



FY2016 Budget Request

Executive Summary

Current State

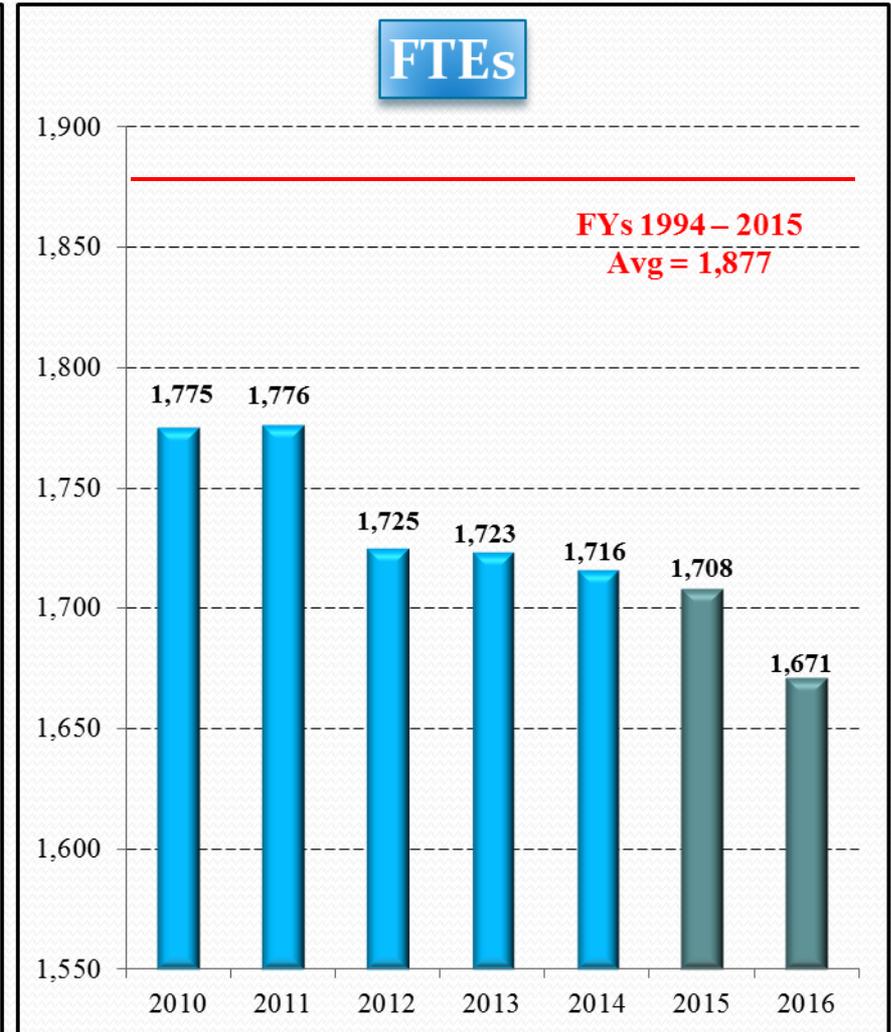
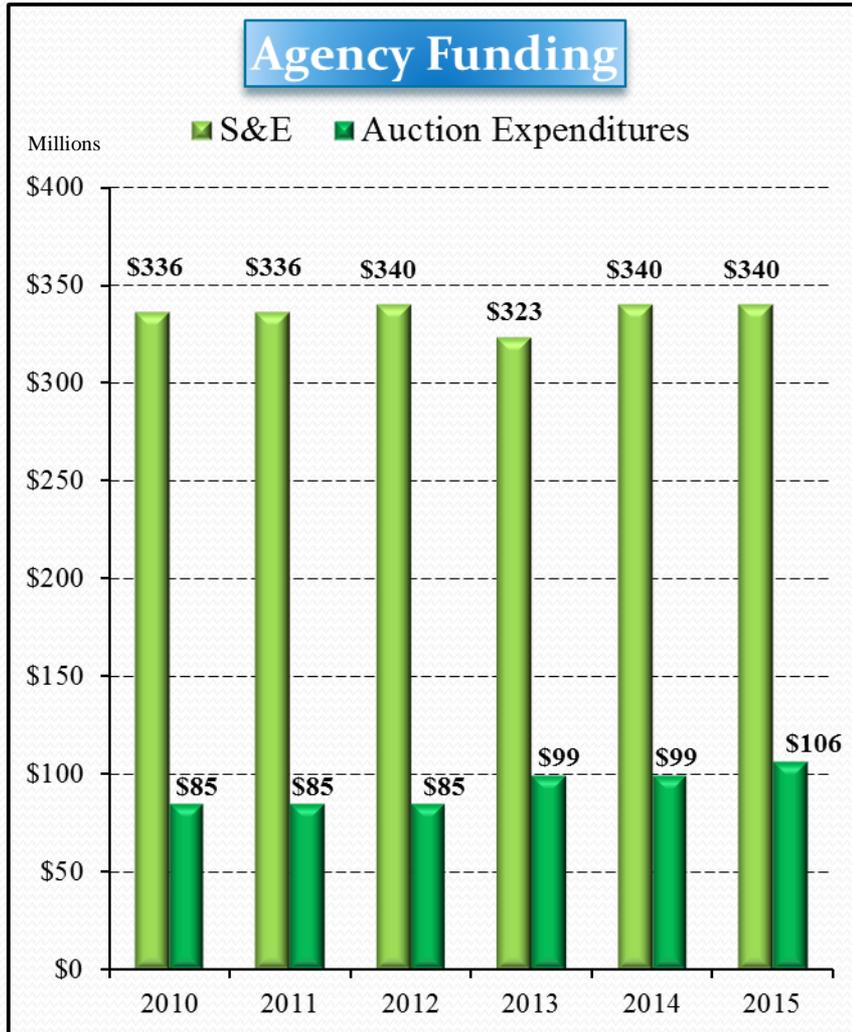
- **HQ space too large and expensive**
 - Too much space per employee
 - Too expensive per square foot
- **Field footprint too large and inefficient**
 - Field cost per FTE are 2x HQ costs – high real estate and support costs for very small offices
 - More mobile, technology-enabled deployment model can significantly improve productivity
- **Major opportunities to reduce recurring opex with technology**
 - Over reliance on expensive contractors
 - Very expensive to maintain aged IT (many systems more than 10 years old)
 - Using expensive downtown Washington real estate for back-office functions that could be offsite
- **Section 9 fee payors shouldering lion's share of requested budget increase**



Proposed Response

- **Relentless attention to cost efficiency:**
 - Manage to even lower FTE levels – decline by 37 for 2016, first FCC budget in a decade to not ask for more
 - Proposed consolidation of our field offices – saving \$9m annually without diluting mission effectiveness
 - Reduce contractors; down from 483 to 435 by 2016
 - Reduce HQ lease cost; save \$119m over 15 years
- **\$84m requested increase for 2016 has 3 components:**
 - Unavoidable (70%) – \$60m for move, inflation, OIG
 - IT (20%) – \$17m to modernize and close security gaps
 - Mandates (10%) – \$7m for broadcaster repacking, National Broadband Map, and PSAP registry
- **Align sources of funds with uses to maximize fairness:**
 - Base collections from general regulatory fees (\$388m)
 - Auctions costs from auctions proceeds (\$117m)
 - USF costs from USF fees (\$25m)

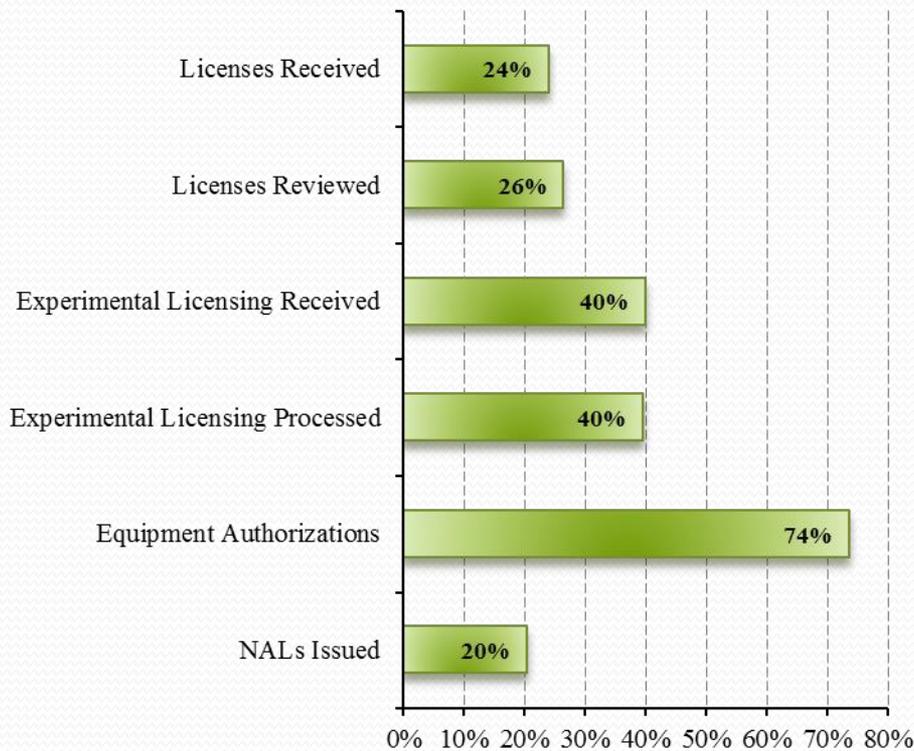
Non-Auctions Funding Has Been Flat Since 2010, and FTEs Continue to Trend to New Historic Lows



FYs 2015 & 2016 Projected

Workload Volume Grows While FTEs Decline

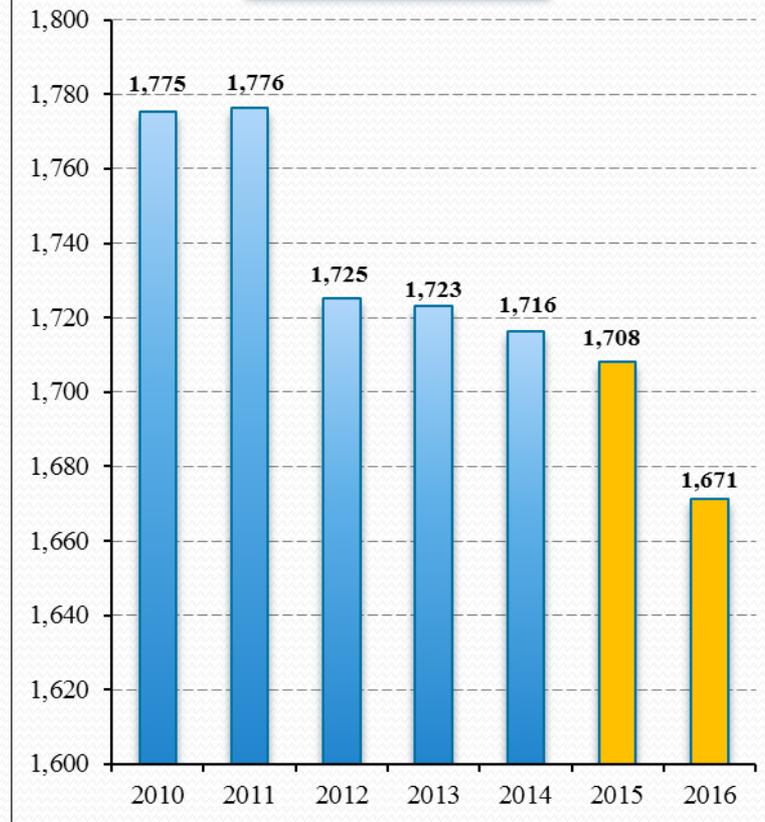
Cumulative Volume Growth
FY 2010 - 2014



Equipment Authorizations includes FCC Preauthorized and TCBS

NALs issued increased 20% but the overall EB actions decreased by 22%

FTEs Levels



FTEs for FYs 2015 and 2016 are estimates.

Cost Saving Steps Underway Today

➤ **FTE reductions**

- Attrition management (no automatic backfills) – since Jan 2014, 199 staff have left, only 145 replaced
- Additional efforts underway to identify available workforce restructuring opportunities

➤ **Field offices consolidation**

- Proposal currently on circulation to Commissioners to reduce from 24 to 8 field offices
- \$9m in annual savings from reduced real estate, administrative overhead, and support costs
- Post-restructuring, FCC would retain engineers/vehicles on the ground combined with a “tiger team” based in the Maryland suburbs that would be quickly deployable anywhere in the U.S.
 - One-day response time for 80% of U.S. population
 - Higher coverage than today for the rest of the country

➤ **Contractor drawdown**

- FCC-wide contractors currently at 483, down from over 600 since 2012, and trending to 435 in 2016
- IT modernization investments essential for continued progress; will support significant reduction in expensive (2x), on-site contractors for infrastructure management and software development
- Additional contractor reductions available via use of IT automation to replace labor-intensive processes

➤ **Continuing, ongoing efficiency review**

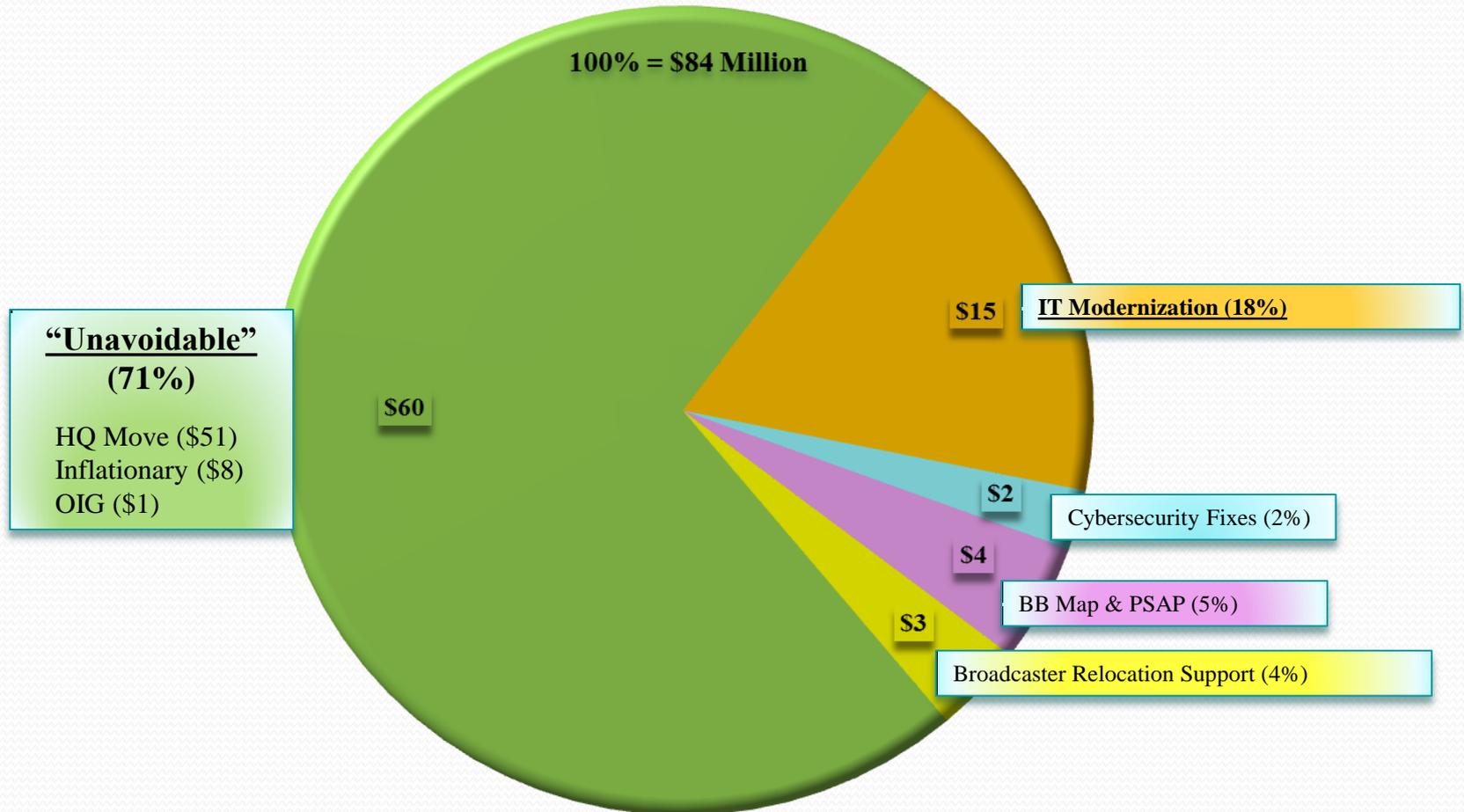
- Office of Managing Director is assessing every part of the FCC for additional efficiency opportunities

Building the Budget

\$millions

	Fee-generated	Activity-generated	
		<u>Auction</u>	<u>USF</u>
FY2015 Budget Authority	340	106	N/A
Requested FY2016			
▪ Office move (to save \$119m)	44	7	
▪ Inflation/contractual cost increases	7	1	
▪ OIG request	1		
▪ IT Modernization	15		
▪ Cybersecurity fixes	2		
▪ Reallocation of USF support	(25)		25
▪ Mission mandates			
▪ National Broadband Map	3		
▪ PSAP do-not-call registry	1		
▪ Broadcaster relocation fund oversight		3	
Total	388	117	25

More Than 70% of Requested FY 2016 Spending Increase* Is for “Unavoidable” Costs



* Note: Total \$84m requested spending increase is the sum of requests for Salary & Expenses (\$48m, from \$340m to \$388m), Auctions (\$11m, from \$106m to \$117m), and USF Transfer (\$25m). Without USF Transfer, S&E requested level would grow from \$388m to \$413m.

IT Investments Pay for Themselves Over 5 Years and Significantly Improve Speed, Security, and Quality

Infrastructure

From: Over 200 on premises, antiquated servers occupying expensive downtown real estate

To: 100% off-premise, cloud-based deployment in a secure multi-agency facility; savings of \$1-2m per yr

Data

From: 100,000 unique data objects, 43 Tb of stove-piped, inaccessible and non-reusable data

To: Single data architecture for ALL internal and external data, significantly enhanced transparency

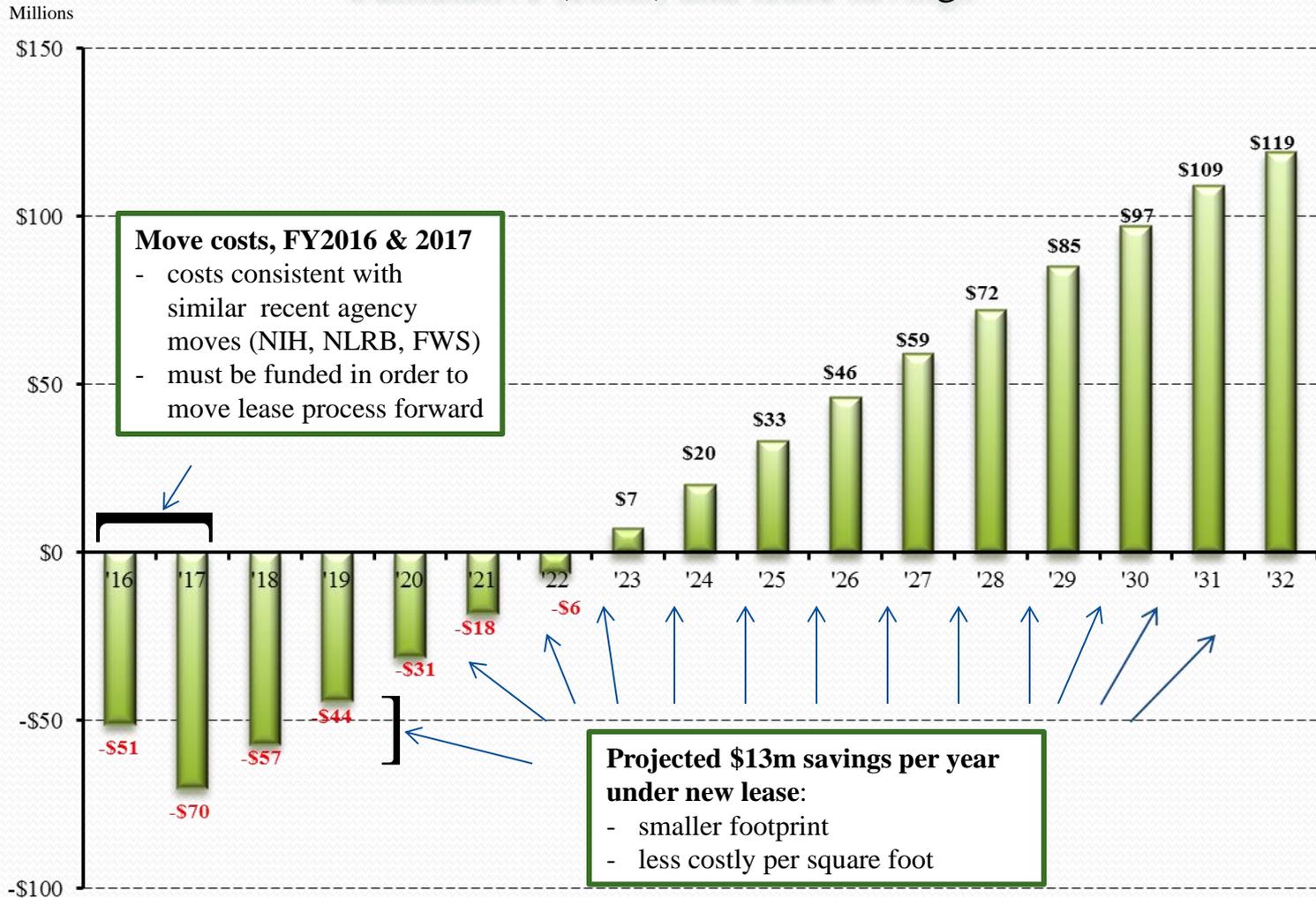
Mission Systems

From: 207 systems, typical \$600,000 cost for new projects, 6 months to complete, very high ongoing maintenance/support

To: Handful of core systems supporting multiple front end applications, 50-75% lower cost / faster timelines per project; savings of \$1-2m per year

New FCC Lease Projected to Save \$119m over 15 Years

Cumulative (costs) and lease savings



Total Move Costs Lower for New Facility Versus Stay-in-Place

Estimated move costs

Millions



Note: assumes utilization rate = 180; estimated tenant improvement allowance of \$13m