



FY 2011 Summary of Performance & Financial Information



**Federal
Communications
Commission**

Message from Our Chairman



I am pleased to present the Federal Communications Commission's (FCC) Summary of Performance and Financial Results. 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 transparent and accessible to all citizens.

The FCC's work centers on communications networks and technology, which can connect our country, increase opportunity and prosperity, spur American competitiveness and global leadership, strengthen our democracy, protect public safety, and in so many ways transform lives for the better. Our mission is to harness the power of broadband Internet to drive economic growth and benefit all Americans.

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 friends and family; 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 and participate in our government and express our views.

Our country faces a number of significant challenges and opportunities for which communications—and broadband Internet in particular—play an essential role: our economy,

education, health care, energy, and public safety, to name a few. If we can harness the power of broadband to tackle these challenges and seize these opportunities, we will make a positive difference in the lives of this and future generations.

This report contains a summary of the progress the FCC made during Fiscal Year (FY) 2011 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 sixth 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 2011 Agency Financial Report, located at <http://www.fcc.gov/encyclopedia/fcc-strategic-plan>. This is also the location where you can find the FY 2011 Annual Performance Report, which provides a comprehensive look at the FCC's accomplishments for the fiscal year.

—Julius Genachowski
Chairman
February 2012

FY 2011 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 2011 (October 1, 2010 through September 30, 2011). 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 2011. Both are available online on the Commission's Web site at www.fcc.gov/encyclopedia/fcc-strategic-plan.



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 2011 were:

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

There was one Commissioner position that was vacant at the end of FY 2011. Additionally, Commissioner Michael J. Copps resigned his position at the FCC effective January 1, 2012.



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

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. In order to accomplish its mission, 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 nine other 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 and policies affecting Tribal nations. 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 Bureau protects consumers, ensures efficient use of 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 promotes 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 and its territories, 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, and fixed—as opposed to mobile—broadband), striving to ensure choice, opportunity, and fairness in promoting the development and widespread availability of such communications services. The Bureau has particular responsibility for the Universal Service Fund, a public-private partnership that helps connect all Americans to communications networks.

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 at the end of FY 2011 is included on the next page.

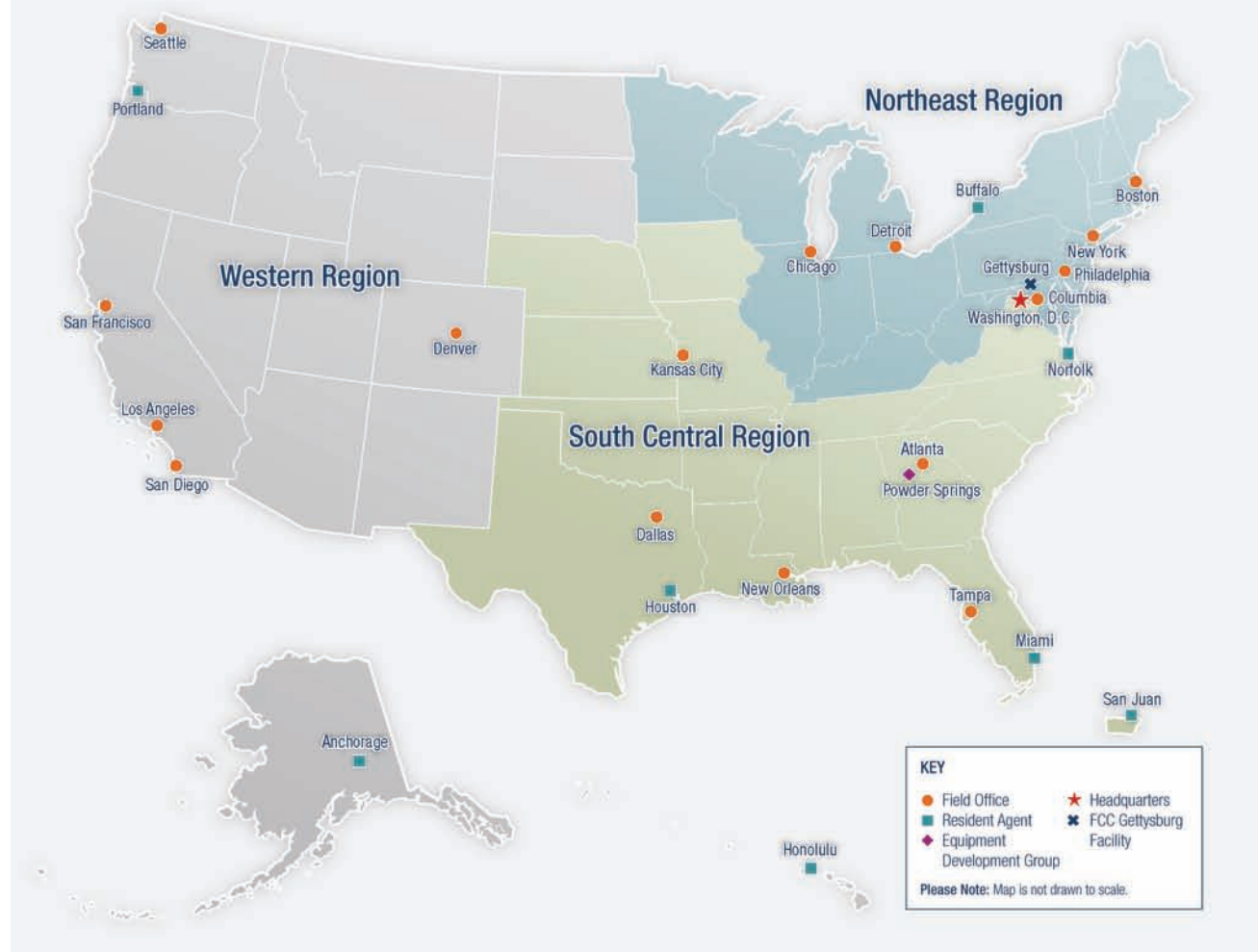
Organizational Chart



FCC Field Offices

The Commission has multiple regional and field offices as well as resident agent locations throughout 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 that serve as guidance directing the actions and performance of the FCC.

The agency's success in 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. Further details on the Commission's strategic goals during FY 2011, as well as the strategies and resources used

to achieve these goals, can be found in the Commission's strategic plan at: www.fcc.gov/encyclopedia/fcc-strategic-plan. Please note that the goals shown below were the FCC's strategic goals during FY 2011. The Commission issued a new FCC Strategic Plan in February 2012 with revised goals for the period FY 2012 through FY 2016. The FCC will report on its performance toward the new strategic goals in future documents. The new Strategic Plan is publicly available at the same Web site noted above.

STRATEGIC GOAL	OBJECTIVE
Broadband	Work to ensure that all Americans have increased access to robust, reliable and affordable broadband with universal broadband as our ultimate goal.
Consumers	Empower consumers by ensuring that they have the tools to make informed decisions and challenge unfair business practices.
Competition and Innovation	Promote a competitive dynamic for communications and media services that fosters research, innovation, and job creation, and presents consumers with reliable, meaningful choice in affordable services.
Continual Improvement	Make the FCC a model for excellence in government by being data-driven in our decisionmaking and committing to a transparent and participatory process that encourages public involvement and feedback.
Public Safety and Homeland Security	Promote the availability of reliable, interoperable, redundant, and rapidly restorable critical communications infrastructures that are supportive of all required services.
International	Commit to greater international engagement and cooperation.

Performance Highlights for FY 2011

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 2011 which can be found on the Commission's Web site at www.fcc.gov/encyclopedia/fcc-strategic-plan. In the discussion below, we identify achievements in the Commission's major initiatives during the past fiscal year, organized by strategic goal.



Broadband

Work to ensure that all Americans have increased access to robust, reliable, and affordable broadband with universal broadband as our ultimate goal.

Broadband has become the engine driving economic opportunity for individuals, small businesses, and communities. It enables existing businesses to boost productivity and efficiency, reach customers in new markets, and develop new products and services, thus expanding markets to reach customers across the country. Those without access to broadband are becoming more isolated from the modern American economy. The latest *Broadband Progress Report* issued by the FCC in May found that approximately 26 million Americans, mostly in rural communities located in every region of the country, are denied access to the jobs and economic opportunity made possible by broadband.

While the infrastructure of high-speed Internet is unavailable to those Americans, the FCC report also found that approximately one-third of Americans do not subscribe to broadband, even when it's available. The report identified barriers to adoption such as cost, low digital literacy, and concerns about privacy. Despite these continuing challenges, significant progress has been made over the past few years. The private sector continues to invest tens of billions of dollars in broadband infrastructure each year (\$65 billion in capital expenditures in 2010 alone), expanding capacity, increasing speeds, and rolling out next-generation mobile services like 4G.



The Commission addressed the affordability and availability of broadband services by adopting rules to streamline access and reduce costs for attaching broadband lines and wireless antennas to utility poles, a key component of broadband infrastructure. The FCC found that the lack of timelines for access to poles, the resulting potential for delay in attaching broadband equipment to poles, and the absence of adequate mechanisms to resolve disputes creates uncertainty that deters investment in broadband networks. In addition, widely varying and unnecessarily high pole rental rates further discourage broadband deployment. To address these concerns, the FCC comprehensively reformed its pole attachment rules for the first time since the 1990s. The rules fairly compensate utility pole owners for use of their poles and toughen penalties which will deter potentially dangerous unauthorized attachments on poles.

The explosive growth in mobile communications threatens to outpace the infrastructure on which it relies. Specifics of this situation were detailed in an FCC white paper entitled, *“Mobile Broadband: The Benefits of Additional Spectrum.”* This forecast of mobile broadband market trends detailed the looming spectrum crunch in a concrete, data-driven fashion. Key findings of the paper were that mobile broadband growth is likely to outpace the ability of technology and network improvements to keep up, and within the next 5 years the spectrum deficit is likely to approach 300 megahertz.

An important step was taken by the Commission to meet the nation’s demand for innovative wireless broadband services by adopting a **Notice of Proposed Rulemaking (NPRM)** proposing that wireless broadband providers have equal access to television broadcast frequencies that could become

available in spectrum auctions. The proposed rules would enable television broadcasters to opt to share channels by further utilizing the technical capabilities that became available following the transition to digital television in 2009. In September, the FCC also announced a 45-day public trial of a database system to identify unused television band channels that are available for unlicensed devices. Unused spectrum between TV stations, called **white spaces**, represents a valuable opportunity for more efficient use of spectrum because it can be used for unlicensed services. Unlicensed services are a powerful platform for innovation and experimental use. The result of innovation on unlicensed spectrum has already led to a wave of new consumer technologies, including Wi-Fi and other innovations like baby monitors and cordless phones that have generated billions of dollars in economic growth.

The FCC released a report during FY 2011 on the state of broadband connectivity at schools and libraries receiving funds from the Federal E-rate program; this program provides support to help connect schools and libraries to the Internet. The report is based on data from a survey of schools and libraries that examined the challenges they face related to broadband use. The survey found that while respondents have some broadband capabilities, nearly 80 percent of all survey respondents said their broadband connections did not fully meet their current needs. Of that group, 55 percent cited slow connection speed as the primary reason current Internet connectivity did not meet their needs. This is a growing concern for schools, as 56 percent of the survey respondents expect to implement or expand the use of digital textbooks in the next 2 to 3 years, and 45 percent expect to implement or expand the use of handheld devices for educational purposes.

The agency launched an innovative program during FY 2011 for schools and libraries in 14 states, aimed at giving participating students in grades K through 12 off-premises connections to the Internet to increase access to digital textbooks, cutting-edge interactive learning tools, and other innovative wireless technologies. The new FCC wireless pilot project, **“Learning On-The-Go,”** will provide up to \$9 million for schools and libraries selected for the 2011-2012 funding year. The Commission received 94 applications and, in March, announced the initial selected project participants. The 20 selected projects include initiatives to improve off-campus access to e-textbooks for students; connectivity for netbooks for students living in remote, isolated areas; and access to flexible, online education programs for home-bound students unable to attend classes. Digital textbooks never go out of date and students will have greater opportunities to access the latest educational curriculum available. Digital tools also help parents, allowing them to better monitor and evaluate how their children are doing and where they need more help. The FCC also opened the door to **“School Spots”** where schools have the option to provide Internet access to the local community after students go home, which can bring the benefits of high speed broadband to people who otherwise lack access to the Internet.

In 2009, the FCC launched a public process to determine what actions might be necessary to preserve the characteristics that have allowed the Internet to grow into an indispensable platform supporting our nation’s economy and civic life. Through a public rulemaking process that included input from more than 100,000 individuals and organizations and several public workshops, the Commission adopted rules to preserve and protect the Internet



as an open network enabling consumer choice, freedom of expression, user control, competition, and the freedom to innovate. The new rules require all broadband providers to publicly disclose network management practices and they restrict broadband providers from blocking lawful Internet content and applications. The rules ensure continued Internet openness while making clear that broadband providers can effectively manage their networks and respond to market demands.

A recent FCC survey found that 80 percent of consumers did not know the speed of the broadband service they purchased from their Internet Service Provider. Even if consumers examine their bills, details about broadband speed often remain unclear. As a result, in conjunction with the release of an FCC report titled *Measuring Broadband America*, the agency initiated new consumer resources, including an on-line *“Broadband Speed Guide”* and a consumer’s guide on *“Broadband Service for the Home”*, to help Americans better understand broadband speeds, assess their

home needs, choose the right package and evaluate broadband performance. The report found that, for most major wireline broadband providers, actual speeds are generally 80 to 90 percent of advertised speeds or better, although performance varies by technology and service provider. By shining a spotlight on actual versus advertised speeds, the FCC is ensuring accountability. If consumers make

informed choices, companies will likely invest in new products, services and business models to compete more aggressively and offer greater value. The chart below, from the *Measuring Broadband America* report, serves as a guide to help households determine the minimum level of broadband service they may need from their provider.

This chart can be used to compare download speed requirements when using one or more devices at the same time, such as a laptop, tablet, or game console.

HOUSEHOLD BROADBAND GUIDE			
# OF USERS	LIGHT USE (Basic functions only: email, Web surfing, basic streaming video)	MODERATE USE (Basic functions PLUS one high-demand application: streaming HD, video conferencing, or online gaming)	HIGH USE (Basic functions PLUS more than one high-demand application running at the same time)
1 user or 1 device (e.g., laptop, tablet, or game console)	Basic	Basic	Medium
2 users or devices at a time	Basic	Basic	Medium/Advanced
3 users or devices at a time	Basic	Basic/Medium	Advanced
4 users or devices at a time	Basic/Medium	Medium	Advanced

Basic Service = 1 to 2 Mbps*
 Medium Service = 6 to 15 Mbps
 Advanced Service = More than 15 Mbps

*Mbps (Megabits per second) is the standard measure of broadband speed. It refers to the speed with which information packets are downloaded from, or uploaded to, the internet.

The FCC continued its efforts to increase broadband deployment and adoption on Tribal lands by creating the **Native Nations Broadband Task Force** with representatives from 19 tribes who bring unique knowledge about telecommunications challenges on Tribal lands. The Task Force will be responsible for eliciting input to ensure that Native

concerns are considered in all Commission proceedings related to broadband, developing additional recommendations for promoting broadband deployment and adoption on Tribal lands, and coordinating with external entities, including other Federal departments and agencies.

Consumers

Empower consumers by ensuring that they have the tools to make informed decisions and challenge unfair business practices.

The mobile broadband revolution is well under way. New mobile technologies are changing the way people live. Making sure consumers have the tools and information they need to navigate this changing landscape has been one of the FCC's top priorities. During FY 2011, the FCC proposed new rules to help consumers by addressing wireless "bill shock," which an estimated 30 million Americans have experienced based on an FCC study. Wireless bill shock occurs when consumers are unaware that they have exceeded the limits on their voice, text, data, or international plans. The FCC's **Consumer Task Force** recommends these strategies to avoid bill shock:

The FCC proposed rules that would require customer notification, such as voice or text alerts, when the customer approaches and reaches monthly limits that will result in overage charges. The proposed rules also would require mobile providers to notify customers when they are about to incur international roaming charges and requires providers to clearly disclose any tools they offer to let customers set usage limits or review their usage balances. Toward the end of FY 2011, the FCC worked with industry leaders and **CTIA (The Wireless Association)** to craft modifications to the wireless industry's Code of Conduct as an alternative to the proposed

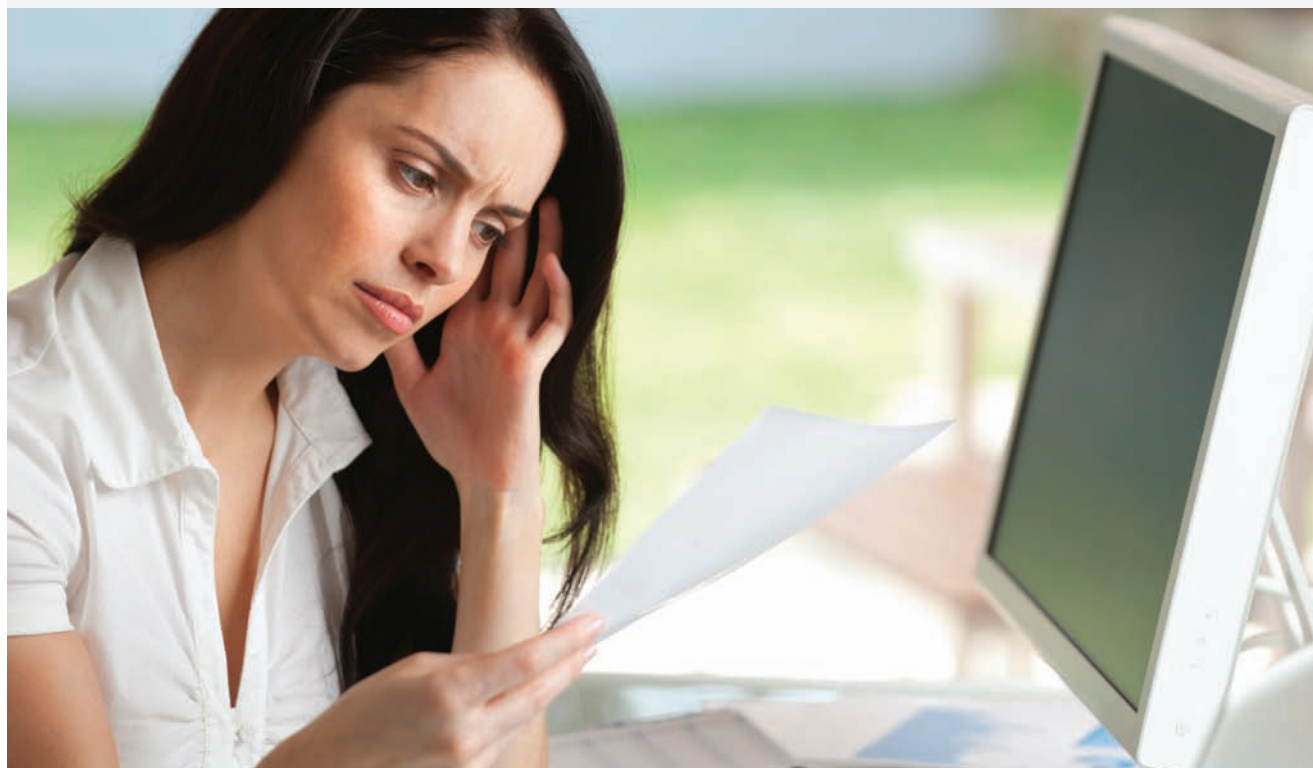
STRATEGIES TO AVOID BILL SHOCK
Understand your calling pattern and ask your carrier for a plan that works best for your kind of phone use.
If you are an infrequent phone user, consider a pre-paid plan. These plans make it very difficult to go over your set limit.
Understand what your roaming charges are and where you will incur them.
Understand your options for data and text plans.
If you are travelling internationally, ask your carrier beforehand what charges may apply.
Ask how your carrier can help you avoid bill shock – with phone or text alerts, by letting you monitor your account online, or by providing you other information.
If you have tried to resolve a billing issue with your carrier and cannot reach an acceptable resolution, contact the FCC Consumer Center, toll free, at 1-888-CALL-FCC (1-888-225-5322), or file a complaint at www.fcc.gov/complaints .



regulations. The result was a voluntary agreement that provides the same kind of consumer protections that the FCC's proposed rules would have ensured.

Enforcement of the FCC's rules provides consumers with confidence that they are being protected from fraudulent and misleading practices. The FCC's **Enforcement Bureau** announced a historic consent decree with Verizon Wireless, including a record \$25 million payment to the U.S. Treasury, regarding "mystery fees" the company charged its customers over the last several years. The payment was the largest in FCC history and the settlement concluded the agency's 10-month investigation into these overcharges. In addition to Verizon Wireless's payment to the Treasury, the company made refunds to approximately 15 million customers and ensured that consumers are no longer charged the mystery fees. Similarly, the agency proposed a total of \$11.7 million in

penalties against four companies that appear to have unlawfully billed tens of thousands of consumers for unauthorized charges, a practice known as "cramming." Cramming occurs when a company places charges on a consumer's phone bill without authorization. They are often buried in multi-page phone bills and have misleading labels that make it difficult for a consumer to detect them. The Commission took action to protect Americans from "mystery fees" and "cramming" by proposing rules that would require landline telephone companies to notify subscribers clearly and conspicuously, at the point of sale, on each bill, and on their Web sites, of the option to block third-party charges from their telephone bills if the carrier offers that option. The proposed rules also strengthen the Commission's requirement that third-party charges be separated on bills from the telephone company's charges. In addition, the rules would require both landline and wireless telephone companies to include a notice that



consumers may file complaints with the FCC and provide the Commission's contact information for the submission of complaints.

Enforcement has been at the core of the Commission's agenda to protect consumers. In addition to the specific examples noted above, the Commission has focused considerable resources on enforcing those rules that directly impact consumers. Areas of activity concerning consumers include, among others, closed captioning, telecommunications relay service, privacy of customer information, junk faxes, do-not call violations, and prepaid calling cards. The Commission proposed forfeitures for four companies believed to be using deceptive marketing practices to sell prepaid calling cards, scamming consumers out of millions of dollars, mostly from low-income and minority communities.

The Commission works diligently to assist individual consumers. During this fiscal year, the Commission processed over 290,000 "informal" consumer complaints and responded to over 370,000 consumer inquiries. In addition, the Commission conducts educational outreach at major consumer and educational conventions such as AARP and the American Library Association.

In 2010, the FCC initiated a staff-level working group to identify trends and make recommendations on how the information needs of communities can be met in a broadband world. The working group included journalists, entrepreneurs, scholars, and government officials. The group interviewed more than 600 individuals and organizations, collected over 1,000 public comments, reviewed existing research, held multiple hearings, and visited newsrooms across the country. On June 9, 2011, the group issued an in-depth analysis of the current state of the media landscape along

with a broad range of recommendations. The staff-level report, titled *Information Needs of Communities: The Changing Media Landscape in a Broadband Age*, found that the Internet has enabled an unprecedented free exchange of ideas and information, empowering individuals with a wealth of new information to better inform decision-making and promote more accountable government. Key recommendations in the report included streamlining disclosures about local programming and discouraging "pay-for-play" arrangements in which TV stations allow advertisers to dictate on-air content without informing viewers by requiring online disclosure of such arrangements.

The overwhelming majority of digital cable subscribers currently lease set-top boxes from their cable providers, making it increasingly important to stimulate competition and innovation in set-top boxes. Further innovation will lead to greater choice, lower prices, and more capability. In October 2010, the Commission adopted rules to remedy current issues with set-top boxes using **CableCARDs** by ensuring that retail devices have access to all video programming that is prescheduled by the programming provider; making CableCARD pricing and billing more transparent; and streamlining CableCARD installations. These actions were intended to unleash video innovation and consumer choice in equipment.

The FCC has taken several actions as part of its ongoing efforts to implement the **Twenty-First Century Communications and Video Accessibility Act of 2010 (CVAA)**. The CVAA is considered the most significant piece of accessibility legislation since the passage of the Americans with Disabilities Act in 1990, modernizing existing communications laws to ensure that people with disabilities are able to share fully in the economic, social,

and civic benefits of broadband and other 21st century communication technologies. The Commission adopted rules to ensure that the 54 million individuals with disabilities living in the United States are able to fully use advanced communications services, equipment, and networks. The Commission also reinstated the video description rules originally adopted by the Commission in 2000. Video description is the insertion of audio-narrated descriptions of a television program's key visual elements into natural pauses in the program's dialogue, making video programming more accessible to individuals who are blind or visually impaired. The FCC established a **National Deaf-Blind Equipment Distribution Program (NDBEDP)** to enable low-income individuals who are deaf-blind to receive equipment to access 21st Century communications services. The pilot program will help ensure that qualified individuals have access to the Internet, as well as telecommunications, advanced communications, and information services. Finally, the Commission issued a NPRM seeking comment on proposed rules to enable the provision of closed captions on video programming delivered over the Internet. This CVAA requirement will apply to any video programming delivered via the Internet that had previously been shown on television with captions. The FCC continues to take aggressive enforcement action to ensure that individuals with hearing loss have access to advanced telecommunications services as contemplated by the wireless hearing aid compatibility rules.

As part of its ongoing efforts to ensure that the **Video Relay Service (VRS)** continues to provide a crucial telecommunications link for people who are deaf and hard-of-hearing, the Commission adopted rules designed to eliminate the waste, fraud, and abuse in the VRS program that threatened its ability

to continue serving Americans who use it. VRS enables persons who use American Sign Language to communicate with other individuals who do not know ASL through a broadband connection using a video link. A communications assistant interprets the conversation back and forth between the parties in sign language and voice. The FCC's actions are intended to eliminate illegitimate payments from the Telecommunications Relay Service Fund to providers and ensure that only qualified providers of service are permitted to receive compensation from the TRS Fund.

The FCC acted on several items to strengthen and expand communications services to Native Nations and their communities. The Commission adopted a Notice of Inquiry (NOI) on improving communications services for **Native Nations**, seeking comment on a number of issues including greater broadband deployment, the need for a uniform definition of Tribal lands to be used in rulemakings, and the importance of strengthening the FCC's nation-to-nation consultation process with Native Nations. The Commission approved a NPRM on ways to expand the efficient use of spectrum over Tribal lands so as to improve access to mobile wireless communications, providing consumers with more choices on how they communicate, share information, and get their news. Finally, the Commission adopted an Order that will help expand opportunities for Tribal entities to provide broadcast radio services to Native communities.

Consumers gained new protections against fraudulent and deceptive use of caller ID services under new rules adopted by the FCC. Using spoofing services accessible through the Web or prepaid cards, anyone can inexpensively mask the origin of a call with fake caller identification information. Last year, in response to malicious caller ID spoofing,

Congress passed the **Truth in Caller ID Act** and directed the FCC to adopt rules implementing the Act. Under the FCC's new rules violators are subject to up to \$10,000 for each violation, or three times that amount for each day of continuing violation, to a maximum of \$1 million for any continuing violation. The FCC may assess fines against entities it does not traditionally regulate and it can impose penalties more readily than it can under other provisions of the Communications Act.

The FCC announced the creation of the **Rural Call Completion Task Force** to investigate and address the growing problem of calls to rural customers that are being delayed or that fail to connect. Rural telephone companies have reported a 2,000 percent increase in

complaints between April 2010 and March 2011 regarding incoming calls that are delayed, never completed, of poor quality, or lack accurate caller ID information. Failed or degraded calls not only frustrate consumers, they also pose a serious risk to public safety.

The Commission proposed rules to implement the **Commercial Advertisement Loudness Mitigation (CALM) Act**. Loud commercials on television are a leading source of consumer complaints to the FCC. The Commission proposed a solution that relieves consumers of this problem while limiting costs to TV broadcasters, cable operators, and other multichannel video programming distributors.



Competition and Innovation

Promote a competitive dynamic for communications and media services that fosters research, innovation, and job creation, and presents consumers with reliable, meaningful choice in affordable services.

Ubiquitous broadband infrastructure has become crucial to our nation's economic development and civic life. Businesses need broadband to start and grow, adults need broadband to find jobs, and children need broadband to learn. But the FCC's primary tools for meeting the great infrastructure challenge of our time, bringing robust affordable broadband to all Americans, have until recently been locked in the last century. **The Universal Service Fund (USF)**, which helped connect rural America to telephone service, historically failed to effectively and efficiently target support for broadband in rural areas. USF had also become wasteful and inefficient in some situations, paying over \$20,000 a year – nearly \$2,000 per month – in support for a single phone line for some households, while providing little or no support in communities that lacked broadband. In addition, USF is intertwined with the complex system of payments between carriers called **intercarrier compensation (ICC)** which makes outdated distinctions between local and long-distance telephone service.

Building on recommendations contained in the **National Broadband Plan** and with extensive input from a wide array of stakeholders, in February 2011 the Commission adopted a NPRM proposing four key principles to guide reform of USF and ICC. First, modernize and refocus USF and ICC to make affordable broadband available to all Americans and accelerate the transition from circuit-switched to **Internet Protocol (IP)** networks, with voice ultimately one of many

applications running over fixed and mobile broadband networks. Second, control the size of USF as it transitions to support broadband by combating waste and inefficiency as American consumers and businesses ultimately pay for USF. Third, require accountability from companies receiving support to ensure that public investments are used wisely to deliver intended results. Government must also be accountable for the administration of USF, including using clear goals and performance metrics for the program. Fourth, transition to market-driven and incentive-based policies that encourage companies to maximize the impact of scarce program resources and benefits to reach all consumers.

In the NPRM, the Commission proposed to modernize and streamline its USF and ICC policies to bring affordable wired and wireless broadband to all Americans while combating waste and inefficiency. Under the proposal, the FCC would create a **Connect America Fund (CAF)** to quickly and efficiently deliver support to unserved areas. Using market-based policies to support providers in a technology-neutral manner, the CAF would target areas where broadband funding will have the biggest impact. Intercarrier compensation would also be reformed to prevent gaming of the system while gradually reducing per-minute intercarrier compensation charges, resulting in billions of dollars of savings for consumers, and removing disincentives for carriers to maintain legacy networks rather than investing in advanced, efficient IP-based infrastructure.

Consistent with a key recommendation of the FCC's **National Broadband Plan**, the NPRM also proposed to include within the CAF a new Mobility Fund to provide support to accelerate our nation's ongoing efforts to close gaps in mobile wireless service. Despite wireless providers' efforts, millions of Americans still live, work, and travel in areas where these advanced services are unavailable.

The Mobility Fund will help improve coverage for current-generation mobile wireless service.

The CAF will put America on the path to universal broadband and advanced mobile coverage within the existing USF budget, while reducing ICC charges that are ultimately passed on to consumers. Benefits to consumers include:

CONSUMER BENEFITS FROM THE CONNECT AMERICA FUND					
INCREASED ACCESS	NEW JOBS	ECONOMIC BENEFITS	ECONOMIC GROWTH	GREATER ACCESS TO JOBS	HIGHER GRADUATION RATES
18 million Americans living in rural areas will receive access to broadband over the next decade.	500,000 jobs related to broadband deployment to rural areas will be created over the next 6 years.	Rural areas will attain \$700 million in annual economic benefits from new broadband deployment.	Businesses across the country will have the opportunity to sell to new customers resulting in \$50 billion in economic growth over 6 years.	80% of Fortune 500 companies post job openings online and require online applications.	High school graduation rates for students with broadband at home are 6% to 8% higher when compared to students without access to broadband.

Another USF program under reform in FY 2011 was the **Lifeline/Link Up program**. This program has provided low-income households with discounts on monthly phone bills and initial installation charges since 1985. But program rules and administration had not kept pace with significant changes in technology, markets, and regulations. A NPRM adopted in March took steps to comprehensively reform and modernize the program for 21st century communications needs, including strengthening protections against waste, fraud, and abuse. Then in June, the Commission imposed changes on the program to ensure that that multiple carriers do not get support for serving the same consumer. The action will save potentially

millions of dollars per year, helping ensure that Lifeline can reach as many low-income consumers as possible.

Vigilant management and oversight of the **E-rate** program led to a civil settlement with Hewlett Packard (HP) for alleged E-rate fraud. This followed an extensive investigation by the FCC and the Department of Justice (DOJ). Acting on tips from whistleblowers, the FCC and the DOJ investigated allegations that contractors working with HP and other companies lavished gifts on personnel from two Texas school districts in order to get contracts that included some \$17 million in HP equipment. Contractors provided meals and entertainment, including trips on a yacht and Super Bowl tickets, to school personnel

to get inside information and win contracts that were supposed to be awarded through a competitive bidding process. As part of the settlement, HP agreed to pay the government \$16.25 million, most of which will be returned to the E-rate program.

While proposed mergers of media or communications firms are becoming commonplace, the FCC conducts thorough reviews of each transaction to ensure that the public interest is protected. In January, the Commission granted approval, with conditions and enforceable commitments, to assignments and transfers of control of broadcast, satellite, and other radio licenses from General Electric (GE) to Comcast. The approval allowed GE and Comcast to create a joint venture involving NBC Universal (NBCU) and Comcast. As part of the merger, Comcast-NBCU is required to take affirmative steps to foster competition in the video marketplace. In addition, Comcast-NBCU committed to increasing local news coverage to viewers; expand children's programming; enhance the diversity of programming available to Spanish-speaking viewers; offer broadband services to low-income Americans at reduced monthly prices; and provide high-speed broadband to schools, libraries, and underserved communities. The conditions imposed by the FCC address potential harms posed by the combination of Comcast, the nation's largest cable operator and Internet service provider, and NBCU which owns broadcast stations and owns and develops television and film content.

In March, the Commission approved the merger of CenturyLink and Qwest Communications International. In doing so, the Commission imposed protections against the risk of harm to competition and mandated the launching of a major broadband adoption program for low-income consumers. These commitments will bring broadband with actual download speeds of at least 4 Megabits per second to at least four million more homes and businesses and at least 20,000 more anchor institutions, such as schools, libraries, and community centers. The merged entity also agreed to significantly increase the availability of higher-speed broadband by more than doubling the number of homes and businesses that can receive 12 Megabits per second broadband and more than tripling the number that can get 40 Megabits per second broadband.

The Commission launched two proceedings during the fiscal year that will help to promote investment and create jobs by developing innovative spectrum-efficient technologies and services to help meet the growing demand for wireless broadband services. The first action is a NPRM that seeks to expand the FCC's existing [Experimental Radio Service](#) rules to promote cutting-edge research and foster development of new wireless technologies, devices, and applications. Specifically, the Commission proposed a new type of license, called a "[program license](#)," which would give qualified entities broad authority to conduct research without the need to seek new approval for each individual experiment. The second action is a NOI to [promote wireless innovation](#) by examining how dynamic access radios and techniques, which use technology to squeeze the most use out of available spectrum, can provide more intensive and efficient use of spectrum.



Continual Improvement

Make the FCC a model for excellence in government by being data-driven in our decision making and committing to a transparent and participatory process that encourages public involvement and feedback.

Continuing to deliver on its promise of bringing Web 2.0 to government, the FCC launched a complete overhaul of the agency's Web site (www.fcc.gov). Providing a more intuitive user experience, the new site improves and simplifies FCC.gov for consumers, government, public safety agencies, and the business community. The new FCC.gov is built using a series of standards employed across many of the Web's most popular sites, which empowers citizen developers to build off the new FCC.gov in innovative ways. By building the new site using an open source, cloud-hosted, and scalable architecture, the FCC has leveraged modern tools as a long-term cost-saving strategy and lowered the barriers to future development and innovation among other public and private sector Web sites. The Commission's new Web site was shaped by public feedback and sharpened through an ongoing conversation with users over several months. It represents the Commission's first overhaul of its main Web site in more than a decade.

On August 22, 2011, FCC Chairman Julius Genachowski announced the elimination of 83 outdated and obsolete media-related rules, including Fairness Doctrine regulations which had not been applied for more than 20 years. The elimination of these rules adds to the more than 50 outdated regulations that were already deleted as part of the Commission's robust regulatory review process. Continuing this effort, Chairman Genachowski directed each FCC bureau to conduct a review of rules within

their purview with the goal of eliminating or revising rules that are outdated or place needless burdens on businesses.

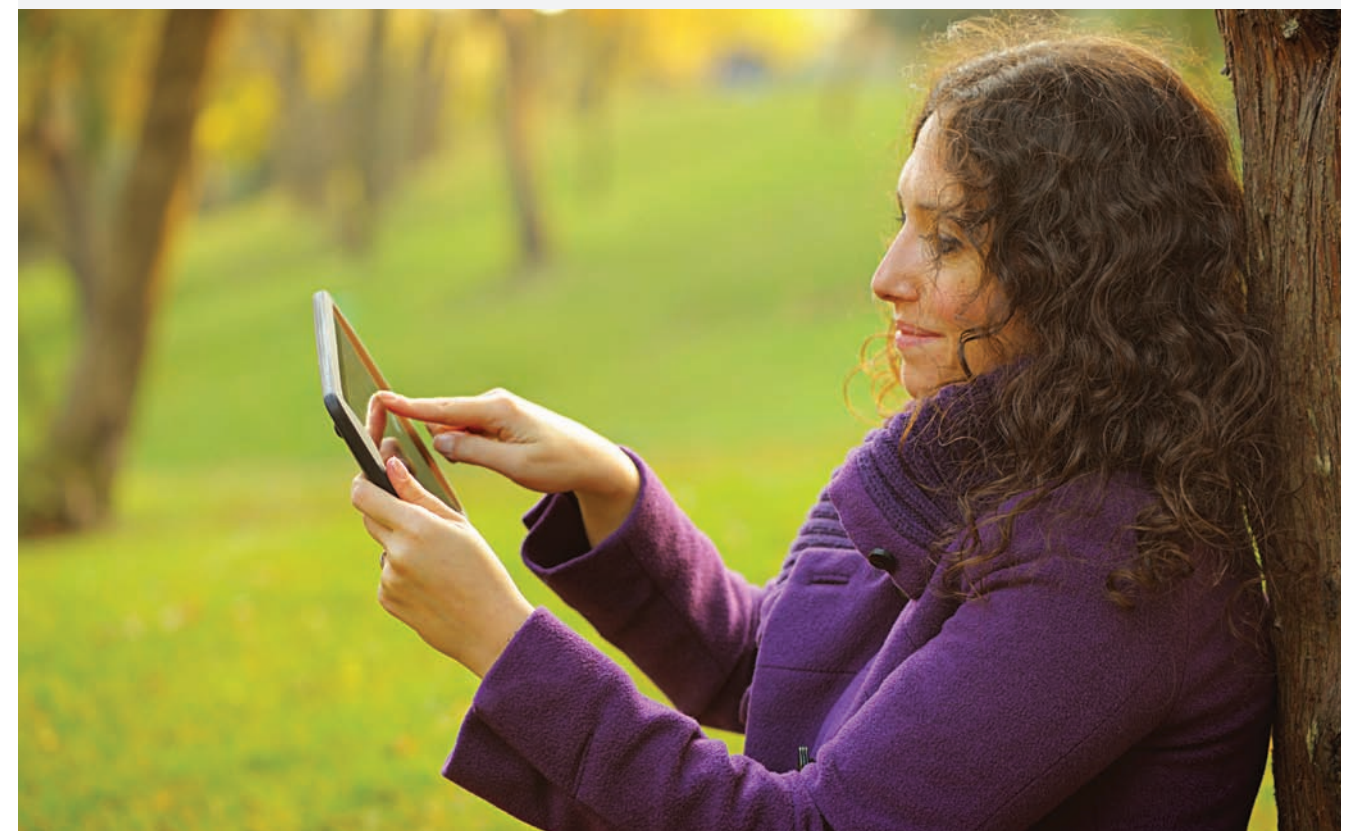
As part of its Data Innovation Initiative, the FCC launched two proceedings to ensure that it collects the data it needs to make sensible policy, streamlines data collection, and eliminates unneeded data efforts that impose unnecessary burdens on filers. The Commission approved a NPRM to eliminate 20-year-old requirements for certain telephone companies to submit data which may no longer be necessary due to subsequent policy decisions. The Commission also approved a second NPRM that seeks comment on whether and how to reform data collection regarding broadband and local telephone service to better serve the agency, consumers, and other stakeholders after more than a decade of rapid innovation in the marketplace for these services.

The Commission adopted a NPRM proposing to reduce regulatory burdens and streamline the foreign ownership review process for U.S. companies with common carrier radio licenses (e.g., wireless phone companies) and certain aeronautical radio licenses. The proposals would ensure that the Commission continues to receive the information it needs to serve the public interest while reducing the number of required filings by more than 70 percent.

In a February Report and Order, the Commission revised portions of the Commission's Part 1 procedural rules and Part 0 organizational rules. These revisions will increase the efficiency of Commission

decisionmaking, modernize Commission procedures for the digital age, and enhance the openness and transparency of Commission proceedings for practitioners and the public. The Commission delegated authority to the staff to dismiss or deny defective or repetitive petitions for reconsideration of Commission decisions and amended the rule that authorizes the Commission to reconsider a decision on its own motion within 30 days to make clear that the Commission may modify a decision and not merely set it aside or vacate it. The Commission also set a default effective date for FCC rules in the event the Commission does not specify an effective date in a rulemaking order. In accordance with these changes, the Commission issued a public notice announcing 1,000 dormant proceedings that would be terminated if there were no objections within 45 days after the list had been published in the *Federal Register*.

The FCC took steps to expand its Electronic Comment Filing System to include non-docketed proceedings. These electronic filings will provide the public with more information about the workings of the FCC and save industry and the agency staff time and money. The FCC also expanded electronic filing of information about rates, terms, and conditions of telecommunications services by having competitive local providers and other nondominant carriers use the FCC's existing Electronic Tariff Filing System for all tariff filings. This creates a uniform system of online access that not only increases transparency for consumers and reduces burdens on industry, but also eases tariff enforcement and facilitates tracking of industry trends.



Public Safety and Homeland Security

Promote the availability of reliable, interoperable, redundant, and rapidly restorable critical communications infrastructures that are supportive of all required services.

Access to critical emergency communications is a vital need for all Americans. The FCC is taking steps to revolutionize America's 911 system by harnessing the life-saving potential of broadband communications, including text, photo, and video in emergencies. These new technologies have the potential to revolutionize emergency response by providing public safety officials with critical real-time, on-the-ground information. In some emergency situations, especially in circumstances where a call could further jeopardize someone's life and safety, texting may be the only way to reach out for help.

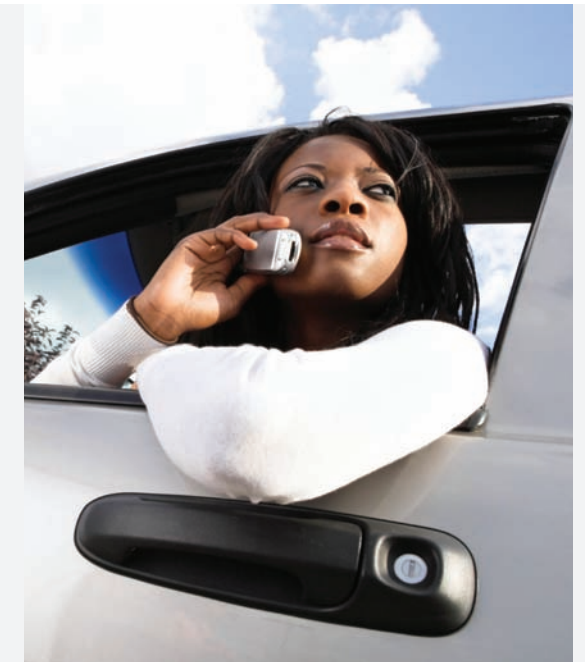
Today's 911 system is not equipped to take advantage of new technologies. Existing 911 call centers lack the technical capability to receive texts, photos, videos, and other data. Further, many 911 call centers do not have access to broadband, which makes it difficult to receive incoming data, particularly in large volume. In December 2010, the Commission adopted a NOI seeking public comment on how **Next Generation 911 (NG911)** can enable the public to obtain emergency assistance by means of advanced communications technologies beyond traditional voice. Near the end of FY 2011, the Commission adopted a NPRM examining options for enabling consumers to send texts to 911 and to seek comment on long-term development of multimedia NG911 technology that would support delivery of photos, videos, and data in addition to texting. The Commission will consider the appropriate role for the agency in facilitating, and if necessary accelerating, the rollout of these capabilities.

Continuing its efforts to improve the public's ability to contact emergency services and to enable public safety personnel to obtain accurate information regarding the location of a 911 caller, the Commission strengthened its **Enhanced 911 (E911)** location accuracy rules for wireless carriers by adopting an Order to phase out the less stringent network-based location accuracy standard. In this Order, the Commission required new **Commercial Mobile Radio Service (CMRS)** providers to comply with the Commission's more stringent handset-based location accuracy standard, regardless of the location technology they use.

In a companion Further Notice of Proposed Rulemaking (FNPRM) to the Order, the Commission sought comment on improving 911 availability and location determination for **Voice over Internet Protocol (VoIP)** services. The Commission wants to ensure that all interconnected VoIP providers provide automatic location information for VoIP 911 calls, rather than relying on the subscriber to register his or her location with the VoIP provider. The Commission is also seeking ways that location technologies that are already being developed for commercial broadband applications might be leveraged to support 911 location determination. Finally, the Commission sought comment on how to improve location accuracy for 911 calls made from indoors, including large office buildings where it may be difficult to locate an individual in trouble based only on a street address.

Network outage reports enable the FCC to track and analyze information on outages affecting 911 service and determine if action is needed to prevent future outages from occurring. Analysis of data collected for the FCC's current outage reporting requirements have led to a reduction in the number of communications outages and improved the pace of recovery. For instance, within hours of Hurricane Katrina hitting land in 2005, the Commission's outage reporting data quickly became the Federal government's best source of information about the conditions of critical communications infrastructure in the disaster area. Working with communications providers, the FCC was able to identify specific needs for security, fuel, and other support and help guide and prioritize Federal restoration efforts. Currently, the FCC's outage reporting rules apply only to legacy communications services. This year, the Commission adopted a NPRM proposing that interconnected VoIP service and broadband Internet service providers report significant outages. Under this proposal, providers of these services would report outages of at least thirty minutes that meet certain thresholds, helping fulfill the FCC's mission to ensure that our country's critical communications infrastructure remains operating in times of crisis.

Vital communications can be disrupted not only by outages, but by harmful interference as well. Throughout the year, the Commission's **Enforcement Bureau** worked tirelessly to track down sources of interference to the military, first responders, other Federal agencies, and consumers. For example, the Enforcement Bureau acted against the use and sale of cell and GPS "**jammers**," which intentionally block, jam, or interfere with authorized radio communications and therefore pose significant risks to public safety emergency communications. In February, the Bureau



launched an education and outreach campaign emphasizing that the operation and marketing of jamming devices is illegal and recently cited 20 online retailers for illegally marketing these devices. Similarly, the Enforcement Bureau issued six Notices of Apparent Liability for Forfeiture against companies operating devices causing interference to Terminal Doppler Weather Radars (TDWR) systems maintained by the Federal Aviation Administration (FAA). TDWR systems serve the critical function of providing the FAA with quantitative measurements for windshear, microbursts, and other weather hazards.

Disaster preparedness and response continues to be a priority for the FCC. Following the devastating earthquakes in Japan, the Commission's Public Safety and Homeland Security Bureau conducted a public forum in May exploring earthquake-related emergency preparedness and response issues. In response to Hurricane Irene's arrival in August, the Public Safety and Homeland Security Bureau, in conjunction with the National Communications System, activated the agency's **Disaster Information Reporting System (DIRS)**. DIRS is a voluntary Web-based system that communications providers,

including wireless, wireline, broadcast, and cable providers, can use to report communications infrastructure status and situational awareness information during times of crisis. Service providers in areas affected by a disaster are able to report the status of their communications equipment, restoration efforts, power (i.e., whether they are using commercial power, generator or battery), and access to fuel. The FCC, working with the Federal Emergency Management

Agency (FEMA) and other agencies, stood ready to provide aid to public safety licensees and others responsible for the safety of life and property; health and welfare of the population; and utility services.

As part of National Preparedness Month in September, the FCC and FEMA released tips (see below) for consumers aimed at preparing them for major disasters when communications networks are more likely to be compromised, damaged, or congested.

TIPS FOR HOW TO COMMUNICATE DURING AN EMERGENCY

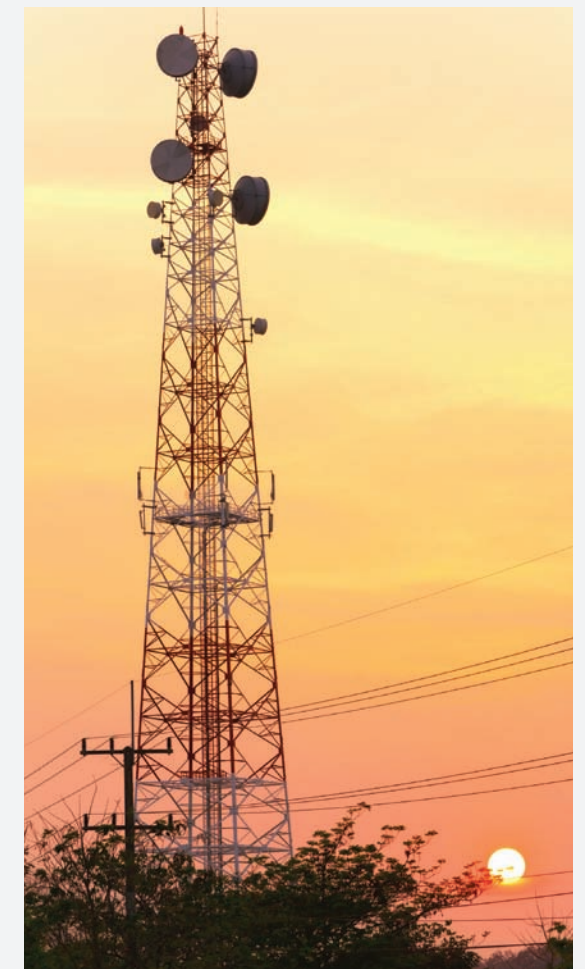
1. Limit non-emergency phone calls. This will minimize network congestion, free up “space” on the network for emergency communications, and conserve battery power if you are using a wireless phone.
2. Keep phone calls brief. If you need to use a phone, try to use it only to convey vital information to emergency personnel and/or family.
3. For non-emergency calls, try texting. In many cases text messages will go through when your call may not. It will also help free up more “space” for emergency communications on the telephone network.
4. If possible, try a variety of communications services if you are unsuccessful in getting through with one. For example, if you are unsuccessful when calling on your wireless phone, try text messaging or email. Alternatively, try a landline phone if one is available. This will help spread the communications demand over multiple networks and should reduce overall congestion.
5. Wait 10 seconds before redialing a call. To redial a number on many wireless handsets, you simply push “send” after you’ve ended a call to redial the previous number. If you do this too quickly, the data from the handset to the cell sites do not have enough time to clear before you’ve resent the same data. This contributes to a clogged network.
6. Have charged batteries and car-charger adapters available for backup power for your wireless phone.
7. Maintain a list of emergency phone numbers in your phone.
8. If in your vehicle, try to place calls while your vehicle is stationary.
9. Have a family communications plan in place. Designate someone out of the area as a central contact and make certain all family members know whom to contact if they become separated.
10. In the event of an evacuation, if you have “call forwarding” on your home phone number, forward your home number to your wireless number. That way you will get incoming calls from your landline phone.
11. If you lose power in your home, try using your car to charge cell phones or listen to news alerts on the car radio. But be careful – don’t try to reach your car if it is not safe to do so and remain vigilant about carbon monoxide emissions from your car if it is in a closed space such as a garage.
12. In an emergency, call 911 immediately. If it’s not an emergency, use other options.

Not only must consumers be prepared if disaster strikes, but also the communications industry has a responsibility to prepare. The Commission adopted a NOI seeking comment on ways to further strengthen the reliability and resiliency of America’s communications networks. As the communications infrastructure migrates to broadband technology, critical communications services will travel over a network infrastructure that may or may not be built to the high standards of legacy systems. The potential for differences in service reliability may be a major source of concern for consumers, government, and businesses across America. This action is part of the FCC’s ongoing efforts to help ensure the reliability and resiliency of communications for the public, emergency responders, healthcare providers, and providers of other critical services such as electric power during natural or man-made disasters.

Along with ensuring that consumers have access to critical communications during and after disasters, the Commission is taking actions to facilitate and expand **emergency alert capabilities**. The Commission worked with FEMA on the first-ever nationwide test of the **Emergency Alert System (EAS)** by television and radio broadcasters, cable systems, satellite radio and television service, and wireline video service providers that deliver EAS alerts to the American public. The purpose of this nationwide test was to determine the reliability of the EAS system and its effectiveness in notifying the public of emergencies and potential danger nationwide and regionally and to identify and correct potential shortfalls in the nationwide EAS system before an actual large-scale emergency. Working with wireless communications service providers, the Commission continued its efforts to implement the **Commercial**

Mobile Alert System mandated by statute. Nationwide introduction of commercial wireless alerting is scheduled to begin in April 2012.

The rapid expansion and adoption of broadband services has created new reliability and security challenges. The Commission has identified key cybersecurity threats to our nation’s communications infrastructure and critical sectors and is working in partnership with industry and all levels of government to address these new threats through the newly rechartered **Communications Security, Reliability and Interoperability Council**, a Federal advisory committee.



International

Commit to greater international engagement and cooperation.

The Commission adopted a NPRM to eliminate outdated regulations governing agreements between U.S. and foreign carriers for delivering international phone traffic and to seek comment on other ways to protect against anticompetitive conduct by monopolistic foreign carriers. Established over 80 years ago, the **International Settlements Policy (ISP)** ensured fair treatment for U.S. carriers negotiating agreements with foreign carriers with market power. However, over the past 15 years global competition has significantly increased, new alternative traffic routing possibilities have emerged, and the average U.S. calling price for international phone calls has fallen from \$0.74 per minute to \$0.08 per minute. These changes have made the ISP less relevant and necessary to ensure fair competition. In some cases, the ISP may now be hindering attempts by U.S. carriers to negotiate agreements that reduce international telephone rates. This proposal would give U.S. carriers greater flexibility to negotiate agreements with foreign counterparts, resulting in lower rates for international calls.

As part of its **Data Innovation Initiative**, the Commission eliminated more than 25 outdated and unnecessary reporting requirements related to international telephone traffic and revenue and sought comment on additional reforms to streamline and modernize remaining international data collections. In particular, the Commission eliminated the quarterly international traffic and revenue reporting requirements for large carriers and foreign-affiliated carriers. The Commission concluded that the burdens to U.S. carriers of providing those reports now outweigh the benefits of this data.

The FCC reached agreements with Industry Canada and Mexico's Secretariat of Communications and Transportation for sharing commercial wireless broadband spectrum in the 700 MHz band along the U.S.-Canadian and U.S.-Mexican border areas. This will facilitate the deployment of mobile wireless broadband systems near these borders and will provide consumers in these areas with advanced opportunities for 4G high-speed mobile broadband access. The FCC also reached an arrangement with Industry Canada for sharing spectrum in the 800 MHz band, which will pave the way for completion of an 800 MHz transition along the U.S.-Canadian border. This will alleviate interference to public safety licensees in the band from commercial cellular licensees.

The FCC's International Bureau released the *International Broadband Data Report* in May, presenting comparative data on international broadband capability. The report provided data on broadband service plans and pricing in 38 countries (including the United States), representing a wide range of broadband markets, including countries of various sizes and population densities. The report's results suggest a correlation between broadband adoption and communities with larger populations, communities with higher population density, and communities with higher income. The data on average actual download speeds reported by consumers in U.S. and foreign cities show that some large European and Asian cities exhibit a significant edge over comparable U.S. cities in reported download speeds. Reported speeds for some other international cities, however, are roughly comparable to speeds in many U.S. cities.

FY 2011 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) 2011 and to report that the Commission's auditors issued an unqualified opinion on each of the Commission's financial statements for FY 2011. Furthermore, I am proud to say that this is the sixth straight fiscal year the Commission has received an unqualified opinion. Six straight years of unqualified opinions is the longest consecutive period of "clean" audit opinions that the Commission has received in the thirteen fiscal years that its financial statements have been audited, dating back to FY 1999. The Commission is proud of the work of its staff over the past six fiscal years to obtain and maintain an unqualified opinion.



Throughout FY 2011, the Commission worked diligently on closing audit findings from previous audits. The Commission as a whole closed 84 audit findings during FY 2011. As a 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 launching its new core financial system effective October 1, 2010, and reviewing its feeder systems as required by Office of Management and Budget Circular A-127.

Significantly, for FY 2011 the Commission's independent auditor did not report any material weaknesses for the Commission or its reporting components. Despite these successes, work remains here at the Commission. The FY 2011 audit report points out two significant deficiencies related to internal controls and notes two instances of non-compliance that still need to be resolved. The primary areas of concern relate to financial system functionality and integration, information technology controls, and compliance with the Federal Managers' Financial Integrity Act and the Debt Collection Improvement Act.

The Commission is committed to improving its financial processes, fiscal integrity, minimizing the risk of improper payments, and to reducing improper payments to the customers and beneficiaries of its reporting components. The Commission continues to make improvements to the fiscal management, administration, and oversight of funds reported by the Commission.

I look forward to FY 2012 and making every effort to continue to strengthen the Commission's and its reporting components' internal control environments, and to improve the effectiveness of the financial operations of the Commission and its reporting components.

—Mark Stephens
Chief Financial Officer
February 15, 2012

Key FY 2011 Financial Management Accomplishments

AREA	ACCOMPLISHMENT
Stewardship Over Funds	<p>The Commission worked with the Universal Service Company (USAC) and the Department of Justice in successfully pursuing wrongdoers who sought to defraud the Universal Service Fund (USF). In FY 2011, these efforts yielded cash recoveries of over \$17.8 million in fraudulent disbursements. In addition, the Commission and the Department of Justice is pursuing other cases that involve over \$4.9 million in claims. The Commission has initiated investigations into several service providers that receive funds from the Telecommunications Relay Service Fund (TRS).</p> <p>The Commission fully recovered the value of consent decrees for violations related to the Telecommunications Relay Service Fund (TRS).</p>
Financial Systems Modernization	<p>The Commission continues to increase efficiencies and leverage effectiveness in the newly implemented Core Financial System (Genesis). The newly implemented financial system reduced and/or eliminated instances of duplicate transaction entry and reduced preparation of manually intensive reconciliations. Financial business processes were reengineered, leveraging best practices, which included automating of the paper intensive documentation approval and routing process. The Commission launched a collaborative tiger team to address any post implementation outstanding issues which were remaining to fully leverage improved functionality provided by the new system.</p> <p>In addition, the Commission was able to leverage from the Core Financial System functionality to successfully implement the Genesis Acquisition module within a 75 day rapid implementation schedule.</p>
Procurement	<p>The FCC's ongoing partnership with the Small Business Administration led to increased contract awards to both small and small disadvantaged businesses. The agency consistently meets or exceeds its goals for awarding contracts to Small Disadvantaged Businesses as well as Small Disadvantaged Veteran-Owned Businesses. Additionally, the agency expanded the use of its new financial management system, Genesis, to include the module for contract writing and management. The contract writing and management system within Genesis will improve internal controls with respect to both the commitment and obligation of agency funds by ensuring that incompatible functions or roles are never performed by the same set of employees.</p>

The FCC's FY 2011 Agency Financial Report, found at www.fcc.gov/encyclopedia/fcc-strategic-plan, contains a full list of FY 2011 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/encyclopedia/fcc-strategic-plan.

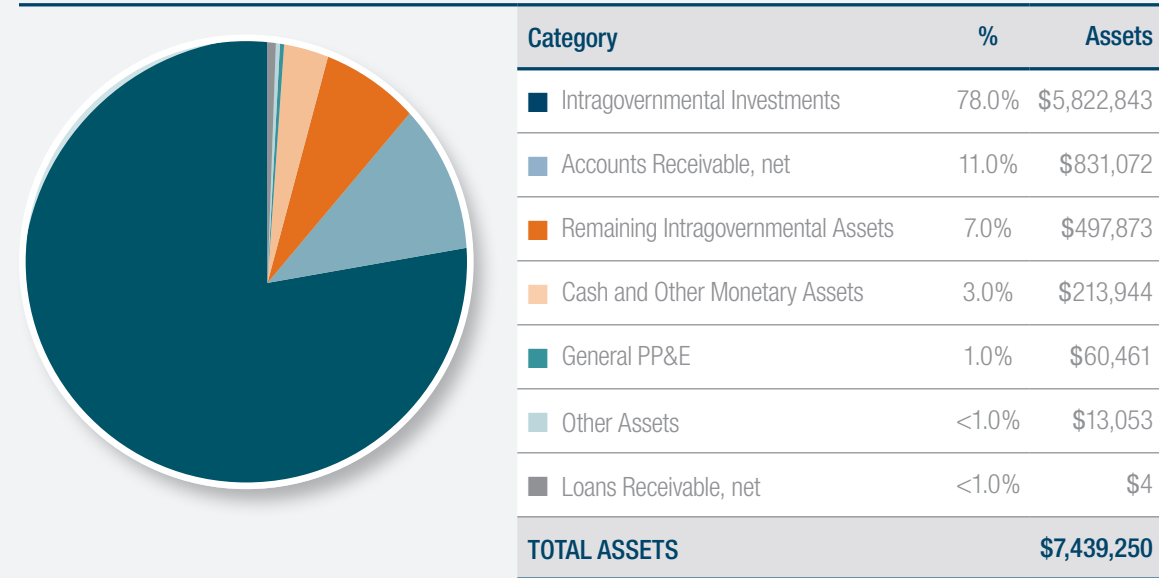
CHANGES IN FINANCIAL POSITION (Consolidated)

Net Financial Condition (Dollars in Thousands)	FY 2011		FY 2010	
Intragovernmental				
Fund Balance with Treasury	\$	494,340	\$	457,368
Investments		5,822,843		6,087,715
Accounts Receivable		1,097		571
Other		2,436		33,838
Total Intragovernmental	\$	6,320,716	\$	6,579,492
Cash and Other Monetary Assets		213,944		100,344
Accounts Receivable, net		831,072		783,620
Loans Receivable, net		4		48,470
General Property & Equipment, net		60,461		65,167
Other		13,053		13,088
TOTAL ASSETS	\$	7,439,250	\$	7,590,181
Intragovernmental				
Debt	\$	50,300	\$	87,726
Other		220,249		251,972
Total Intragovernmental	\$	270,549	\$	339,698
Accounts Payable		92,976		120,477
Deferred Revenue		93,053		132,386
Prepaid Contributions		77,362		74,915
Accrued Liabilities for Universal Service		633,967		622,400
Other		35,804		49,408
TOTAL LIABILITIES	\$	1,203,711	\$	1,339,284
Unexpended Appropriations	\$	15,105	\$	21,183
Cumulative Results of Operations		6,220,434		6,229,714
TOTAL NET POSITION	\$	6,235,539	\$	6,250,897
NET COST OF OPERATIONS	\$	8,820,764	\$	8,961,165
TOTAL BUDGETARY RESOURCES	\$	12,904,395	\$	13,612,371

Assets

The chart below presents the total assets of the Commission as of September 30, 2011. The large Intergovernmental Investments balance of \$5,823 million mainly results from carryover in the USF Schools and Libraries and Rural Healthcare programs that has grown since the programs' inception as a result of annual contributions that have exceeded annual distributions. The Accounts Receivable balance of \$831 million is primarily composed of USF receivables totaling \$780 million.

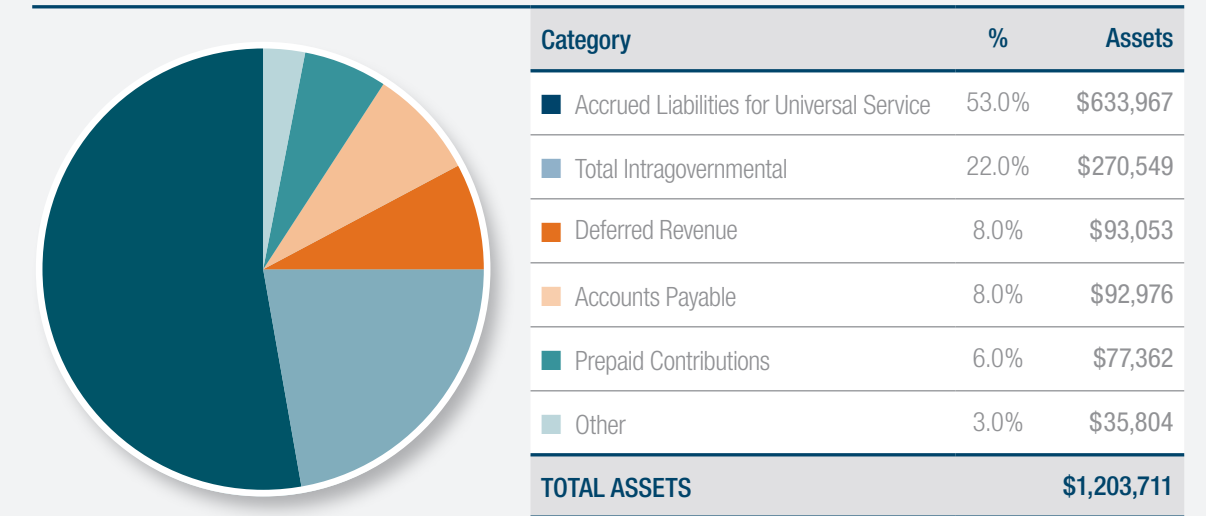
2011 ASSETS BY CATEGORY (Dollars in Thousands)



Liabilities

The chart below presents the total liabilities of the Commission as of September 30, 2011. The Commission's most significant liabilities are Deferred Revenue of \$93 million and Accrued Liabilities for Universal Service of \$634 million, which accounted for 61 percent of total liabilities as of September 30, 2011. The Deferred Revenue balance includes \$19.8 million in winning bids for auction #92 and \$21.6 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 2012) payments for the Telecommunications Relay Service Program and the Universal Service Fund High Cost and Low Income Programs.

2011 TOTAL LIABILITIES BY CATEGORY (Dollars in Thousands)

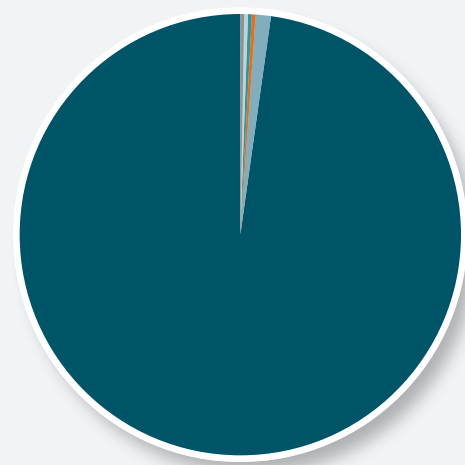


Net Position: As of September 30, 2011, the agency's total net position was \$6,235 million, consisting of Cumulative Results of Operations of \$6,220 million and Unexpended Appropriations of \$15 million.

Costs

The graph below presents the total gross costs of each Commission program as of September 30, 2011. The costs are aligned with the six strategic goals of the Commission which changed effective FY 2011: Broadband, Competition & Innovation, International, Consumers, Public Safety and Homeland Security, and Continual Improvement. Prior to FY 2011, net costs were aligned with the following strategic goals: Broadband, Competition, Spectrum, Media, Public Safety and Homeland Security, and Modernize the FCC. Gross costs for each goal are presented individually while revenue is presented in total rather than by goal. The program costs for the USF, TRS and NANP are included within the Competition and Innovation strategic goal. The Commission's subsidy costs for the Spectrum Auction Loan Program are included with the Competition and Innovation strategic goal. As a result of the accounting for these activities, the cost for these goals may be significantly higher than the cost of the five other goals. Contributions received for the USF and TRS programs are shown on the Statement of Changes in Net Position and do not directly offset the cost of these programs on the Statement of Net Cost.

2011 TOTAL GROSS COST (Dollars in Thousands)

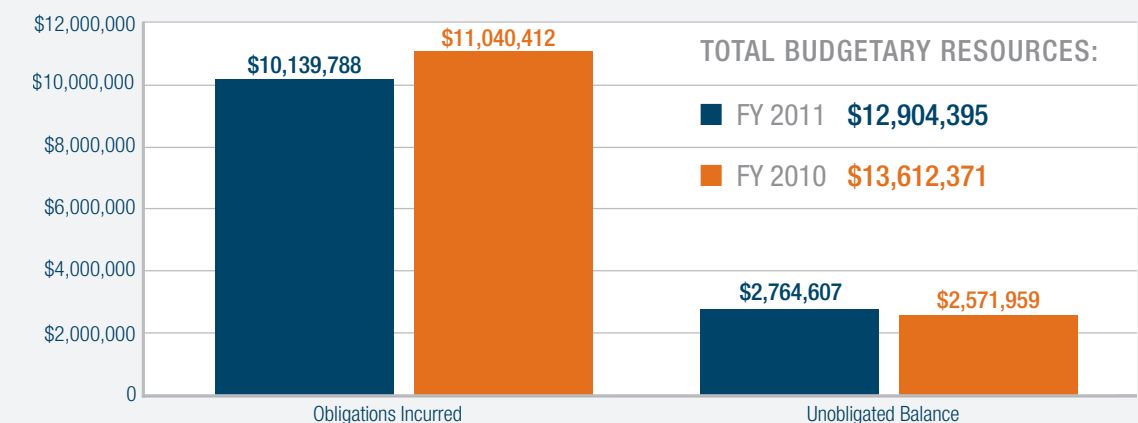


Category	%	Costs
Competition & Innovation	98.0%	\$9,099,922
Broadband	1.0%	\$54,536
Continual Improvement	1.0%	\$50,626
Consumers	< 1.0%	\$46,156
Public Safety & Homeland Security	< 1.0%	\$35,576
International	< 1.0%	\$6,753
Other	< 1.0%	\$25
TOTAL GROSS COSTS		\$9,293,594

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 \$12.9 billion in budgetary resources of which \$10.1 billion was obligations incurred and \$2.8 billion remained unobligated. The chart below compares the status of budgetary resources between FY 2011 and FY 2010.

STATUS OF BUDGETARY RESOURCES – FY 2011 & FY 2010 (Dollars in Thousands)



Financial Management Indicators

FINANCIAL MANAGEMENT INDICATORS FOR FY 2011

INDICATOR	STATUS
Debt Management	
Debt eligible transferred to Treasury	91.35%
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)	81.19%
Percentage interest penalties paid to invoices processed	0.03%
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	71.0%**

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

**Due to system processing issues with the new FCC Core Financial system during QTR 1 of FY 2011, the complete fiscal year results were severely impacted.





**Federal
Communications
Commission**

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