



Federal
Communications
Commission

FY 2010 Summary of Performance & Financial Information



Message from Our Chairman



I am pleased to present the Federal Communications Commission's (FCC) Summary of Performance & Financial Information. This report is intended for a general audience of consumers, businesses, and other stakeholders. My goal in publishing this summary is to increase our agency's accountability by making financial and performance information more transparent and accessible to all citizens.

With each passing day, communications devices and networks become more essential to the fabric of the daily lives of all Americans. They are how we receive news, information, and entertainment; how we stay in touch with our family and friends; how we work at and run our businesses, large and small; how we communicate and coordinate in times of emergency; and how we—and people across the globe—learn about government and express our points of view.

Our nation is at a crossroads. We face a number of tremendous challenges: our economy, education, health care, and energy, to name a few. If we can harness the power of communications to confront these challenges, we will have chosen the right course, and we will make a real positive difference in the lives of our children and future generations.

As the country's expert agency on communications, it is the FCC's job to pursue this vision of a more connected America, focusing on the following goals:

- Promoting universal broadband that's robust, affordable, and open.
- Pursuing policies that promote job creation, competition, innovation, and investment.
- Seizing the opportunity for the United States to lead the world in mobile communications.

- Protecting and empowering consumers and families.
- Helping deliver public safety communications networks with the best technology to serve our firefighters, police officers, and other first responders.
- Advancing a vibrant media landscape, in these challenging times, that serves the public interest in the 21st century.

This report contains a summary of the progress the FCC made during Fiscal Year (FY) 2010 in meeting the key challenges facing the agency and an assessment of the financial management of the FCC. I am pleased to note that for the fifth consecutive year, the FCC obtained an unqualified or "clean" audit opinion on its financial statements. A more detailed view of the Commission's financial statements can be found in the FY 2010 Agency Financial Report, located at www.fcc.gov/omd/strategicplan/. This is also the location where you can find the FY 2010 Annual Performance Report, which provides a comprehensive look at the FCC's accomplishments for the fiscal year.

—Julius Genachowski
Chairman
February 2011

FY 2010 Performance Summary

Overview of the Federal Communications Commission

The Federal Communications Commission (FCC or Commission) has chosen to produce this Summary of Performance and Financial Information to provide a citizen-friendly document summarizing the FCC's financial status and performance for Fiscal Year 2010 (October 1, 2009 through September 30, 2010). We do this in recognition that members of the public, particularly our key constituencies, are stakeholders in the work and the results of our agency. Our goal is to increase the transparency and accessibility of the FCC and increase the accountability of the Commission to you, the citizens of the United States.



This Summary document may lead you to seek additional information concerning the FCC's finances and performance. The Commission has published its Agency Financial Report and its Annual Performance Report for FY 2010; both are available online on the Commission's Web site at www.fcc.gov/omd/strategicplan.

Many people who watch television or listen to radio recognize that the FCC is part of their life due to the Commission's role in regulating interstate communications. What people may not recognize is the extent to which every area of their life is intertwined with the communications technologies the FCC has responsibility to regulate. This is particularly true of the opportunities provided by mobile communications. Breakthrough devices that are either available now or in the near future include:

- 4G mobile devices delivering a high-speed Internet experience comparable to what many enjoy on desktops.

- Internet connectivity for video and games, increasingly including wireless connectivity.
- Machine-to-machine wireless technologies. Internet-connected sensors are moving into appliances and cars, potentially saving energy. They are also moving into health-related devices, potentially saving lives.
- Digital textbooks which will expand opportunities for kids everywhere. A recent FCC survey found that most schools plan to increase the use of digital textbooks in the next 3 years.

These are just a few of the ways in which the vital work of the FCC helps facilitate both personal freedom and the public good. The day-to-day reality may be that the FCC-regulated communications industries are a significant presence in the lives of most Americans and will continue to be in the future.



» Most people don't recognize the extent to which every area of their life is intertwined with the communications technologies the FCC has the responsibility to regulate.

About the FCC

The FCC is an independent regulatory agency of the United States Government. The Commission was established by the Communications Act of 1934 and is charged with regulating interstate (between States) and international communications by radio, television, wire, satellite, and cable. The Commission also regulates telecommunications services for hearing-impaired and speech-impaired individuals, as set forth in Title IV of the Americans with Disabilities Act (ADA). The Commission's headquarters is located in Washington, D.C., with three regional offices, sixteen district offices, and nine resident agent offices throughout the Nation.

Five Commissioners direct the work of the FCC. All are appointed by the President and

confirmed by the Senate for 5-year terms, except when filling the unexpired term of a previous Commissioner. Only three Commissioners can be of the same political party at any given time and none can have a financial interest in any company or entity that has a significant interest in activities regulated by the Commission.

The President designates one of the Commissioners to serve as Chairman.

The Chairman and the Commissioners at the end of FY 2010 were:

- Chairman Julius Genachowski
- Commissioner Michael J. Copps
- Commissioner Robert M. McDowell
- Commissioner Mignon Clyburn
- Commissioner Meredith Attwell Baker



Pictured from left to right are Commissioner Clyburn, Commissioner Copps, Chairman Genachowski, Commissioner McDowell, and Commissioner Baker.

Mission

As specified in the Communications Act, the Commission’s mission is to “make available, so far as possible, to all the people of the United States, without discrimination on the basis of race, color, religion, national origin, or sex, rapid, efficient, Nation-wide, and world-wide wire and radio communication service with adequate facilities at reasonable charges.”¹ In addition, the Communications Act provides that the Commission was created “for the purpose of the national defense” and “for the purpose of promoting safety of life and property through the use of wire and radio communications.”²

¹ 47 U.S.C. § 151.

² *Id.*



Organizational Structure

The FCC Chairman leads the Commission as head of the agency. The FCC is organized by function. There are seven Bureaus and ten Offices. The Bureaus and the Office of Engineering and Technology process applications for licenses to operate facilities and provide communications services in specific locations and on specific radio frequencies; analyze complaints from citizens and other licensees; conduct investigations; develop and implement regulatory programs; and participate in hearings. Generally, the Offices provide specialized support services. Bureaus and Offices regularly join forces and share expertise in addressing FCC-related issues.

THE BUREAUS

The Consumer and Governmental Affairs Bureau develops and implements the FCC's consumer policies, including disability access. The Bureau serves as the public face of the Commission through outreach and education, as well as through the Consumer Center, which is responsible for responding to consumer inquiries and complaints. The Bureau also maintains collaborative partnerships with State, local, and tribal governments in such critical areas as emergency preparedness and implementation of new technologies.

The Enforcement Bureau enforces the Communications Act and the FCC's rules. The Enforcement Bureau protects consumers, fosters efficient use of the spectrum, furthers public safety, and promotes competition.

The International Bureau administers the FCC's international telecommunications and satellite programs and policies, including licensing and regulatory functions. The Bureau also has a unique role in promoting pro-competitive policies abroad, coordinating the Commission's global spectrum activities

and advocating U.S. interests in international communications and competition. The Bureau works to promote a high-quality, reliable, globally interconnected, and interoperable communications infrastructure.

The Media Bureau recommends, develops, and administers the policy and licensing programs relating to electronic media, including radio and broadcast, cable, and satellite television in the United States and its territories.

The Public Safety and Homeland Security Bureau supports initiatives that strengthen public safety and emergency response capabilities to better enable the FCC to assist the public, law enforcement, hospitals, the communications industry, and all levels of government in the event of a natural disaster, pandemic, or terrorist attack.

The Wireless Telecommunications Bureau is responsible for wireless telecommunications programs and policies in the United States, including licensing of wireless communications providers. Wireless communications

services include cellular, paging, personal communications, and other radio services used by businesses and private citizens. The Bureau also conducts auctions of licenses for the communications spectrum.

The Wireline Competition Bureau develops and recommends policy goals, objectives, programs, and plans on matters concerning wireline telecommunications (e.g., telephone landlines), striving to ensure choice, opportunity, and fairness in promoting the development and widespread availability of wireline telecommunications services.

THE OFFICES

The Office of Administrative Law Judges is composed of judges who preside over hearings and issue decisions on matters referred to them by the Commission.

The Office of Communications Business Opportunities promotes competition and innovation in the provision and ownership of telecommunications services by supporting opportunities for small businesses as well as women and minority-owned communications businesses.

The Office of Engineering and Technology advises the Commission on technical and engineering matters. This Office develops and administers FCC decisions regarding spectrum allocations and grants equipment authorizations and experimental licenses.

The Office of the General Counsel serves as the Commission's chief legal advisor.

The Office of the Inspector General conducts and supervises audits and investigations relating to FCC programs and operations.

The Office of Legislative Affairs serves as the liaison between the FCC and Congress, as well as other Federal agencies.

The Office of the Managing Director administers and manages the FCC.

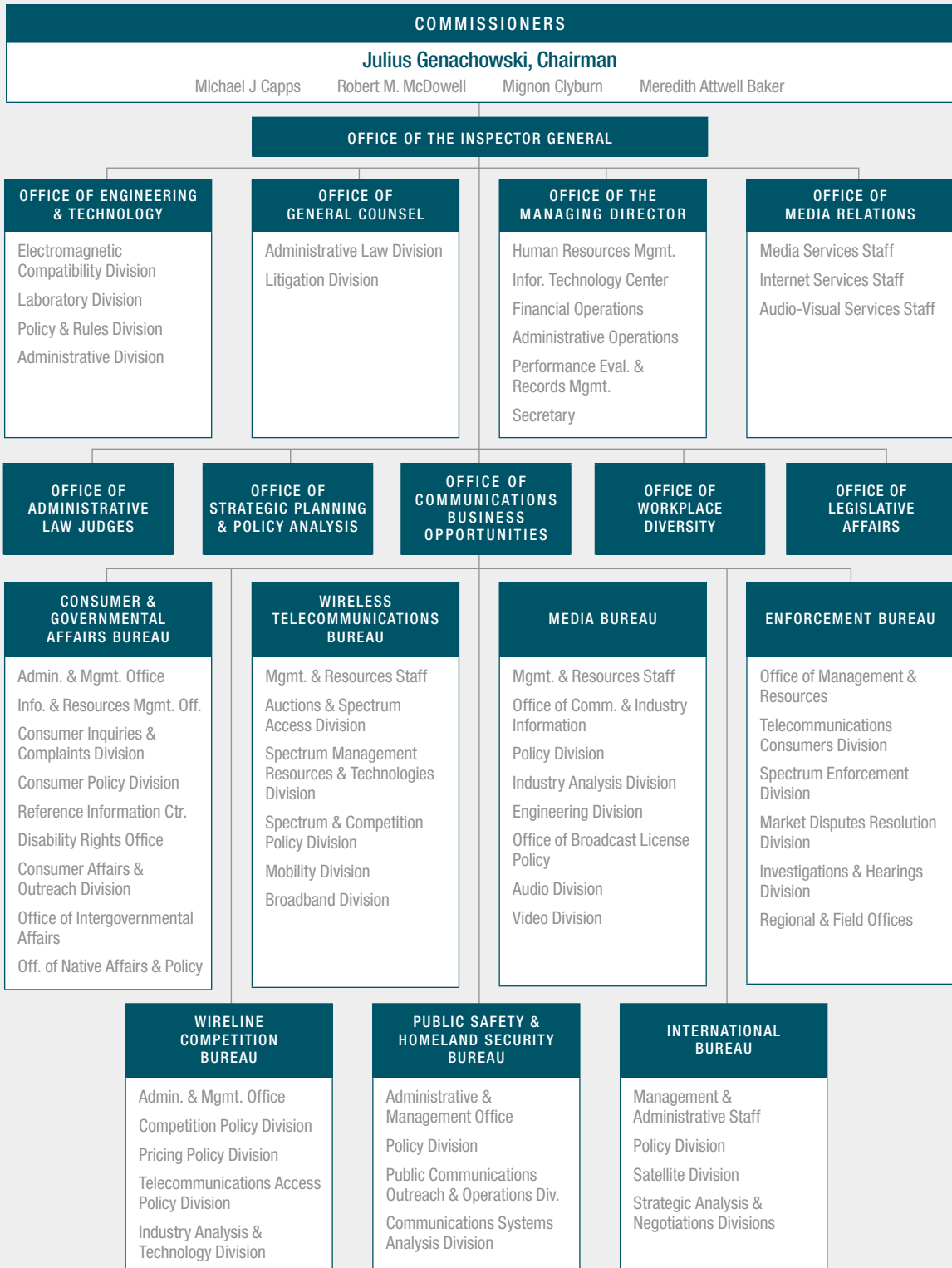
The Office of Media Relations informs the media of FCC decisions and serves as the FCC's main point of contact with the media.

The Office of Strategic Planning and Policy Analysis works with the Chairman, Commissioners, Bureaus, and Offices in strategic planning and policy development for the agency. It also provides research, advice, and analysis of complex, novel, and non-traditional economic and technological communications issues.

The Office of Workplace Diversity ensures that the FCC provides employment opportunities for all persons regardless of race, color, sex, national origin, religion, age, disability, or sexual preference.

Detailed information on specific Bureau and Office responsibilities can be found in Title 47 of the Code of Federal Regulations and on the Commission's Web site at: www.fcc.gov. The Commission's organizational chart is included on the next page.

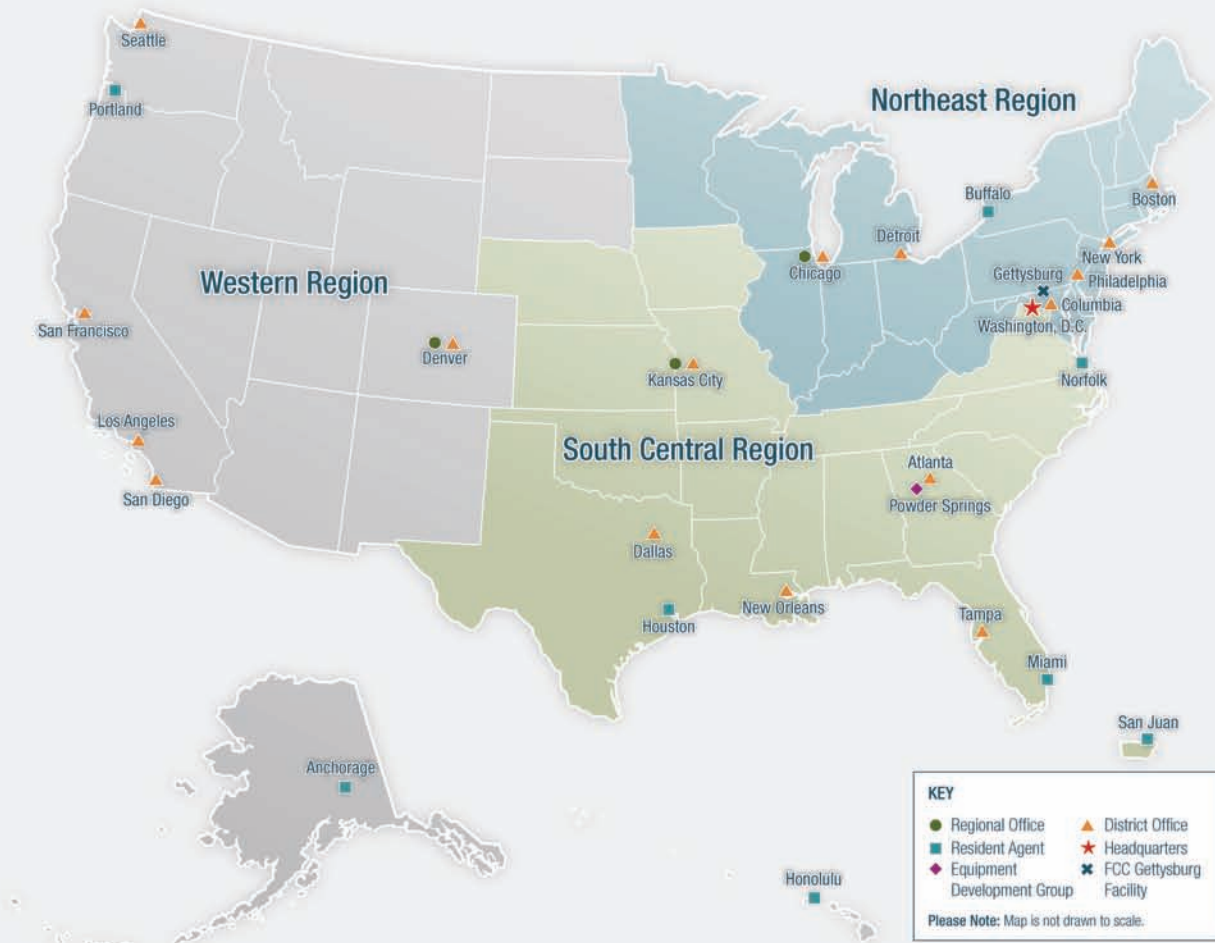
Organizational Chart



FCC Field Offices

The Commission has multiple regional and field offices as well as resident agent locations around the United States. The Regional and Field Offices and resident agents are responsible for carrying out on-scene investigations, inspections, audits, and other matters that are the subject of complaints and that are referred to them from within the Enforcement Bureau or by other Bureaus and Offices. These functions include immediate response to safety-of-life issues, interference resolution, investigation of violations in all communications services, surveys for compliance with FCC rules, local assistance to other agencies or countries in communications matters,

and representation of the Commission before groups and organizations. In addition, the FCC maintains a laboratory in Columbia, Maryland so that staff of the Office of Engineering and Technology can test, evaluate, and perform engineering analyses on communications equipment requiring Commission authorization for use. The FCC also has a facility in Gettysburg, Pennsylvania housing portions of its Wireless Telecommunications Bureau's licensing and spectrum auctions staff and a portion of the FCC's National Call Center operated by the Consumer and Governmental Affairs Bureau. Below is a map of all Commission Field Offices and resident agent locations.



Strategic Goals and Objectives

The Commission has identified six long-term strategic goals in its FY 2009 – FY 2014 Strategic Plan. The strategic goals serve as guidance directing the actions and performance of the FCC.

Progress toward accomplishing these goals is measured by the progress and completion of annual performance goals during the fiscal year. There are external influences, including economic, legal, and organizational factors, beyond the Commission’s programs and efforts that may influence whether the

Commission fully meets every performance goal. Details on the Commission’s strategic goals, as well as the strategies and resources used to meet these goals, can be found in the Commission’s strategic plan at: www.fcc.gov/omd/strategicplan. The FCC’s long-term strategic goals are:

| STRATEGIC GOAL | OBJECTIVE |
|--|--|
| 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. |
| 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. |
| 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. |
| Media | The Nation’s media regulations must promote competition and diversity and facilitate the transition to digital modes of delivery. |
| 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. |
| Modernize the FCC | The Commission 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. |

Performance Highlights for FY 2010

During the previous fiscal year, the Commission made significant progress toward accomplishing its performance goals. Greater detail on these accomplishments is available in the FCC Annual Performance Report (APR) for FY 2010 which can be found on the Commission's Web site at www.fcc.gov/omd/strategicplan. In the discussion below, we identify achievements in the Commission's major initiatives during the past fiscal year, organized by strategic goal.



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.

The American Recovery and Reinvestment Act of 2009 (Recovery Act) tasked the FCC with creating a National Broadband Plan. The Recovery Act stated that the Plan shall seek to ensure all people of the United States have access to broadband capability and that the Plan shall establish benchmarks for meeting that goal. Broadband is the major infrastructure challenge of our

time. Earlier generations faced, and rose to, similar challenges with railroads, highways, telephones, and electricity—networks that have connected Americans, served as a platform for commerce, and improved the quality of life for all Americans.

The chart below shows what broadband makes possible in improving our nation and the quality of life for its citizens.

BROADBAND FACILITATES OUR NATION'S PRIORITIES

| NATIONAL PRIORITIES | | | | | |
|-----------------------------|----------------------|------------------------------------|--|---------------------------------------|---|
| HEALTH CARE | ENERGY / ENVIRONMENT | EDUCATION | GOVERNMENT OPERATIONS | ECONOMIC OPPORTUNITY | PUBLIC SAFETY |
| Electronic health records | Smart grid | American Graduation Initiative | Service delivery and efficiency government | Job creation and economic development | Interoperable voice and broadband network |
| Remote/home monitoring | Smart appliances | Science and math education | Improved performance | Job training and placement | Next generation 9-1-1 |
| Mobile monitoring | Smart transportation | National Education Technology Plan | Transparency | Community development | Alerts |
| Telemedicine | Telework | Electronic student data management | Civic engagement | | Cybersecurity |
| Health information exchange | | | Policy | | |

← HIGH-SPEED CONNECTIVITY UNIVERSAL ACCESS → UBIQUITOUS ADOPTION

On March 16, 2010, the FCC delivered to Congress a National Broadband Plan setting an ambitious agenda for connecting all corners of the Nation while transforming the economy and society with the communications network of the future—robust, affordable Internet. Titled “*Connecting America: The National Broadband Plan*,” the Plan found that while broadband access and use have increased over the past decade, the Nation must do much more to connect all individuals and the economy to broadband’s transformative benefits. Nearly 93 million Americans lack broadband at home and between 14 to 24 million Americans do not have access to broadband even if they want it. Only 42 percent of people with disabilities use broadband at home, while as few as 5 percent of people living on Tribal lands have access. Meanwhile, the cost of digital exclusion for the student unable to access the Internet to complete a homework assignment, or for the unemployed worker who can’t search for a job online, continues to grow.

Other gaps threaten America’s global competitiveness. A looming shortage of wireless spectrum could impede U.S. innovation and leadership in wireless mobile broadband services. More useful applications, devices, and content are needed to create value for consumers. The Nation also has more work to do to harness broadband’s power to transform delivery of government services, health care, education, public safety, energy conservation, economic development, and other national priorities.

The Plan’s call for action over the next decade includes the following goals and recommendations:

- Connect 100 million households to affordable 100-megabits-per-second service, building the world’s largest market of high-speed broadband users and ensuring that new jobs and businesses are created in America.
- Provide affordable access in every American community to ultra-high-speed broadband

of at least 1 gigabit per second at anchor institutions such as schools, hospitals, and military installations so that America is hosting the experiments that produce tomorrow’s ideas and industries.

- Ensure that the United States is leading the world in mobile innovation by making 500 megahertz of spectrum newly available for licensed and unlicensed use.
- Move our broadband adoption rates from roughly 65 percent to more than 90 percent and make sure that every child in America is digitally literate by the time he or she leaves high school.
- Bring affordable broadband to rural communities, schools, libraries, and vulnerable populations by transitioning existing Universal Service Fund support from yesterday’s analog technologies to tomorrow’s digital infrastructure.
- Promote competition across the broadband ecosystem by ensuring greater transparency, removing barriers to entry, and conducting market-based analysis with quality data on price, speed, and availability.
- Enhance the safety of the American people by providing every first responder with access to a nationwide, wireless, interoperable public safety network.

Less than one month after issuing the National Broadband Plan, the FCC announced an ambitious agenda for implementing key recommendations of the Plan that involve rulemakings and other notice-and-comment proceedings that require Commission action. The FCC will simultaneously work to implement numerous Plan recommendations that do not require formal agency proceedings while other government bodies and stakeholders consider Plan recommendations that fall outside the agency’s areas of responsibility. FCC actions taken to implement the Plan can be tracked at www.broadband.gov/plan/broadband-action-agenda.html.

A major initiative to promote affordable broadband access for all Americans is reform of the Universal Service Fund. The Commission adopted a Notice of Inquiry (NOI) and Notice of Proposed Rulemaking (NPRM) to cut inefficiencies in existing support of voice services and creating a Connect America Fund (CAF) that directly supports broadband without increasing the size of the Universal Service Fund over the current baseline projection. The Commission also enacted updates to the “E-rate” program, through which 97 percent of American schools now have Internet access. The National Broadband Plan found that many schools will need significant upgrades to meet future broadband speed and capacity demands and that many E-rate policies are out-of-date. The E-Rate Order³ will help bring affordable, super-fast fiber connections to America’s schools and libraries; open the door to “School Spots” where schools have the option to provide Internet access to the local community after students go home; launch a pilot program that supports off-campus wireless Internet connectivity for mobile learning devices; and index the current disbursement cap in a fiscally responsible manner to maintain current purchasing power.

The Commission also addressed the affordability and availability of broadband services by adopting an Order (FCC 10-84, released May 20, 2010) speeding and reducing the costs of access to an essential piece of infrastructure: utility poles. The impact of utility pole attachment rates on broadband can be particularly acute in rural areas, where

there often are more poles per mile than households. The Commission’s Order reduces costs and speeds access to poles by clarifying the statutory right of communications providers to use the same space and cost-saving techniques that pole owners use, such as placing attachments on both sides of a pole.

The FCC adopted a Notice of Proposed Rulemaking (FCC 10-125, released July 15, 2010) proposing a new health care connectivity program that would expand investment in broadband for medically-underserved communities across the country. The program will give patients in rural areas access to state-of-the-art diagnostic tools typically available only in the largest and most sophisticated medical centers. This program will invest up to \$400 million annually to enable doctors, nurses, hospitals, and clinics to deliver, through communications technology, world-class health care to patients, no matter where they live.

To provide consumers with real-time information about their broadband connections, the FCC launched two new digital tools during FY 2010. The Consumer Broadband Test measures broadband quality indicators such as speed and latency and reports that information to consumers and the FCC. The mobile version—the FCC’s first mobile app—is available through the Apple and Android app stores. The Broadband Dead Zone Report enables Americans to submit the street address location of a broadband “Dead Zone” where broadband is unavailable for purchase. Both tools are available on www.broadband.gov.

³ Schools and Libraries Universal Service Support Mechanism, A National Broadband Plan for Our Future, CC Docket No. 02-06, GN Docket No. 09-51, Sixth Report and Order, FCC 10-175 (E-Rate Order), released September 28, 2010.

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.

In May 2010, the FCC adopted its 14th annual report on the state of competition in the mobile wireless industry (FCC 10-81, released May 20, 2010). Unlike previous reports, which examined competition in the provision of Commercial Mobile Radio Services (CMRS), this year's report integrated CMRS into the broader mobile ecosystem, including mobile voice, messaging, and broad-band services. Among the report's findings were that 90 percent of Americans had a mobile wireless device, providers continue to invest significant capital in networks despite the economic downturn, and there appears to be increasing concentration in the mobile wireless market.

The Commission approved the transfer of 4.8 million lines in primarily rural and smaller-city areas to Frontier Communications Corp. (Frontier) from Verizon Communications, Inc. This transaction included significant deployment commitments from Frontier to bring broadband to millions of consumers, small businesses, and anchor institutions in 14 States across the West, Midwest, and South. FCC staff also began consultations with staff of the Antitrust Division of the Department of Justice as to how the two agencies can apply their different statutory standards to wireless merger divestitures in a more coordinated manner.

Access to communications services is vital for those citizens whose disabilities make it difficult to utilize 21st century technology. The FCC took important steps to ensure that the latest wireless phones are hearing aid-compatible, expanding access to mobile networks and services for the eight million Americans who use hearing aids. The Commission clarified that its hearing aid compatibility rules cover customer equipment that contains a built-in speaker and is designed to be typically held to the ear. The Commission also adopted a Policy Statement that emphasizes to developers of new technologies the necessity of considering and planning for hearing aid compatibility at the earliest stages of the product design process. By focusing on the development stage, innovators and entrepreneurs can account for compatibility issues before their first device is ever produced. Actions were taken to sustain the Video Relay Service (VRS) for persons with hearing or speech disabilities and to protect it from the waste, fraud, and abuse that have plagued the program and threatened its long-term viability. VRS allows persons with disabilities to use American Sign Language to communicate with friends and family and to conduct business in near real time.

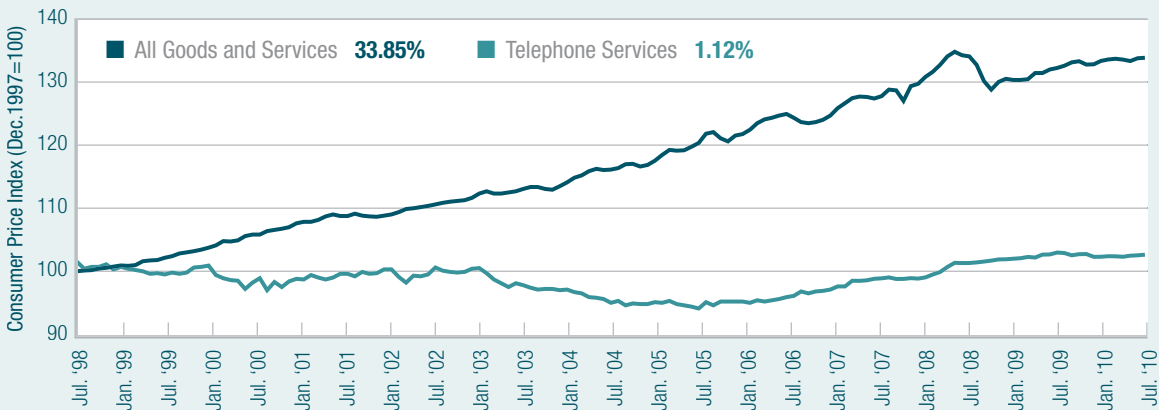
Along with access, affordability of communications services is a primary concern of consumers. During FY 2010, the FCC conducted a survey on the consumer mobile experience. The survey indicated that 30 million Americans, one in six mobile users, have experienced “bill shock,” a sudden increase in their monthly bill that is not caused by a change in service plan. It also shows that nearly half of cell phone users who have plans with early termination fees (ETFs), and almost two-thirds of home broadband users with ETFs, don’t know the amount of the fees for which they are accountable. In response to these results, the FCC’s Consumer and Governmental Affairs Bureau launched an initiative seeking input on ways to alert consumers about the potential for high charges before they were charged.

The FCC proposed revisions to its rules under the Telephone Consumer Protection Act to further empower residential telephone subscribers to avoid unwanted telephone

solicitations. The proposals would require sellers and telemarketers to obtain written consent from recipients before making prerecorded telemarketing calls, commonly referred to as “robocalls,” even when the caller has an established business relationship with the consumer. Additionally, the FCC proposal makes it easier to opt out of receiving robocalls.

Enforcement of the FCC’s rules provides consumers with confidence that they are being protected from fraudulent and misleading practices. In May 2010, in response to an Enforcement Bureau investigation, the FCC proposed a forfeiture of \$1.48 million against Silv Communication (Silv) for “slamming” violations, changing consumers’ telecom carriers without proper authorization. The Commission found that Silv committed 25 slamming violations and concluded that the volume of complaints against Silv reflected a systemic problem meriting a substantial penalty.

TELEPHONE SERVICES AND THE CONSUMER PRICE INDEX



The consumer price for telephone services has remained virtually the same since July 1998 compared to the price of other goods and services. The chart above uses data from the Bureau of Labor Statistics to compare the Consumer Price Index (CPI) for Telephone Services with the CPI for all goods and services, using July 1998 price levels as the base (equal to 100). The Telephone Services included in this index include Local Telephone Service, Long Distance Charges, Interstate Toll Service, Intrastate Toll Service, and Wireless Telephone Services. In contrast to a 33.85% increase in the CPI for all goods and services, measured from July 1998 to September 2010, the Telephone Services price index has increased a mere 1.12%.

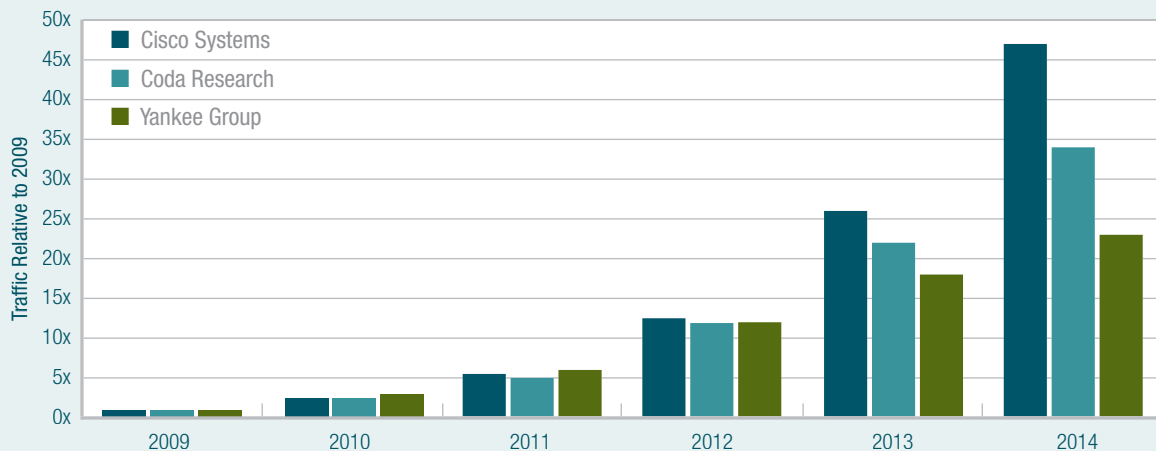
Spectrum

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.

Making additional spectrum available for broadband is critical to driving billions of dollars in private investment, fueling world-leading innovations, creating millions of new jobs, and enabling endless new products and services that can help improve the lives of all Americans. According to Cisco, North American wireless networks carried

approximately 17 petabytes per month in 2009⁴, an amount of data equivalent to 1,700 Libraries of Congress. By 2014, Cisco projects wireless networks in North America will carry some 740 petabytes per month, a greater than 40-fold increase. In addition, other industry analysts⁵ forecast large proportional increases as shown in the chart below.

INDUSTRY FORECASTS OF MOBILE DATA TRAFFIC



This growth is due to increased adoption of Internet-connected mobile devices and increased data consumption per device. These new devices drive higher data usage per subscriber, as users engage with data-intensive social networking applications and

user-generated video content. The rollout of advanced 4G networks using new versions of Long Term Evolution (LTE) and Worldwide Interoperability for Microwave Access (WiMAX) technologies will also intensify the impact on mobile broadband networks.

⁴ Cisco Systems, Cisco Visual Networking Index: Global Mobile Data Forecast 2009–2014 (2010) available at www.cisco.com/en/US/solutions/collateral/ns341/ns525/ns537/ns705/ns827/white_paper_c11-520862.pdf.

⁵ Philip Marshall, Yankee Group, Spectrum-Rich Players Are in the Driver's Seat for Mobile Broadband Economics (2009) (unpublished manuscript, on file with the FCC); Coda Res. Consultancy, US Mobile Traffic Forecasts: 2009–2015 (2009) (unpublished manuscript, on file with the FCC).

To promote mobile innovation and investment, the National Broadband Plan recommended that the Commission make 500 megahertz of spectrum available for broadband use in the next 10 years, including 300 megahertz for broadband use in the next 5 years. The Commission adopted several items in FY 2010 to facilitate this additional spectrum. First, it adopted rules that will make available 25 megahertz of spectrum for mobile broadband service in much of the United States by opening the Wireless Communications Service to mobile operations. The Commission also initiated a proceeding to make 90 megahertz of prime spectrum by promoting flexible use of Mobile Satellite Service bands. Steps were also taken to free up vacant airwaves between TV channels, called “white spaces,” to unleash a host of new technologies such as “super Wi-Fi” and myriad other diverse applications. This is the first significant block of spectrum made available for unlicensed use in more than 20 years.

The FCC is committed to greater international engagement and cooperation in an interconnected world. Preparations are taking place for the 2012 World Radiocommunication Conference (WRC-12). Preliminary views and proposals are being drafted and discussed within informal working groups and between the FCC, State Department, and the National Telecommunications and Information Administration. These negotiations will lead to recommendations that become part of U.S. positions and draft proposals and they will form the basis for discussions at bilateral, regional, and international meetings in preparation for WRC-12. The FCC also continues to strongly advocate for U.S. spectrum interests internationally, particularly in cross-border efforts between the U.S. and Canada and the U.S. and Mexico to protect American communications licensees and consumers against interference.

In January 2010, after a 7.0 magnitude earthquake struck Haiti, the FCC announced a series of actions to assist Haiti in its recovery. The FCC’s actions included:

- Coordinating with the U.S. Agency for International Development on Haitian Relief and Restoration Efforts on telecommunications matters in Haiti;
- Reaching out to contacts in industry and the international community to determine the status of communications services in Haiti and between Haiti and other countries;
- Working with Federal partners, including the National Communications System, to coordinate efforts, including identification of the status of communications, determination of priority needs for temporary communications and restoration of existing systems, as well as related needs such as fuel and technical expertise;
- Working with the State Department on issues related to importation and operation of emergency communications equipment in Haiti; and
- Taking steps to increase available satellite capacity over Haiti.

In order to develop and advance an agenda aimed at bringing the benefits of a modern communications infrastructure to consumers in all Native communities, the FCC established an Office of Native Affairs and Policy. The office will work to promote the deployment and adoption of communications services and technologies throughout Tribal lands and Native communities by, among other things, ensuring robust government-to-government consultation with Tribal governments and increased coordination with Native organizations.

Media

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

Whether you receive the signals over the air, through a subscription service, or via the Internet, broadcast television and radio remains a primary source of information and entertainment for Americans. The FCC licenses radio and television stations as either commercial or noncommercial educational (NCE). Commercial stations generally support themselves through the sale of advertising. In contrast, NCE stations generally meet their operating expenses with contributions received from listeners and viewers and also may receive government funding. By the end of FY 2010, there were more than 30,000 broadcast stations licensed by the FCC.

FCC LICENSED TV AND RADIO STATIONS

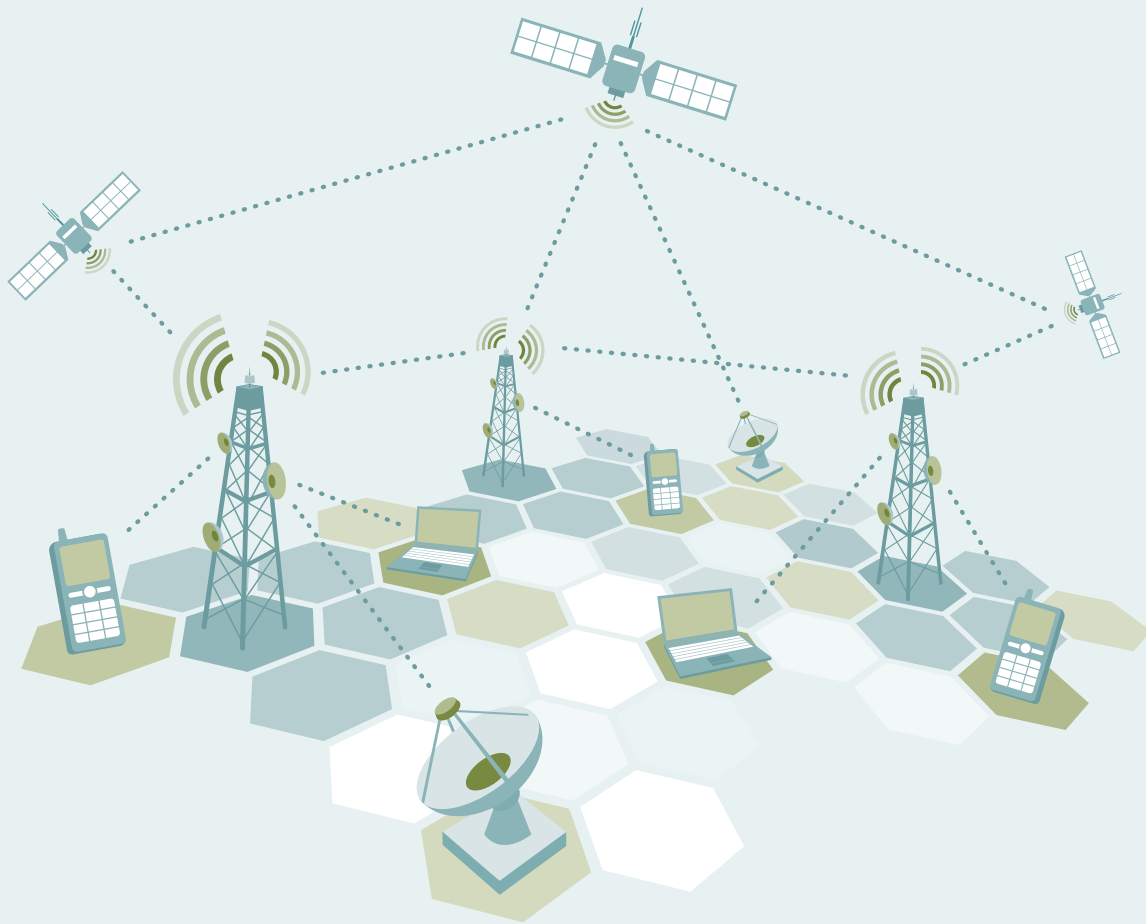
| | |
|-----------------------------|---------------|
| AM Radio | 4,784 |
| Commercial FM Radio | 6,512 |
| Non-Commercial FM Radio | 3,251 |
| Low Power FM Radio | 864 |
| FM Translators & Boosters | 6,161 |
| TOTAL RADIO STATIONS | 21,572 |
| Commercial TV | 1,392 |
| Non-Commercial TV | 391 |
| Class A TV | 525 |
| Low Power TV | 2,387 |
| TV Translators | 4,518 |
| TOTAL TV STATIONS | 9,213 |

Early in the year, the FCC launched an initiative on the future of media and the information needs of communities in the digital age. This initiative is examining the changes underway in the media marketplace, analyzing the full range of future technologies and services that will provide communities with news and information in the digital age, and, as appropriate, will make policy recommendations to the FCC, other government entities, and other parties. The FCC has held workshops and solicited comments from the public.

The Commission acted to promote innovation and consumer choice in the video device marketplace by issuing a Notice of Inquiry and a Further Notice of Proposed Rulemaking to seek to create a competitive retail market for navigation devices for use with multichannel video programming distributors (MVPD). Consumers are increasingly accessing video from multiple sources, including MVPD services, the Internet, DVDs, and over-the-air broadcasting. The FCC is looking to foster a more competitive marketplace for navigation devices and to address calls for a standardized interface that enables smart video devices to bring video from all of these sources together for ease of selection, recording, and viewing. The service provider would be free to innovate within its network to improve its services without requiring replacement of the consumer's home devices and a consumer could switch from one provider to another and continue to use the same smart video devices.

Children live in a dramatically different media environment from the one their parents and grandparents grew up in decades ago. From television to mobile devices to the Internet, electronic media today offer an array of opportunities to access educational content, communicate with family and peers, and acquire the skills and technological literacy necessary to compete in a global economy. However, digital media can also pose risks of harm to children, including exposing them to exploitative advertising, inappropriate content, and cyber bullying. The Commission

released a Notice of Inquiry asking how children can be served and protected and parents can be further empowered in the new digital media landscape. Chairman Genachowski announced the FCC's Children's Agenda for Digital Opportunity to help children and empower parents. The FCC also launched **Parents' Place**, a new Web site that provides parents with the tools and information they need to positively shape their children's experiences in the complex media landscape. It can be found at www.fcc.gov/parents.



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.

One of the FCC's main missions is to ensure continuous operations and reconstitution of critical communications systems and services during and following emergencies. To facilitate this mission, the FCC established its new **Emergency Response Interoperability Center (ERIC)** under the Public Safety and Homeland Security Bureau. ERIC's primary mission is to lead the development of a technical and operational framework that will support and foster nationwide operability and interoperability in wireless broadband communications for America's first responders. The ERIC will serve as the driving force for the development of standards that will bring true interoperability to public safety broadband networks nationwide. As broadband standards and technology evolve, the ERIC will adopt and implement: technical requirements and procedures for ensuring a nationwide level of interoperability; mechanisms to address operability, roaming, priority access, gateway functions and interfaces, and interconnectivity of public safety broadband wireless networks;

and authentication and encryption requirements for common public safety broadband applications and network usage.

Enhancing the cyber security of the nation's infrastructure is critical to the proper functioning of communications networks serving America's financial institutions, national energy grid, medical institutions, educational system, and public safety. Yet, broadband communications networks are susceptible to malicious attack. Despite the increasing threat of cyber attacks, many communications end users do not consider cyber security a priority. The Commission adopted a Notice of Inquiry seeking public comment on the proposed creation of a new voluntary cyber security certification program that would encourage communications service providers to implement a full range of cyber security best practices. This might serve as a first step to implementing a comprehensive roadmap to help counter cyber attacks and better protect America's communications infrastructure.

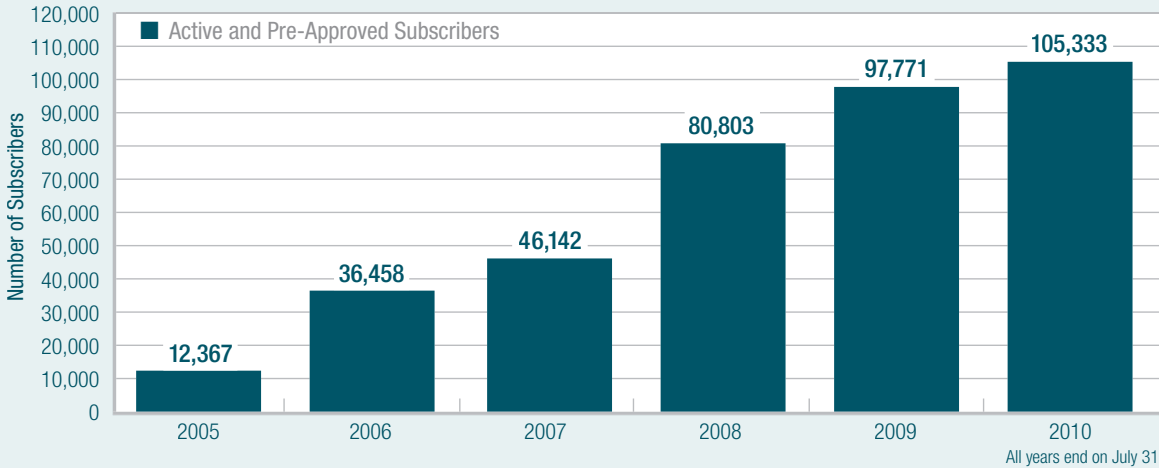
The Commission launched an inquiry on the ability of existing broadband networks to withstand significant damage or severe overloads as a result of natural disasters, terrorist attacks, pandemics, or other major public emergencies. Although core broadband networks are generally presumed to be quite resilient, there may be weaknesses closer to the network edge. Accordingly, the inquiry seeks comment, analysis, and information on the present state of the resiliency and redundancy of broadband networks to withstand physical damage and severe network overload.

The Commission adopted an Order prohibiting the further distribution and sale of devices that operate in the 700 MHz frequency. This action helps clear the 700 MHz band to enable the rollout of communications services for public safety and the deployment of next generation 4G wireless devices. The FCC also granted conditional approval of 21 petitions filed by cities, counties, and States that sought waivers to move forward with the construction of regional or Statewide interoperable wireless broadband networks in the 700 MHz public safety broadband spectrum. The Commission required these broadband networks to be deployed under a common interoperability framework in coordination with the ERIC. This common framework will ensure that all networks being deployed are technically compatible and fully interoperable.

The FCC released two comprehensive white papers that build on the National Broadband Plan recommendations to create an economically viable, technically sound, and robust interoperable public safety wireless broadband network across America. *A Broadband Network Cost Model: The Basis for Public Funding* *Essential to Bringing Nationwide Interoperable Communications to America's First Responders* offers a detailed analysis of how the FCC's plan for creation and funding of the network would meet public safety needs for accessibility, reliability, and affordability. The plan would also ensure true interoperability for public safety across the Nation, stretching beyond large cities and metropolitan areas and into rural America.

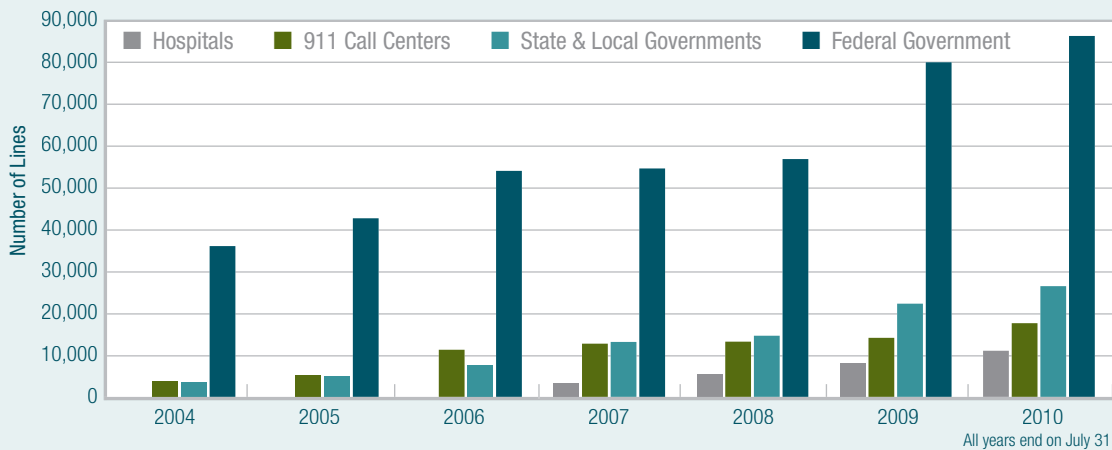
The Commission took action to help strengthen and improve the ability of Public Safety Answering Points (PSAPs or 9-1-1 call centers) to quickly locate wireless 9-1-1 callers and dispatch emergency responders to assist them during emergencies. The FCC requires wireless carriers to provide reliability data on each 9-1-1 call upon the request of a PSAP, which will improve the ability of public safety personnel to assess the accuracy of location information. Most importantly, the Commission's action will help save lives by enabling emergency response personnel in many places to reach people sooner who call 9-1-1 from mobile devices.

WIRELESS PRIORITY SERVICE SUBSCRIBERS



Wireless Priority Service (WPS) is a Federal program that authorizes cellular communications service providers to prioritize calls over wireless networks. Participation in the WPS program is voluntary. The FCC sets the rules and policies for the WPS program; the National Communications System, a part of the U.S. Department of Homeland Security, manages the WPS program. In FY 2008, the Commission began an outreach program to increase participation in WPS. From August 1, 2009 to July 31, 2010, WPS subscribership increased from 97,771 to 105,333, an increase of 8%. The WPS program facilitates the deployment of public safety technology and increases the chances that critical users, such as first responders, will be able to use cell phone services in an emergency.

TELECOMMUNICATIONS SERVICE PRIORITY PARTICIPATION



The Commission established the Telecommunications Service Priority (TSP) program to support priority restoration of communications services that support national security and emergency preparedness (NS/EP) missions during disasters, including terrorist attacks. The National Communications System (NCS) oversees day-to-day operation of the TSP program. Any Federal, State, or local government entity that relies on telecommunications services to accomplish its NS/EP mission can qualify for TSP. Although all 911 call centers would qualify for the TSP program, only a small percentage of 911 call centers participate. In FY 2004, the Commission began an outreach program to inform 911 administrators of the TSP program and to expedite their enrollment. At the beginning of August 2009, a total of 14,297 911 call center circuits were enrolled in the TSP program. At the end of July 2010, a total of 17,788 911 call center circuits were covered by the TSP program. This amounted to a 24% increase in 911 call center circuits enrolled in TSP.

At the beginning of August 2009, State and local governments had 22,441 circuits enrolled in the TSP program; by the end of July 2010, a total of 26,618 State and local government circuits were covered. This change amounted to a 19% increase in covered State and local circuits. The TSP program increases the reliability of essential NS/EP communications services by minimizing out-of-service times. As a result, these circuits were made more reliable, thus helping to achieve the Commission's TSP objectives.

Modernize the FCC

The Commission 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.

The FCC made tremendous strides during FY 2010 to become more efficient, effective, and accountable to the American people. It launched **Reboot.FCC.gov** (www.reboot.fcc.gov/), the first-ever Web site dedicated to soliciting public input on ways to improve citizen interaction with the FCC. **Reboot.FCC.gov** highlighted key elements of FCC reform for public discussion and feedback. As part of a long-overdue redesign of the FCC Web site, the agency solicited ideas on how best to streamline and improve the experience for all site visitors. Because data underlies all agency proceedings, the FCC launched **FCC.gov/data** (www.reboot.fcc.gov/data/), an online clearinghouse for the Commission's public data, providing an additional way to increase openness, transparency, efficiency, and public oversight. The agency reevaluated how citizens engage in government and explored new ways to increase public participation through the use of new media tools. The FCC enhanced its Electronic Comment Filing System and is working toward creating a Consolidated Licensing System to include all radio services.

The Commission proposed revisions to its rules as part of its larger effort to reform and transform the agency into a model of excellence in government. Changes were proposed to the FCC's procedural and organization rules concerning reconsideration of agency proceedings and case management. The proposals are designed to enhance efficiency and reduce backlogs, make it easier for interested persons to follow and participate in the process, and reduce confusion by the

public about certain deadlines. The Commission also proposed changes to its rules governing disclosure of communications with Commission staff and decision makers when all parties to a proceeding are not present (so-called *ex parte* communications). The proposed rule changes are designed to make the Commission's decision-making processes more open, transparent, fair, and effective.

The FCC launched its **Data Innovation Initiative** to modernize and streamline how it collects, uses, and disseminates data. **The FCC's Wireline Competition, Wireless Telecommunications, and Media Bureaus** released Public Notices seeking input on what current data collections should be eliminated, what new ones should be added, and how existing collections can be improved. The Public Notices also included inventories of the Bureaus' current data collection. As part of this initiative, the Commission also proposed rule changes to complete the transition to electronic filing of tariffs, which disclose the rates, terms, and conditions set by certain carriers. Non-dominant carriers would file their tariffs using the FCC's Electronic Tariff Filing System, and tariff filings would be standardized to ease review by the public and the FCC. On-line filing of tariffs will afford the public and the FCC immediate access to new tariffs filed by carriers, providing more opportunity for review and comment. The change will also reduce the burden on carriers and FCC staff associated with filing and administering paper records.

As part of the initiative, the FCC also launched a suite of new tools designed to unlock FCC data and drive innovation across the public and private sectors. The suite of tools includes a number of **APIs (Application Programming Interface)**, interfaces that enable communication between independent databases, for use by developers across a broad range of industries, including Federal, State, and local governments. The FCC also announced the creation of a **developer community** (www.fcc.gov/developer) designed

to help drive future releases through feedback and collaboration. An example of the APIs released is **License View** which provides snapshots such as the number of licenses across different services, how many licenses different entities have, and how many licenses are up for renewal in the near future. The APIs represent a step toward reform of the licensing systems and improvement in how the FCC makes licensing information available to the public. Currently available APIs include:

FCC DEVELOPER APPLICATION PROGRAMMING INTERFACES

| APPLICATION | OBJECTIVE |
|-------------------------------------|--|
| FCC Consumer Broadband Test | Over 1 million user speed tests were generated from FCC Consumer Broadband Test. This API delivers data on the number of tests, average user download/upload speeds, and more. |
| FCC Census Block Conversions | Unlock the U.S. Census Block number of any geographic coordinate using the FCC Census Block Search. This API also returns the associated U.S. State and County name. |
| FCC FRN Conversions | Quickly tap FCC Registration Numbers to learn more company information about broadband providers, which often change from State to State. |
| FCC License View | License View provides information on over 3 million FCC issued licenses for use of the Nation's airwaves and other purposes. |
| Spectrum Dashboard | The Spectrum Dashboard allows new ways for citizens to search spectrum in the United States. These APIs deliver information on spectrum band allocation and who own licenses within the 225 MHz to 3700 MHz frequency range. |

The FCC is committed to helping consumers through information, complaint mediation, and regulatory policy. Consumers deserve clear, complete information to help them make the best choices in communications services. To assist consumers, the FCC launched a new, easy-to-use, **Consumer Help Center** that puts them within one click of all the information they want from the FCC. The portal at www.fcc.gov/consumers allows consumers to learn about different issues in telecommunications, makes it easy for consumers to find out what's going on at the FCC, provides tips for making the best choices in purchasing

communications devices and services, allows consumers to have their voices heard by filing comments on issues that interest them, and provides them with a means to file a complaint when there are problems.

The FCC's Consumer Task Force initiated a **Wireless World Travel Week** to coincide with the beginning of summer and a busy travel season. Americans make over 60 million international trips each year and many take their mobile phones with them. Throughout that week, the FCC and wireless companies offered tips to help travelers save money on international wireless use.

» The FCC was recognized as the “most improved” agency across the entire Federal government according to the 2010 OPM Viewpoint Employee Satisfaction Survey released by the Office of Management and Budget. The survey results reflect the work being done throughout the agency to make the FCC a model of excellence in government, including creating new opportunities for employees to provide feedback, improving employee communication through technology and new media, and focusing on leadership development and opportunities for employees.

FY 2010 Financial Information

How We Managed Our Funds: A Message from Our Chief Financial Officer



I am pleased to present the Commission's financial statements for fiscal year (FY) 2010 and to report that the Commission's auditors issued an unqualified opinion on each of the Commission's financial statements for FY 2010. I am also proud to say that this is the fifth straight fiscal year the Commission has received an unqualified opinion—the longest consecutive period of “clean” audit opinions that the Commission has received in the 12 fiscal years its financial statements have been audited, dating back to FY 1999. The Commission is proud of the work of its staff over the last 5 fiscal years to obtain and maintain an unqualified opinion.

Throughout FY 2010, the Commission worked diligently on closing audit findings from previous audits. The Commission as a whole closed 29 audit findings during FY 2010 and has closed more than 510 audit findings in the last 5 fiscal years. As part of this effort, the Commission made progress on resolving matters raised by its auditors in their FY 2010 audit report. The Commission closed findings relating to its information technology control deficiencies and made progress in resolving findings related to its financial management systems by continuing with the development of a new core financial system and reviewing its current feeder systems as required by Office of Management and Budget Circular A-127.

Significantly, for FY 2010 the Commission's independent auditor did not report any material weaknesses for the Commission or its reporting components. Despite these successes, there is still work to be done at the Commission. The FY 2010 audit report points out two significant deficiencies related to internal controls and notes one instance of non-compliance that must still be resolved. The primary areas of concern relate to financial reporting processes, information technology controls, and compliance with the Federal Managers' Financial Integrity Act.

One of the Commission's greatest challenges in resolving the auditors' findings and improving the performance of its financial reporting process is to implement a new core financial management system. In October 2010, we made significant strides to resolve this finding by launching our new core financial management system. Before launching the system, we trained all Commission staff involved in processing financial transactions on the new system to ensure that the Commission maintains its strong culture of efficient and accurate financial management of Commission funds. It will be a challenge in the upcoming year to fully deploy this financial management system so that we efficiently maximize the re-engineered processes to provide stronger controls and more accurate and timely data.

Intertwined with the Commission's challenge of implementing its own new core financial management system are the Commission's efforts to work closely with its reporting components in their efforts to implement new core financial systems. During FY 2011, the Commission plans to continue to work closely

with its reporting components in their efforts to modernize their financial systems.

Finally, the Commission is committed to minimizing the risk of improper payments and reducing improper payments to customers and beneficiaries of its reporting components, the Universal Service Fund and the Telecommunications Relay Service Fund. The Commission continues to make improvements to the management, administration, and oversight of these funds; we have established a dedicated team to oversee the funds and have initiated a robust audit program to detect improper payments from these funds.

I look forward to FY 2011 and continuing our efforts to strengthen the Commission's and its reporting components' internal control environments and to improving the effectiveness of the Commission's and its reporting components' financial operations.

—**Mark Stephens**
Chief Financial Officer
February 2011

Key FY 2010 Financial Management Accomplishments

| AREA | ACCOMPLISHMENT |
|--|--|
| Stewardship Over Funds | <p>The Commission worked with the Universal Service Administrative Company (USAC) and the Department of Justice in successfully pursuing wrongdoers who sought to defraud the Universal Service Fund (USF). In FY 2010, these efforts yielded cash recoveries of over \$850 thousand in fraudulent disbursements. In addition the defendants in these cases relinquished claims valued at over \$135 million.</p> <p>The Commission entered into several consent decrees valued at over \$22 million for violations of the Telecommunications Relay Service Fund (TRS).</p> |
| Financial Systems Modernization | <p>The Commission “went live” with the Core Financial System Replacement (Genesis) project on October 14, 2010. As a modern, integrated core financial system, Genesis allows the Commission to manage its finance, accounting, and budget activities in a more efficient and effective manner. The newly implemented financial system reduces and/or eliminates instances of duplicate transaction entry and reduces preparation of manually intensive reconciliations. Financial business processes were reengineered to leverage best practices and improved functionality provided by the new system. Genesis provides a Web-enabled self-service capacity for the Bureaus and Offices to execute accounting functions using business analytics for decision making, and it supports the reduction of the paper chain associated with the approval and manual distribution of documents.</p> |
| Procurement | <p>The FCC established a partnership with the Small Business Administration to increase contract awards to small and disadvantaged businesses. The agency met its goals for Small Disadvantaged Business and exceeded its goals for Small Disadvantaged Veteran-Owned Business. We made many awards using recovery funds in support of the National Broadband Plan.</p> |

The FCC’s FY 2010 Agency Financial Report, found at www.fcc.gov/Reports/fr2010.pdf, contains a full list of FY 2010 Financial Management Accomplishments, the full audit report from the external auditor, and our Summary of Management Assurances, among other financial information.

Our Financial Results

This section contains condensed financial statement information, a description of our major balance sheet components and our cost of operations, and budgetary resources. We also present the results of our performance in the area of financial management using established metrics. Our complete financial statements are available on the FCC Web site at www.fcc.gov/Reports/fr2010.pdf.

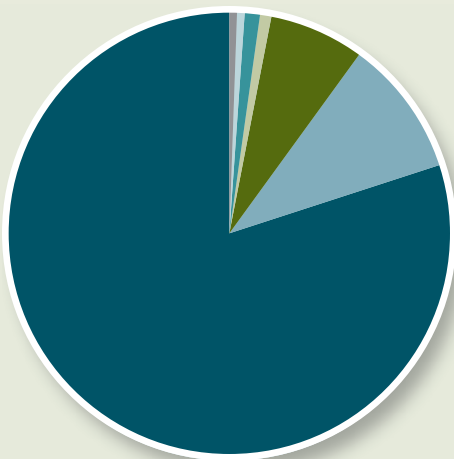
CHANGES IN FINANCIAL POSITION (Consolidated)

| Net Financial Condition (Dollars in Thousands) | FY 2010 | FY2009 | % Change in Financial Position |
|---|----------------------|----------------------|--------------------------------------|
| Intragovernmental | | | |
| Fund Balance with Treasury | \$ 457,368 | \$ 359,735 | 27.0% |
| Investments | 6,087,715 | 6,016,693 | 1.0% |
| Accounts Receivable | 571 | 889 | -36.0% |
| Other | 33,838 | 400,451 | -92.0% |
| Total Intragovernmental | \$ 6,579,492 | \$ 6,777,768 | -3.0% |
| Cash and Other Monetary Assets | 100,344 | 68,852 | 46.0% |
| Accounts Receivable, net | 783,620 | 763,843 | 3.0% |
| Loans Receivable, net | 48,470 | 83,589 | -42.0% |
| General Property & Equipment, net | 65,167 | 49,616 | 31.0% |
| Other Assets | 13,088 | 7,735 | 69.0% |
| TOTAL ASSETS | \$ 7,590,181 | \$ 7,751,403 | -2.0% |
| Intragovernmental | | | |
| Debt | \$ 87,726 | \$ 46,484 | 89.0% |
| Other | 251,972 | 117,921 | 114.0% |
| Total Intragovernmental | \$ 339,698 | \$ 164,405 | 107.0% |
| Accounts Payable | 120,477 | 79,733 | 51.0% |
| Deferred Revenue | 132,386 | 528,234 | -75.0% |
| Prepaid Contributions | 74,915 | 57,670 | 30.0% |
| Accrued Liabilities for Universal Service | 622,400 | 591,512 | 5.0% |
| Other | 49,408 | 62,778 | -21.0% |
| TOTAL LIABILITIES | \$ 1,339,284 | \$ 1,484,332 | -10.0% |
| Unexplained Appropriations | \$ 21,183 | \$ 44,000 | -52.0% |
| Cumulative Results of Operations | 6,229,714 | 6,223,071 | 0.0% |
| TOTAL NET POSITION | \$ 6,250,897 | \$ 6,267,071 | 0.0% |
| NET COST | \$ 8,961,165 | \$ 8,194,593 | 9.0% |
| BUDGETARY RESOURCES | \$ 13,612,371 | \$ 12,493,760 | 9.0% |

Assets

The chart below presents the total assets of the Commission as of September 30, 2010. The large Intragovernmental Investments balance of \$6,088 million mainly results from carryover in the USF Schools and Libraries and Rural Healthcare programs (\$5,733 million) and carryover in the Telecommunications Relay Service program (\$355 million) that have grown since the programs' inception as a result of annual contributions that have exceeded annual distributions. The Accounts Receivable balance of \$784 million is primarily composed of USF receivables totaling \$775.6 million.

2010 ASSETS BY CATEGORY (Dollars in Thousands)



| Category | % | Assets |
|------------------------------------|--------|--------------------|
| Intragovernmental Investments | 80.0% | \$6,087,715 |
| Accounts Receivable, net | 10.0% | \$783,620 |
| Remaining Intragovernmental Assets | 7.0% | \$491,777 |
| Cash and Other Monetary Assets | 1.0% | \$100,344 |
| General PP&E | 1.0% | \$65,167 |
| Loans Receivable, net | 1.0% | \$48,470 |
| Other Assets | < 1.0% | \$13,088 |
| TOTAL ASSETS | | \$7,590,181 |

Liabilities

The chart below presents the total liabilities of the Commission as of September 30, 2010. The Commission's most significant liabilities are Deferred Revenue of \$132 million and Accrued Liabilities for Universal Service of \$622 million, which accounted for 56 percent of total liabilities as of September 30, 2010. The Deferred Revenue balance includes \$33.8 million in winning bids for auction #73 and \$33.2 million for other auctions where the corresponding licenses have not yet been granted. As these licenses are granted, the revenue will be recognized on the Statement of Custodial Activity by the Commission. The Accrued Liabilities for Universal Service represent the expected October (FY 2011) payments for the Telecommunications Relay Service Program and the Universal Service Fund High Cost and Low Income Programs.

2010 TOTAL LIABILITIES BY CATEGORY (Dollars in Thousands)



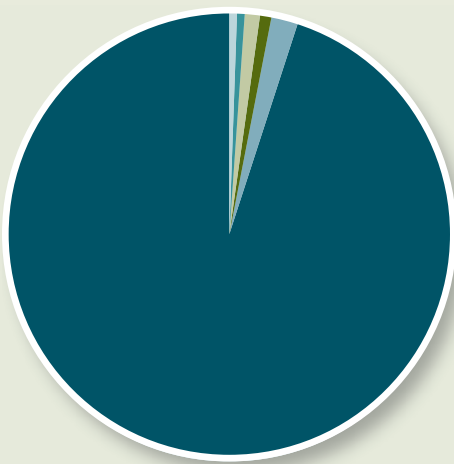
| Category | % | Liabilities |
|---|-------|--------------------|
| Accrued Liabilities for Universal Service | 46.5% | \$622,400 |
| Total Intragovernmental | 25.3% | \$339,698 |
| Deferred Revenue | 9.9% | \$132,386 |
| Accounts Payable | 9.0% | \$120,477 |
| Prepaid Contributions | 5.6% | \$74,915 |
| Other | 3.7% | \$49,408 |
| TOTAL LIABILITIES | | \$1,339,284 |

Net Position: As of September 30, 2010, the agency's total net position was \$6,251 million, consisting of Cumulative Results of Operations of \$6,230 million and Unexpended Appropriations of \$21 million.

Costs

The graph below presents the total gross costs of each Commission program as of September 30, 2010. The costs are aligned with the six strategic goals of the Commission: Broadband, Competition, Spectrum, Media, Public Safety and Homeland Security, and Modernize the FCC. The cost of the Competition and Spectrum strategic goals may be significantly higher than the other four goals as they include additional program costs. For example, the program costs for the USF, TRS, and NANP are included within the Competition strategic goal while the Commission's subsidy costs for the Spectrum Auction Loan Program are included with the Spectrum strategic goal. Contributions received for the USF and TRS programs are shown on the Statement of Changes in Net Position and do not directly offset the costs of these programs on the Statement of Net Cost.

2010 TOTAL GROSS COST (Dollars in Thousands)

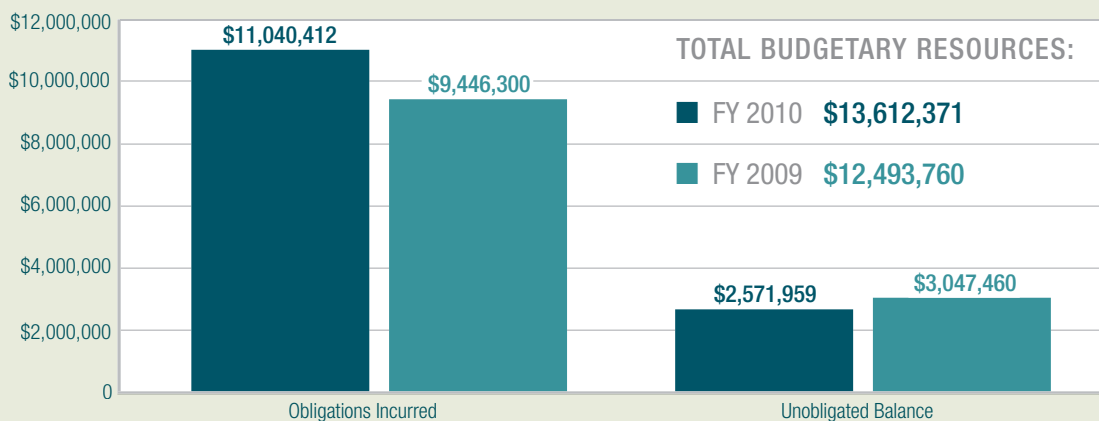


| Category | % | Costs |
|-----------------------------------|--------|--------------------|
| Competition | 95.0% | \$9,023,883 |
| Spectrum | 2.0% | \$154,485 |
| Broadband | 1.0% | \$80,775 |
| Modernize the FCC | 1.0% | \$70,145 |
| Media | 1.0% | \$50,180 |
| Public Safety & Homeland Security | < 1.0% | \$42,320 |
| TOTAL GROSS COSTS | | \$9,421,788 |

Budgetary Resources

The Commission receives most of its budgetary authority from Congressional appropriations. Budgetary resources consist of the resources available to the Commission at the beginning of the year (carried forward), plus appropriations, spending authority from offsetting collections, and other budgetary resources received during the year. The Commission had \$13.6 billion in budgetary resources of which \$11.0 billion was incurred and \$2.6 billion remained unobligated. The chart below compares the status of budgetary resources between FY 2010 and FY 2009.

STATUS OF BUDGETARY RESOURCES – FY 2010 & FY 2009 (Dollars in Thousands)



Financial Management Indicators

FINANCIAL MANAGEMENT INDICATORS FOR FY 2010

| INDICATOR | STATUS |
|--|-------------------|
| Debt Management | |
| Debt eligible transferred to Treasury | 100.0% |
| Funds Management | |
| Fund balance with Treasury (Identifies the difference between the fund balance reported in Treasury reports and the agency fund balance with Treasury recorded in its general ledger on a net basis) | 100.0% reconciled |
| Payment Management | |
| Timely vendor payments (per Prompt Payment Act) | 86.0% |
| Percentage interest penalties paid to invoices processed | 0.01% |
| Percentage of total dollars outstanding in current status* (good standing) for centrally billed travel accounts | 100.0% |
| Percentage of total dollars outstanding in current status* (good standing) for Purchase Cards | 100.0% |
| Percentage of travel vouchers processed within 10 business days | 96.0% |

*The Office of Management and Budget threshold for delinquency is 61 days.





**Federal
Communications
Commission**

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