflect the telecommunications industry, but it is still required to adhere to the statutory requirements of its governing legislation, the Communications Act of 1934. Title I of the 1934 Act gives the FCC the authority to structure itself in the manner it believes will allow it to best fulfill its responsibilities; however, from a practical standpoint, the FCC may not be able to restructure to the extent needed to implement significant changes unless changes are made to the 1934 Act itself.

Some policymakers have been critical of the FCC and the manner in which it regulates various sectors of the telecommunications industry — telephone, cable

²⁰ “Stevens to Continue Listening Sessions, But Sees Telecommunications Bill by July,” Daily Report for Executives, No. 51, March 17, 2005, Page A-1. This article is available online at [<http://ippubs.bna.com/IP/BNA/der.nsf/SearchAllView/96C56942C092C93B85256FC70014F11F?Open&highlight=FCC,SUNSHINE>].

television, radio and television broadcasting, and some aspects of the Internet. These policymakers, including some in Congress, and various interest group and think tank experts, have long called for varying degrees and types of reform to the FCC. Some have called for significantly downsizing the agency by eliminating its regulatory functions and transforming it into an enforcement agency.²¹ Others have suggested abolishing the agency and parceling out its functions to other agencies.²² Others still call for more regulation (e.g., indecency).

For additional information about changes to the regulation of various telecommunications services, see CRS Report RS22444, *Net Neutrality: Background and Issues*, by Angele A. Gilroy, and CRS Report RL33034, *Telecommunications Act: Competition, Innovation, and Reform*, by Charles B. Goldfarb.

Recent FCC-Related Congressional Action

During the 109th Congress, there was much discussion regarding the possibility of updating the Communications Act and a number of hearings²³ and “listening sessions”²⁴ were held. In the Senate, the Committee on Commerce, Science, and Transportation eliminated its Subcommittee on Communications with the intention of considering any legislation to amend the Communications Act in the full committee. Many of the same issues are likely to resurface in the 110th Congress.

Legislation

One bill was introduced in the 109th Congress that would have directly affected the structure of the FCC. H.R. 2982, the FCC Reorganization Act, was introduced by Representative Albert Wynn and would have required the FCC to reorganize its bureaus to better carry out its regulatory functions. Specifically, the bill would have required the FCC to create bureaus to address spectrum management, government

²¹ See, for example, “How to Reform the FCC”, by Randolph J. May, June 21, 2004, available online at [http://news.com.com/How+to+reform+the+FCC/2010-1071_3-5236715.html].

²² For example, under such a scenario, the FCC would no longer be responsible for reviewing and approving mergers between companies; instead, the Department of Justice would provide anti-trust review. See, e.g., “Why the FCC Should Die,” by Declan McCullagh, June 7, 2004, available online at [<http://news.com.com/2010-1028-5226979.html>]; and “Law and Disorder in Cyberspace: Abolish the FCC and Let Common Law Rule the Telecosm,” 1997, information available online at [<http://www.phuber.com/huber/cl/cl.htm>].

²³ A complete list of hearings, along with associated testimony, for the Senate Committee on Science, Commerce, and Transportation is available online at [<http://commerce.senate.gov/hearings/index.cfm>].

²⁴ For further information on the listening sessions by the Senate Committee on Science, Commerce, and Transportation, see “Stevens to Continue Listening Sessions, But Sees Telecommunications Bill by July,” Daily Report for Executives, No. 51, March 17, 2005, Page A-1. This article is available online at [<http://ippubs.bna.com/IP/BNA/der.nsf/SearchAllView/96C56942C092C93B85256FC70014F11F>].

affairs and consumer education, economic regulations, public interest issues, broadcast content, licensing, enforcement, and international issues. The bill was referred to the Committee on Energy & Commerce on June 17, 2005, and the Subcommittee on Telecommunications and the Internet on July 1, 2005. No further action was taken.

Additionally, on May 1, 2006, Senator Stevens introduced the Communications, Consumer's Choice, and Broadband Deployment Act of 2006 (S. 2686). Section 1001 of the bill would have allowed the Commission to conduct a meeting that is not open to the public if the meeting was attended by all members of the Commission or "at least 1 member of the political party whose members are in the minority." Three hearings were held on this bill, but no further action was taken.

Other bills were also introduced that would have affected issues under the purview of the FCC, including, but not limited to, broadband regulation and deployment, indecent and violent programming, public interest obligations of broadcasters, spectrum allocation, and universal service. These issues are not within the scope of this report.

Hearings

On September 12, 2006, Chairman Kevin Martin testified at his renomination hearing before the Senate Committee on Commerce, Science, and Transportation. In his testimony, Chairman Martin discussed issues related to increasing broadband deployment, ensuring public safety and emergency response, serving people with disabilities, maintaining universal service, and managing the FCC. Committee members questioned Chairman Martin on media ownership and the increase in the unauthorized sale of customer data.

On April 26, 2005, Chairman Martin testified before the House Committee on Appropriations on the FY2006 FCC budget request.²⁵ During the hearing, Commissioner Martin presented the FCC's budget request and also answered questions on Commission plans and action on issues such as broadcast and cable indecency, the E-Rate, and the provision and availability of emergency services via VOIP.²⁶

²⁵ This testimony is available online at [http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-258333A1.pdf].

²⁶ A complete list of hearings, along with associated testimony, for the House Committee on Energy and Commerce and its subcommittees is available online at [<http://energycommerce.house.gov/108/action.htm>]. A complete list of hearings, along with associated testimony, for the Senate Committee on Commerce, Science, and Transportation and its subcommittees is available online at [<http://commerce.senate.gov/hearings/index.cfm>].

Additional Reading

CRS Report RS22444, *Net Neutrality: Background and Issues*, by Angele A. Gilroy

CRS Report RL33034, *Telecommunications Act: Competition, Innovation, and Reform*, by Charles B. Goldfarb

CRS Report RL33542, *Broadband Internet Regulation and Access: Background and Issues*, by Angele A. Gilroy and Lennard G. Kruger. crsphpgw