Federal Communications Commission

FY 2013

Summary of Performance & Financial Information

Message from Our Chairman

It is my pleasure to present the Federal Communications Commission's (FCC or Commission) Fiscal Year (FY) 2013 Summary of Performance and Financial Results. The purpose of this summary is to increase our agency's accountability by making the financial and performance information more transparent and accessible to all citizens and key constituencies. This report is in keeping with the goal of an open, transparent, and accountable FCC by making key performance information publicly available. It provides a concise description of the Commission's performance and financial information for FY 2013.

America leads the world in the creation of new networks and is a place where new networks and the new economy are synonymous. These are important days in determining the future of our networks and their effect on our commerce and our culture. There is no doubt that today we are living history in the midst of the fourth great network revolution. Gutenberg's printing press enabled the original information revolution; the railroad was the first high-speed network; and the instantaneous electronic transmissions of the telegraph opened the door to everything from broadcasting to the telephone. Each of these network revolutions redefined mankind's path forward.

What makes our revolution different from its predecessors, however, is the speed with which it has developed and the velocity with which it continues to evolve. I know that network revolutions are not easy, that they produce upheaval, dislocation, fear, and concern. Yet at the same time, the new networks became the underpinning of everything from the Reformation to the Industrial Revolution. It is amidst just that sort of upheaval that we have the responsibility of assuring that innovation and technology advance – indeed, advance with speed – while at the same time preserving the basic covenant between networks and those whom they connect.

It is precisely in the midst of such change that our job at the FCC, as representatives of the people, makes the work of this agency even more important. The challenge America faces, and that this agency faces, is to secure the future through the actions of the present – by encouraging investment and innovation; preserving competitive opportunities; protecting consumers; and assuring the opportunities of the new network extend to all.

This report contains a summary of the progress the FCC made during FY 2013 in meeting the key challenges facing the agency, as well as an assessment of the financial management of the FCC. I am pleased to note that for the eighth consecutive year, the FCC obtained a "clean" audit opinion on its financial statements. A more detailed view of the Commission's financial statements can be found in the FY 2013 Agency Financial Report, located at http://www.fcc.gov/encyclopedia/fcc-strategic-plan. This is also the location where you can find the FY 2013 Annual Performance Report, which provides a comprehensive look at the FCC's accomplishments for the fiscal year.

Tom Wheeler
Chairman
March 31, 2014

FY 2013 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 2013 (October 1, 2012 through September 30, 2013). 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 2013. Both are available online on the Commission's Web site at http://www.fcc.gov/encyclopedia/fcc-strategic-plan.

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, nationwide, and worldwide 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.*

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 conclusion of 2013 were:

- Chairman Tom Wheeler
- Commissioner Mignon Clyburn
- Commissioner Jessica Rosenworcel
- Commissioner Ajit Pai
- Commissioner Michael O'Rielly

Pictured from left to right are Commissioner Pai, Commissioner Clyburn, Chairman Wheeler, Commissioner Rosenworcel, and Commissioner O'Rielly.

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 FCC's rules and the Communications Act. 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, coordinates the Commission's global spectrum activities and advocates 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.

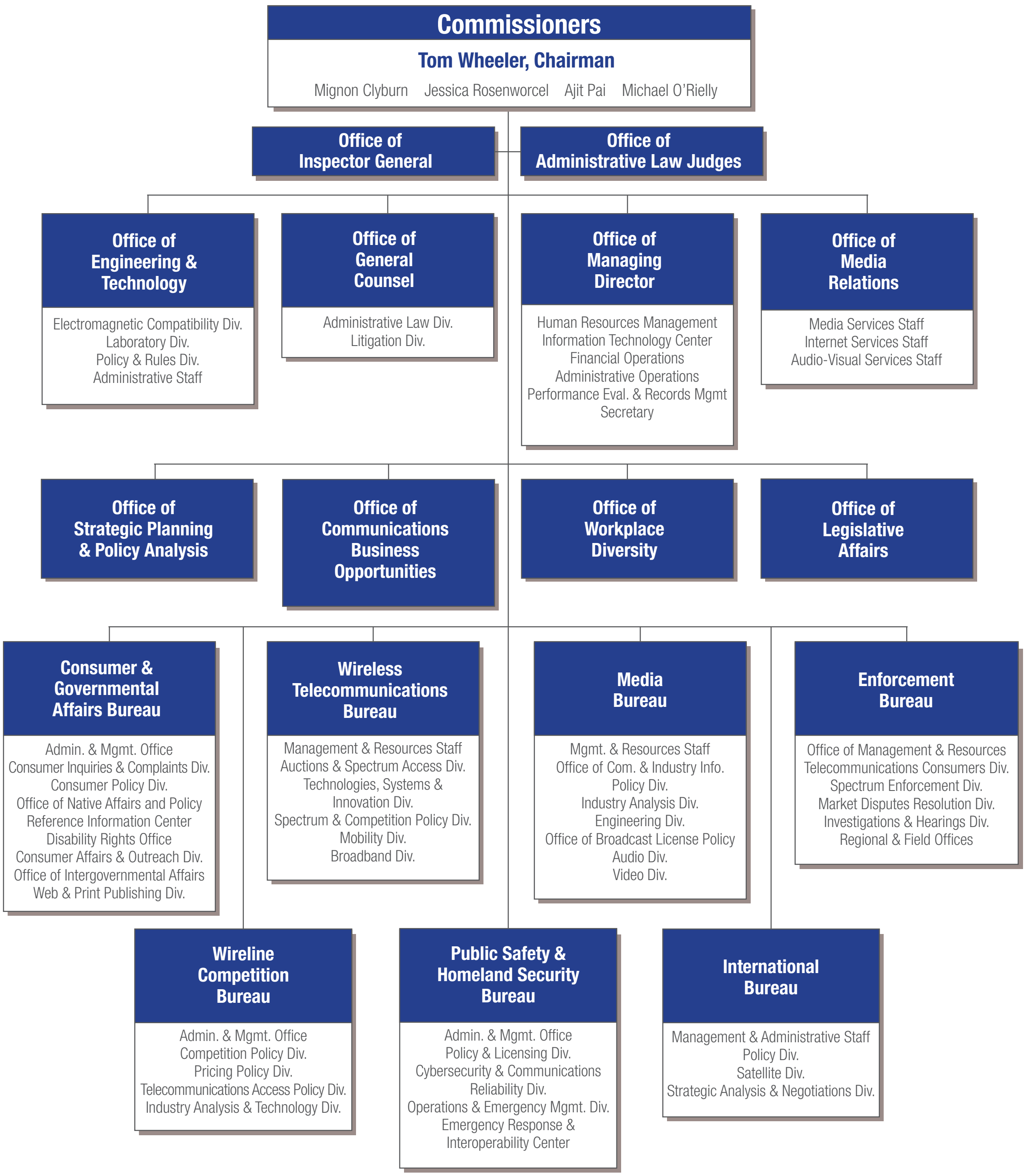
The Office of Media Relations informs the media of FCC decisions and serves as the FCC's main point of contact with the media.

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.

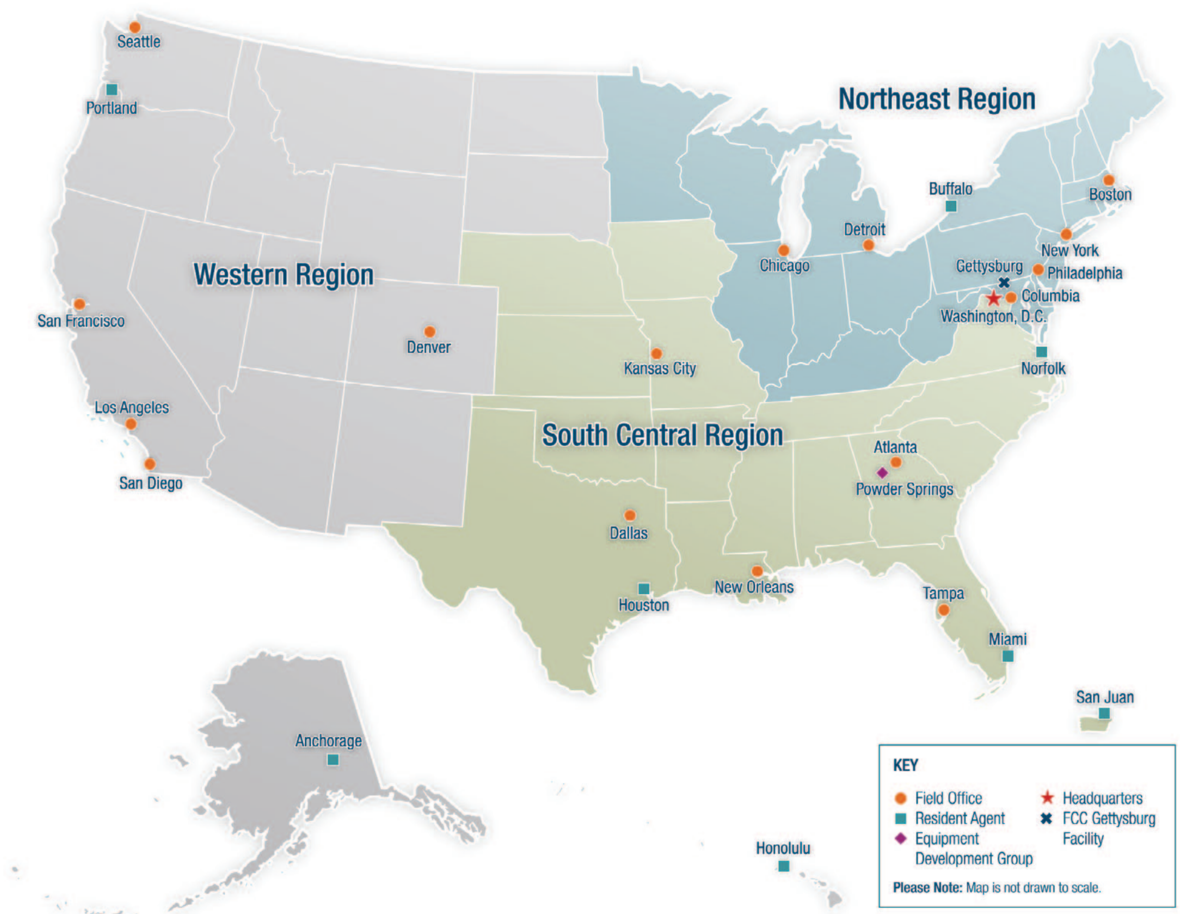
Detailed information on specific Bureau and Office responsibilities can be found in Title 47 of the Code of Federal Regulations and on the Commission's website at: www.fcc.gov. The Commission's organizational chart at the end of 2013 is included on the next page.

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 eight long-term strategic goals that guide the actions and performance of the FCC.

Accomplishment of agency goals is measured by the progress and completion of annual performance goals during the fiscal year. External influences, including economic, legal, and organizational factors beyond the Commission's programs and efforts, may influence whether we fully meet every performance goal. Further details on the Commission's strategic goals during FY 2013, as well as the strategies and resources used to achieve these goals, can be found in the Commission's strategic plan at: http://www.fcc.gov/encyclopedia/fcc-strategic-plan.

Strategic Goal	Objective
Connect America	Maximize Americans' access to – and the adoption of—affordable fixed and mobile broadband where they live, work, and travel.
Maximize Benefits of Spectrum	Maximize the overall benefits of spectrum for the United States.
Empower and Protect Consumers	Empower consumers by ensuring that they have the tools and information they need to make informed choices; protect consumers from harm in the communications market.
Promote Innovation, Investment, and America's Global Competitiveness	Promote innovation in a manner that improves the nation's ability to compete in the global economy, creating a virtuous circle that results in more investment and in turn enables additional innovation.
Promote Competition	Ensure a competitive market for communications and media services to foster innovation, investment, and job creation, as well as to ensure consumers have meaningful choice in affordable services.
Advance Key National Purposes	Through international and national interagency efforts, advance the use of broadband for key national purposes.
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.
Operational Excellence	Make the FCC a model for excellence in government by effectively managing the Commission's human, information, and financial resources; by making decisions based on sound data and analyses; and by maintaining a commitment to transparent and responsive processes that encourage public involvement and best serve the public interest.

Performance Highlights for FY 2013

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 2013 on the Commission's Web site at http://www.fcc.gov/encyclopedia/fcc-strategic-plan. In the following discussion, we identify achievements in the Commission's major initiatives during the past fiscal year, organized by strategic goal.

Connect America

Maximize Americans' access to – and the adoption of—affordable fixed and mobile broadband where they live, work, and travel.

Robust, affordable broadband has become essential to access jobs, education, and economic opportunity. Over 80 percent of Fortune 500 companies today require online job applications. Students with broadband at home have a seven percent higher graduation rate. However, low-income households adopt broadband at much lower rates than the average household. Fewer than 36 percent of families with incomes less than $25,000 subscribe to broadband at home, compared to nearly 92 percent of families with incomes over $75,000, according to the U.S. Census Bureau.

Up to 600,000 homes and small businesses that lack broadband will get access as a result of additional support from the FCC's Connect America Fund. The Commission created the Connect America Fund to unleash the benefits of 21st century broadband communications in communities where there are insufficient market incentives to expand broadband service absent a joint public-private effort. Key reforms allowed Connect America to expand support to both broadband and voice without increasing universal service fees on consumers and businesses. Providers in 44 states and Puerto Rico requested over $385 million from the Fund, which will be matched with hundreds of millions of their own dollars in many areas, to quickly expand broadband infrastructure to rural communities in every region of the nation. Deployment must be completed within three years.

The FCC announced that savings from its comprehensive reform of its Lifeline program reached nearly $214 million in 2012, surpassing the $200 million target the FCC set when it reformed the program. The FCC also announced the selection of 14 pilot projects in 21 states and Puerto Rico that will field test approaches to using Lifeline to increase broadband adoption among low-income Americans, providing broadband for nearly 75,000 low-income consumers who lack service.

The Commission kicked-off a government-wide effort to increase speeds and alleviate Wi-Fi congestion at major hubs, such as airports, convention centers and large conference gatherings. In addition, this would also increase speed and capacity for Wi-Fi in the home where multiple users and devices are often on the network at the same time. This will increase and free up the unlicensed spectrum available for ultra-high-speed, high-capacity Wi-Fi – known as "Gigabit Wi-Fi" – by up to 35 percent. This effort will enable higher data speeds and greater capacity, most notably improving HD video distribution capability.

At the U.S. Conference of Mayors Winter Meeting, former FCC Chairman Julius Genachowski called for at least one gigabit community in each of the 50 states by 2015. Gigabit communities spur innovators to create new businesses and industries, spark connectivity among citizens and services, and incentivize investment in high-tech industries. Today, approximately 42 communities in 14 states are served by ultra-high-speed fiber Internet providers, according to the Fiber to the Home Council.

The FCC released the results of its ongoing, nationwide performance study of residential broadband service in its third "Measuring Broadband America" report. This year's report revealed that most broadband providers continue to improve service performance by delivering actual speeds that meet, or exceed, advertised speeds, and that consumers are subscribing to faster speed tiers and receiving faster speeds than ever before. FCC analysis indicates that the improvements of internet service providers in meeting their advertised speeds were largely driven by improvements in network performance, and not downward adjustments to the speed tiers offered. Nearly half of consumers who subscribed to speeds of less than 1 Mbps six months ago have adopted higher speeds, and nearly a quarter of the users who subscribed to speeds between 1 Mbps and 3 Mbps have upgraded to faster speed tiers.

As the nation's demand for wireless broadband service continues to grow at a rapid pace, the FCC continues its work to remove barriers to the deployment of infrastructure that supports such service. The Commission adopted a Notice of Proposed Rulemaking (NPRM) initiating a review of its wireless infrastructure policies. The NPRM builds upon the Broadband Acceleration Initiative, including a 2011 Notice of Inquiry seeking comment on measures needed to reduce obstacles to obtaining access to rights-of-way and locations for wireless facilities. The NPRM sought comment on (1) streamlining the environmental and historic preservation review processes for newer technologies; (2) removing barriers to the deployment of temporary towers that are used in cases of emergencies or adding capacity during short term events; and (3) clarification of issues addressed in the Commission's "shot clock" order which set time periods for state and local governments to complete review of wireless siting applications. Increasing certainty in the FCC's processes and removing barriers to infrastructure deployment will spur public and private investment, while expanding wireless coverage and capacity throughout the nation.

Maximize Benefits of Spectrum

Maximize the overall benefits of spectrum for the United States.

The Commission took actions significantly advancing the President's goal of freeing up 500 MHz of spectrum for broadband by 2020. It approved freeing up 40 MHz of underutilized satellite spectrum for land-based mobile broadband, including 4G LTE. This was accomplished by removing regulatory barriers that limited this spectrum to satellite use. The Commission also unanimously approved a proposal setting the stage for an auction of H Block spectrum (1915-1920 MHz and 1995-2000 MHz). Proceeds from this auction will help fund a nationwide Public Safety Network for first responders and reduce the deficit. Carefully balanced technical requirements will unlock tremendous value in both of these frequency bands, which Congress directed the FCC to auction.

The FCC adopted revised rules to enable Wireless Communications Service (WCS) licensees to use a total of 30 MHz of underutilized spectrum in the 2.3 GHz band for wireless broadband services, while protecting the adjacent Satellite Digital Audio Radio Service (SDARS) operator, Sirius XM Radio, against harmful interference. The revised rules are consistent with a compromise proposal between AT&T and Sirius XM designed to facilitate the efficient deployment and coexistence of the WCS and SDARS.

The Commission proposed to make available 100 megahertz of shared spectrum in the 3.5 GHz Band using small cell and database technologies. A Notice of Proposed Rulemaking was adopted which broadly reflects the innovative thinking of the President's Council of Advisors on Science and Technology, which issued a report recommending spectrum sharing and small cell use in the 3.5 GHz Band. It also builds upon the FCC's previous work to free up spectrum by promoting spectrum sharing and enabling innovative licensing techniques. The proposal lays the groundwork for the widespread deployment of small cell technologies and would spur significant innovation in wireless technologies and applications while protecting incumbent users in the band.

America's first Mobility Fund auction was held during the past year. This market-based policy innovation was part of the Commission's reform of the Universal Service Program last year, which allocated $300 million in savings from cutting waste and inefficiency to a new Mobility Fund aimed at closing gaps in mobile coverage across the country. As a result of the auction, new mobile infrastructure deployment will begin in 31 states in areas that currently lack access to 3G or 4G mobile service. In total, up to 83,000 U.S. road miles on which millions of Americans live, work, or travel will gain access to advanced mobile networks that significantly enhance opportunities for jobs, education, healthcare and public safety. As part of the auction rules, winning companies must make their networks available to other providers for roaming so that as many consumers as possible can benefit from the new networks.

The FCC moved to significantly modify the Commission's Part 15 rules governing unlicensed communication equipment in the 57-64 GHz band. The new rules will enhance the use of unlicensed spectrum as a relatively low cost, high capacity short range backhaul alternative to connect wireless broadband networks and for other wireless applications. Unlicensed spectrum technologies have the potential to encourage competition in the broadband market, promote efficient delivery of broadband services in residences and businesses, and improve user experience with consumer devices needing short-range, high data rate communications.

The FCC took the first steps to unleash significant additional spectrum to accelerate the growth and expansion of new Wi-Fi technology that can offer faster speeds, increase overall capacity, and reduce congestion. It proposed to make up to 195 MHz of additional spectrum in the 5 GHz band available to unlicensed wireless devices. The Commission also made significant changes to its Part 5 Experimental

Radio Service by creating a more flexible framework to support the rapid pace of technological innovation. These changes add three new types of experimental licenses as well as revise and streamline existing rules and procedures for experimenting, testing, and marketing radio frequency devices, while protecting incumbent licensees from interference.

The FCC and the U.S. Department of State have been engaged in ongoing discussions with their counterparts in Canada and Mexico concerning the Commission's planned Broadcast Television Incentive Auction. The U.S. and its neighboring countries have established government-to-government working arrangements that have been operating to help ensure optimal outcomes for all three countries.

The FCC and Industry Canada have agreed on three interim spectrum sharing arrangements covering a range of wireless communications operations along the U.S.-Canada border. The arrangements, which govern various spectrum bands, will enable greater wireless broadband deployment, improved general aviation air-to-ground communications services, and more efficient use of spectrum for specialized mobile radio services.

Empower and Protect Consumers

Empower consumers by ensuring that they have the tools and information they need to make informed choices; protect consumers from harm in the communications market.

The Commission announced that participating U.S. wireless companies met or beat the deadline to provide wireless customers with free, automatic alerts when they approach or exceed plan limits for data, voice, and text, as well as alerts for international charges. This marks significant progress in the Commission's effort to eliminate 'bill shock.' Bill shock occurs when wireless customers experience a sudden, unexpected increase in their monthly bill as a result of unknowingly exceeding plan limits or incurring significant international charges.

In December 2012, the FCC and its public and private sector partners released a new online tool, the "Smartphone Security Checker," to help consumers protect their mobile devices. The "Smartphone Security Checker" is a free, easy-to-use online tool that creates a 10-step action plan to help consumers protect their mobile devices from smartphone-related cybersecurity threats. Almost half of Americans now own a smartphone and close to 20% have been the victim of mobile cybercrime.

The Commission took action to protect the privacy of consumers of wireless services by clarifying its customer proprietary network information (CPNI) policies in response to changes in technology and market practices in recent years. Specifically, the Commission made clear that when mobile carriers use their control of customers' devices to collect information about customers' use of the network, including using preinstalled apps, and the carrier or its designee has access to or control over that information, carriers are required to protect that information in the same way they are required to protect CPNI on the network. This sensitive information can include phone numbers that a customer has called and received calls from, the durations of calls, and the phone's location at the beginning and end of each call.

The FCC raised the standards for providers of Speech-to-Speech (STS) Relay Service in order to improve the experience for persons with a speech disability who need the service in order to make telephone calls using their own voice or an assistive voice device. Speech-to-speech uses specially trained operators, known as Communications Assistants (CAs), to relay conversations back and forth between the individual with the speech disability and the other party to the call. CAs are trained to understand a variety of speech disorders, which enables them to repeat what the caller says in a manner that makes the caller's words clear and understandable to the called party.

The FCC took long-overdue steps to ensure that the rates for interstate long-distance calls made by prison inmates are just, reasonable and fair. The Commission's reforms adopt a simple and balanced approach that protects security and public safety needs, and ensures providers receive fair compensation while providing reasonable rates to consumers. The reforms require that all interstate inmate calling rates be based on the cost of providing the inmate calling service, and require mandatory data collection, annual certification, and enforcement provisions to ensure compliance.

The FCC unanimously adopted comprehensive reforms to further protect and strengthen the Video Relay Service (VRS) program that enables people with disabilities to do what most Americans take for granted: make a simple phone call. The VRS program permits people with hearing disabilities to use American Sign Language to communicate with other individuals over a broadband connection. The program is financed through the FCC's Telecommunications Relay Services (TRS) Fund.

The FCC's Enforcement Bureau is the primary organization responsible for enforcing provisions of the Communications Act, the Commission's rules and orders, and various licensing terms and conditions. Numerous enforcement actions were taken in FY 2013. Notable examples of these actions include the following:

The FCC's Enforcement Bureau took action against individuals for advertising and selling signal jamming devices on craigslist.org. These actions resulted from aggressive undercover operations. Signal jamming devices, or "jammers," are radio frequency transmitters that intentionally block, jam, or interfere with authorized communications such as cell phone calls, text messages, GPS systems, and Wi-Fi networks. Jammers are indiscriminate. They can block critical public safety and other emergency communications along with the targeted transmissions. As a result, it is a violation of federal law to market, sell, or use a jammer in the United States.

The FCC proposed a $5,000,000 forfeiture against NobelTel, LLC for deceptively marketing prepaid calling cards to consumers. Such cards are commonly sold in convenience stores and gas stations across the country. With this enforcement action, the FCC has now proposed forfeitures totaling $30 million against six carriers to combat the deceptive marketing of prepaid calling cards. In each of the six enforcement actions, the FCC found that carriers targeted immigrant populations and claimed that buyers could make hundreds or thousands of minutes of telephone calls to their native countries for just several dollars. However, buyers could make calls for only a fraction of those minutes due to the carriers' assessment of various fees that were not clearly and conspicuously disclosed.

A provider of Video Relay Services (VRS) has agreed to pay nearly $1.4 million to settle two federal investigations. The settlement resolves allegations of improper payments from the federal fund that supports VRS. The investigations by the FCC examined whether the provider, CSDVRS, LLC, improperly billed for VRS calls that were actually generated by its own employees. CSDVRS agreed to repay the Telecommunications Relay Service Fund more than $480,000 in overpayments and interest. In addition, the company will make a $900,000 voluntary contribution to the U.S. Treasury. The company also must implement a robust compliance plan including new operating procedures, comprehensive re-training of its employees and contractors, and periodic reporting requirements.

Two affiliated Oklahoma companies participating in the FCC's Lifeline program for low-income consumers, TerraCom, LLC and YourTel America, Inc., have agreed to pay more than $1 million in reimbursements and voluntary contributions to the U.S. Treasury. The enforcement action was brought under the FCC's new Lifeline rules guarding against waste, fraud, and abuse, which made clear that only one Lifeline subscription is allowed per household and initiated a process to scrub carrier rolls for duplicate subscribers.

Level 3 Communications, LLC, resolving an investigation into the company's rural call completion practices, has agreed to meet rigorous, verifiable call completion standards and to provide extensive records that will assist in FCC enforcement of rules protecting against failed calls to rural areas. Level 3 will also make a $975,000 voluntary contribution to the U.S. Treasury, and has agreed to make additional $1 million voluntary contributions going forward if it misses specified quarterly benchmarks.

Two providers of automatically dialed calls using prerecorded or artificial voice messages, known as "robocalls," were issued citations for making millions of robocalls to wireless phones without prior authorization from the call recipients. The FCC Enforcement Bureau conducted investigations and issued citations to Dialing Services, LLC and Democratic Dialing. The citations require each company to certify within fifteen calendar days that it has ceased making robocalls to wireless phones without prior authorization, and that the calls it makes include the required identifications.

Promote Innovation, Investment, and America's Global Competitiveness

Promote innovation in a manner that improves the nation's ability to compete in the global economy, creating a virtuous circle that results in more investment and in turn enables additional innovation.

The FCC adopted a Report and Order establishing rules to help speed the deployment of Internet services onboard aircraft. The Commission's action enables broadband providers to meet increasing consumer demands and promotes the economic growth and job-creating impacts of ubiquitous broadband. Since 2001, the Commission has authorized a number of companies, on an ad hoc basis, to operate Earth Stations Aboard Aircraft (ESAA), i.e., earth stations on aircraft communicating with Fixed-Satellite Service (FSS) geostationary-orbit space stations. Installed on the exterior of the aircraft, the satellite antenna carries the signal to and from the aircraft, providing two-way in-flight broadband services to passengers and flight crews. The Report and Order formalizes ESAA as a licensed application in the FSS and establishes a regulatory framework for processing applications while ensuring other radio service operations are protected from harmful interference.

An agency-wide Technology Transitions Policy Task Force was initiated. Among issues for its consideration, the Task Force will coordinate the Commission's efforts on IP interconnection, resiliency of 21st century communications networks, business broadband competition, and consumer protection with a particular focus on voice services. The Task Force will also consider recommendations from the Technological Advisory Committee on the PSTN Transition, coordinate with the NARUC Presidential Task Force on Federalism and Telecommunications, and evaluate the feedback from the Commission's field hearings on Superstorm Sandy. The Task Force will conduct a data-driven review and provide recommendations to modernize the Commission's policies in a process that encourages the technological transition, empowers and protects consumers, promotes competition, and ensures network resiliency and reliability.

The FCC launched a new and improved LEARN (Learn Everything About Reverse-Auctions Now) website with enhanced online resources as a one-stop information resource for incentive auction stakeholders, particularly for the nation's broadcasters. The new LEARN website provides easy access to a range of useful information and resources that will help broadcasters and other stakeholders make more informed business decisions about participating in the incentive auction, which the FCC anticipates holding in 2015. It also offers valuable information about the proposed incentive auction process and the unique business opportunities created by incentive auctions. The FCC's broadcast television spectrum incentive auction will be the first such auction ever attempted anywhere in the world. The auction will present a significant financial opportunity for many broadcasters, and it will enhance the ability of broadcasters who remain on the air to continue providing the public with diverse, local, free over-the-air television service. At the same time, the spectrum reclaimed through the incentive auction will promote economic growth and enhance America's global competitiveness by increasing the speed, capacity and ubiquity of mobile broadband services such as 4G LTE and Wi-Fi-like networks.

As part of ongoing regulatory reform efforts, the Commission adopted a Report and Order to further modernize its international telephony rules, lower costs, and increase competition. The Report and Order eliminates outdated regulations governing agreements between U.S. and foreign carriers for delivering international phone traffic, while strengthening the Commission's ability to protect U.S. consumers from the effects of anticompetitive conduct by foreign carriers where specific complaints arise.

The FCC's International Bureau released its annual circuit status report for U.S facilities-based international common carriers. The report shows that the volume of international telephone calls, private line services and other services from the United States grew by 18% in one year.

The Commission comprehensively modernized and streamlined its rules governing satellite communications to foster investment and innovation by removing unnecessary regulations and easing administrative burdens. Over the years, the Commission has updated the rules for space stations and earth stations, which transmit radio signals between the ground and satellites, to keep pace with industry developments. This action represents the most wide-ranging review of FCC rules and policies in nearly two decades. The Commission's Report and Order eliminates unneeded technical and information filing requirements, updates rules to better accommodate evolving technology, and simplifies existing requirements.

Promote Competition

Ensure a competitive market for communications and media services to foster innovation, investment, and job creation, as well as to ensure consumers have meaningful choice in affordable services.

The Commission adopted its 15th Report to Congress on the status of competition in the market for the delivery of video programming. The Report, which covers 2011 and 2012, measures the market's progress toward increasing competition and diversity in multichannel video programming distribution, increasing the availability of satellite delivered programming, and spurring the development of communications technologies. Specifically, the Commission found that the number of Multichannel Video Programming Distributor (MVPD) subscribers grew from 100.8 million to 101.0 million households between year-end 2010 and June 2012. During this period, cable's share of MVPD subscribers fell from 59.3 percent of all MVPD video subscribers to 55.7 percent at the end of June 2012. Between year-end 2010 and June 2012, Direct Broadcast Satellite (DBS) MVPDs and telephone MVPDs gained both video subscribers and market share. DBS MVPDs accounted for 33.1 percent of all MVPD subscribers in 2010, increasing to 33.6 percent at the end of June 2012. Telephone MVPDs represented approximately 6.9 percent of all MVPD subscribers in 2010, increasing to an estimated 8.4 percent. At the end of June 2012, AT&T's U-Verse and Verizon's FiOS services combined had 8.6 million video subscribers. Since the last report, the number of households relying exclusively on over-the-air broadcast service remained steady at approximately 11.1 million households, although the percentage of all households they represent increased slightly from 9.6 percent in 2011 to 9.7 percent in 2012.

The FCC initiated a proceeding to consider eliminating a provision that gives special treatment to UHF channels under its national television ownership cap. Called the UHF discount, the provision was adopted nearly 30 years ago when UHF signals were regarded as technically inferior to VHF signals in analog television broadcasting. With the transition of full-power stations to digital broadcasting in 2009, the technical inferiority of UHF appears to be a thing of the past. Therefore, the technical justification for treating UHF channels differently no longer seems to exist. The proceeding also furthers the Commission's mandate to evaluate its rules to make certain they continue to serve the public interest.

The FCC released a Fifth Order on Reconsideration and a Sixth Report and Order that expand low power radio opportunities for diverse media voices nationwide. Processing approximately 6,000 FM translator applications and setting updated rules are the last steps necessary before opening a window for community groups to apply for new low power FM licenses.

The Commission proposed a forfeiture of $2.25 million against a company that operates a cable system in Houston, Texas, for retransmitting the signals of six television broadcast stations without their consent. The Commission's Media Bureau launched an investigation of TV Max, Inc. (doing business as "Wavevision"), and other related entities, based on complaints from four major television broadcasters alleging that TV Max retransmitted their stations' signals without permission. The Commission found TV Max's violations to be very serious, warranting a substantial penalty given the longstanding unauthorized retransmission that continued even after TV Max was warned about its actions.

Advance Key National Purposes

Through international and national interagency efforts, advance the use of broadband for key national purposes.

Acting to expand access by health care providers to robust broadband networks, the Commission established the Healthcare Connect Fund. The FCC's existing Rural Health Care program, established by the 1996 Telecommunications Act, was not effectively structured to expand the reach of broadband health care networks. In 2006, the FCC launched its Rural Health Care Pilot Program to learn how to more effectively support these networks, and it now funds some 50 active pilots across the nation. The FCC highlighted lessons learned from these pilots, including a South Carolina consortium that saved $18 million in Medicaid costs by using telepyschiatry, and a group of health care providers in the Midwest that saved $1.2 million in intensive care unit services. Informed by these and other success stories, the new Healthcare Connect Fund will help expand access by health care providers to the high-bandwidth connections they need for modern telemedicine by (1) removing artificial limitations on technology that hampered legacy universal service health care support; (2) encouraging consortia between smaller rural health care providers and urban medical centers to enable remote hospitals and clinics to draw on the medical, technical and administrative resources of larger providers; and (3) covering upgrades to higher-speed service required for health care applications. The Fund will allow thousands of new providers across the country to share in the benefits of connectivity and dramatically cut costs for both hospitals and the Universal Service Fund.

In addition, the reforms establish a new competitive pilot program to test expanding broadband healthcare networks to skilled nursing facilities. Because these facilities are often remote from doctors and sophisticated lab and testing facilities, patients will benefit greatly from broadband services that can reduce the time, expense, and stress of travelling to receive medical care. Up to $50 million over three years will be available for these competitively-awarded pilots.

The FCC initiated a thorough review and modernization of the E-rate (schools and libraries) program built around three goals: increased broadband capacity, cost-effective purchasing, and streamlined program administration. The Commission's initiative marks the first comprehensive update of the E-rate program since 1997. According to a survey of E-rate applicants, half had slower connection speeds than the average American home and 39% cited cost of service as the greatest barrier to better meeting their needs. One quarter of libraries still have broadband speeds of 1.5 Mbps or less, and only 9 percent of libraries have speeds of 100 Mbps or greater. In light of these findings, there is growing consensus that E-rate needs to be updated and revitalized with a renewed focus on ensuring that all schools and libraries have affordable access to high-capacity broadband.

The FCC's Office of Native Affairs and Policy (ONAP) released a report detailing its engagement with more than 400 Tribal Nations and travel to 42 federal Indian Reservations since the Office's inception in the summer of 2010. ONAP's work with Tribes is focused on bringing modern communications infrastructure and the resulting benefits to Tribal Nations and Native communities throughout the United States. ONAP is responsible for developing and driving a Commission-wide Tribal agenda and ensuring Tribal voices are taken into account in Commission proceedings. Significant accomplishments, the report states, "are reflected in the Commission's new rules, proposed rules, and new policies with respect to Tribal Nations. These indicators of success include new levels of dialogue and reporting, new licensing priority opportunities, and increased support and investment through universal service support mechanisms."

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.

The Commission announced that the nation's four largest wireless carriers – AT&T, Verizon, Sprint, and T-Mobile – agreed to accelerate the availability of text-to-911, with a commitment to nationwide availability by May 15, 2014. Building on text-to-911 deployments and trials that are already underway, this agreement will accelerate progress and ensure that over 90 percent of the nation's wireless consumers, including millions of consumers with hearing or speech disabilities, will be able to access emergency services by sending a text message to 911 where local call centers are prepared to receive the texts. Text-to-911 will provide consumers with enhanced access to emergency communications in situations where a voice call could endanger the caller, or a person with disabilities is unable to make a voice call. In addition, to help eliminate consumer confusion while text-to-911 capability is being phased-in, the carriers have committed to provide an automatic "bounce back" text message to notify consumers if their attempt to reach 911 via text message was unsuccessful because this service is not yet available in their area. The Commission's proposed action also seeks to accelerate the nation's transition to a Next Generation 911 system that will use cutting-edge communications technology to assist first responders in keeping our communities safe.

The FCC proposed action to improve the reliability and resiliency of America's 911 communications networks, especially during disasters, by ensuring that service providers implement vital best practices in network design, maintenance, and operation. The Commission also proposed amending its rules to clarify how service providers can more effectively and uniformly notify 911 call centers of communications outages and cooperate to restore service as quickly as possible.

In a Notice of Proposed Rulemaking, the Commission moved forward to implement four key recommendations for strengthening 911 service made by the FCC's Public Safety and Homeland Security Bureau. The Bureau's recommendations resulted from an in-depth inquiry into the widespread 911 service failures that occurred after a derecho storm hit portions of the Midwest and Mid-Atlantic in June 2012. A significant number of 911 systems and services were partially or completely down for several days after the derecho. In all, 77 911 call centers serving more than 3.6 million people lost some degree of connectivity, including vital information on the location of 911 calls. Seventeen 911 call centers lost service completely, leaving more than two million residents unable to reach emergency services.

The FCC proposed action to improve wireless network reliability during disasters by requiring wireless service providers to publicly disclose the percentage of cell sites within their networks that are operational during and immediately after disasters. By providing consumers with a yardstick for comparing wireless performance in emergencies, the FCC's proposal could in turn encourage competition in the wireless industry to improve network reliability. In a Notice of Proposed Rulemaking, the FCC said that some wireless service disruptions may be unavoidable during emergencies, but the impact tends to vary among providers. For example, Superstorm Sandy disabled approximately 25 percent of cell sites in the affected region, with more than 50 percent of cell sites disabled in the hardest-hit counties, yet not all wireless networks were equally impaired. The FCC's proposal would require wireless service providers to submit to the FCC, for public disclosure on a daily basis during and immediately after disasters, the percentage of operational cell sites for each county within a designated disaster area. Information yielding these percentages is already included in voluntary reports that wireless service providers submit to the FCC daily during disasters.

As part of National Cybersecurity Awareness Month, the FCC unveiled an updated 2.0 version of the Commission's 'Small Biz Cyber Planner,' a free and easy-to-use online resource for any small business owner who wants to better protect their business from the growing threat of cybersecurity attacks. Launched in 2011, the tool has already been used by nearly 10,000 businesses across the country to create customized cybersecurity plans. New research by Symantec, an FCC Cybersecurity Outreach Partner, indicates that nearly 83% of U.S. small businesses have no cybersecurity protection plan, despite the fact that millions of cyber attacks occur each year.

In another initiative during National Cybersecurity Awareness Month, the FCC hosted a technology exhibition and presentations on mobile security. The day-long event is part of the FCC's ongoing effort to promote awareness of cybersecurity threats and solutions in partnership with industry and others in the public sector. Given America's growing reliance on mobile technology, and the importance of America's digital infrastructure to the economy, it is imperative that stakeholders work together to ensure the security, reliability, and resiliency of cyber tools and infrastructure.

Operational Excellence

Make the FCC a model for excellence in government by effectively managing the Commission's human, information, and financial resources; by making decisions based on sound data and analyses; and by maintaining a commitment to transparent and responsive processes that encourage public involvement and best serve the public interest.

As part of its Data Innovation Initiative, the Federal Communications Commission continued the modernization of its international reporting requirements. In 2011, the Commission adopted a First Report and Order which eliminated a number of outdated international reporting requirements and reduced the number of international reports to just two: the Traffic and Revenue Report and the Circuit Status Report. The Second Report and Order, adopted during the past year, further streamlines these two reports by eliminating reporting requirements for over a thousand small carriers and reducing the level of detail submitted by international service providers by over 75 percent. Taken together, the Commission estimates these changes will reduce overall burdens industry-wide by nearly 30 percent.

The FCC unanimously voted to modernize and improve its collection of data about broadband and voice service in the U.S., while at the same time taking measures to streamline and reduce the burden on providers. These changes will improve the data the agency uses to effectuate policies and programs for expansion of access to broadband and voice service for all Americans. The FCC initiated its most comprehensive collection of broadband deployment data which will be used to populate and update the National Broadband Map, a key resource on broadband deployment for consumers, policymakers, researchers, economists and others. Reliable and accurate deployment data are also critical to the expansion of broadband to consumers in unserved rural areas through the FCC's Connect America Fund and universal service program, and for the FCC's annual report to Congress on broadband availability.

The Commission issued the FY 2013 Regulatory Fee Notice of Proposed Rulemaking and FY 2013 Regulatory Fee Order, as well as successfully collecting regulatory fees for FY 2013. The FCC is self-funded through regulatory fees.

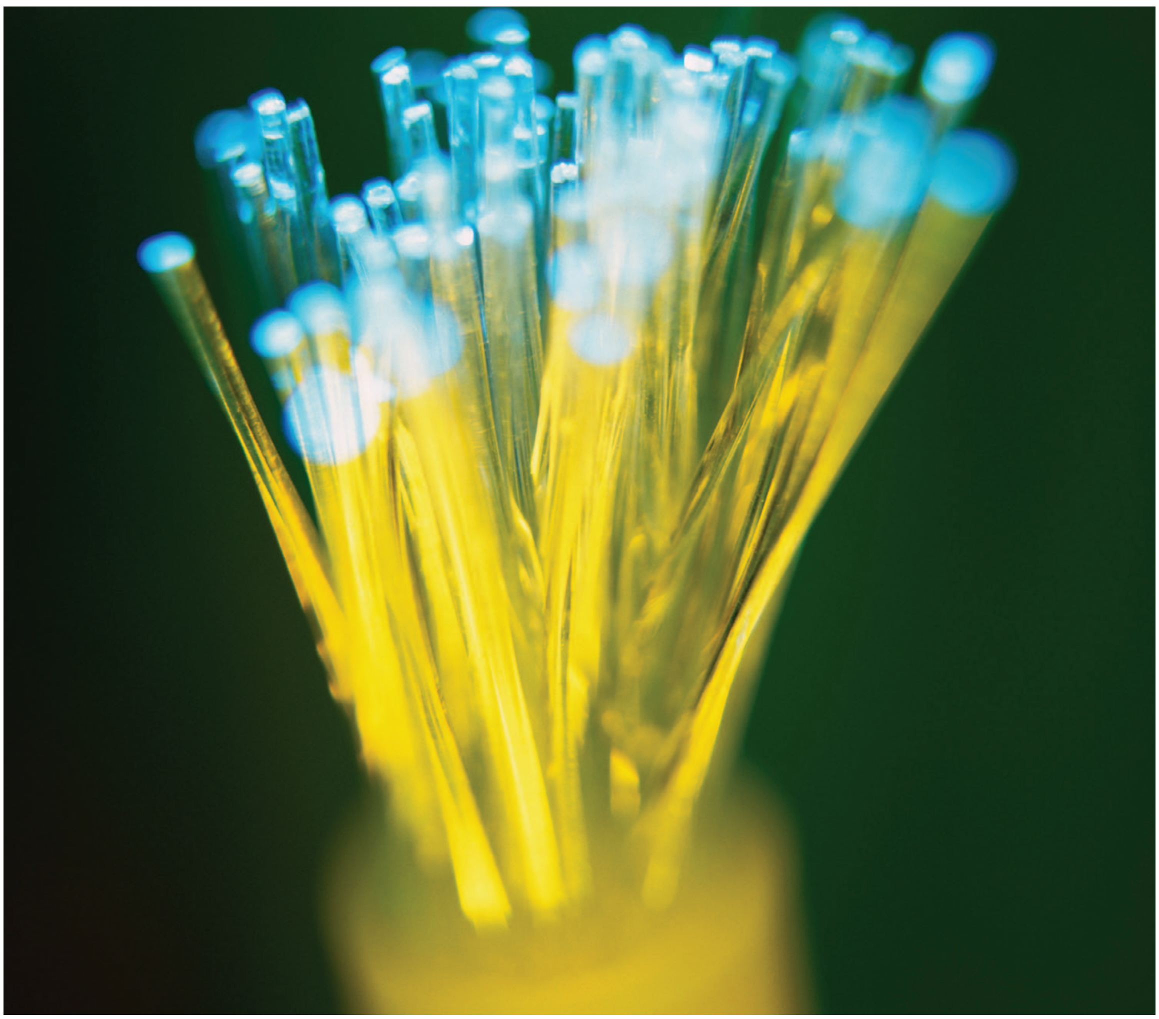
FCC managers and staff prepared and executed response plans, evaluated agency performance, and made corrective changes based on participation in the annual government-wide continuity of operation planning exercise. The agency improved its disaster readiness by holding tabletop exercises to practice responses to various scenarios. In addition, the FCC conducted more frequent testing of its emergency procedures and updated and implemented Occupant Emergency Plans and Procedures for FCC Headquarters.

The FCC obtained a clean opinion on its FY 2013 financial statements for the eighth consecutive year. Through responses provided to an audit performed by the agency's Inspector General, the FCC was able to demonstrate that it is in compliance with the requirements of the Improper Payments Elimination and Recovery Act. Additional accomplishments concerning financial management, process improvements, and systems modernization can be found in the FY 2013 Financial Information section of this document.

FY 2013 Financial Information

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

I am pleased to present the Commission's financial statements for fiscal year (FY) 2013 and to report that the Commission's auditors issued an unmodified audit opinion on each of the Commission's financial statements for FY 2013. Furthermore, I am proud to say that this is the eighth straight fiscal year the Commission has received an unmodified opinion. The Commission is proud of the work of its staff to obtain and maintain an unmodified opinion.



During FY 2013, the Commission carried out its mission even as it dealt with the budgetary constraints of sequestration. While difficult at times, we were committed to improving financial management and providing the financial resources and business operations necessary to meet our strategic goals and objectives. We maintained our process of evaluating and strengthening internal controls as well as building upon our goals for financial systems modernization.

Throughout FY 2013, the Commission worked diligently on closing audit findings from previous audits. As a part of this effort, the Commission made progress on resolving matters raised by its auditors in their FY 2012 audit report. The Commission closed findings relating to its information technology control deficiencies and made progress in resolving issues related to its financial management systems; however, there is still work to be done. The Commission significantly completed transfer of most delinquent debts to Treasury. A large backlog had accumulated in FY 2011; most of the issues associated with transferring debt were finally resolved in FY 2013. We expect all of the delinquent debt to be referred to Treasury during FY 2014. Of special note, the Commission also implemented a new time and attendance system which improved the user friendliness, efficiency, and controls around time keeping records.

Significantly, for FY 2013 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 2013 audit reports point out two significant deficiencies related to internal controls and note 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 2014 and to making every effort to continue to strengthen the Commission's and its reporting components' internal control environments, and to improve the effectiveness of the Commission's and its reporting components' financial operations. The Commission will continue to modernize its financial systems to improve the utilization of resources and accuracy of reporting.

Mark Stephens
Chief Financial Officer
March 31, 2014

Key FY 2013 Financial Management Accomplishments

Area	Accomplishment
Stewardship over Funds	The Commission continues to improve the administration of the Universal Service Fund (USF) and the Telecommunications Relay Service (TRS) programs. In coordination with the Universal Service Administrative Company (USAC) and the Department of Justice (DOJ), the Commission pursued wrongdoers who sought to defraud the USF. In FY 2013, these efforts yielded cash recoveries of approximately $18.25 million for TRS violations and $400,000 for E-rate violations. Additionally, through targeted audits known as In-Depth Data Validations (IDVs) initiated in June 2011 and continuing through fiscal year 2013, the Commission has eliminated approximately 2 million duplicate Lifeline subscriptions. Furthermore, the Commission executed four consent decrees with providers of TRS to resolve investigations about questionable requests for reimbursement from the TRS Fund. The consent decrees required the providers to pay almost $12 million back to the TRS Fund and to pay more than $23 million to the US Treasury. Furthermore, each of the consent decrees includes provisions designed to deter, prevent, and identify future instances of non-compliance.
Process Improvements	In FY 2013, the Commission continued to promote greater use of technology to improve our regulatory fee notification and collection process. Together with the U.S. Department of Treasury, the Commission took further steps to meet the Office of Management and Budget (OMB) Open Government Directive. A component of this directive is moving to a paperless platform. Going paperless is expected to produce cost savings, reduce errors, and improve efficiencies across government. As of October 1, 2013, the Commission no longer accepts checks for the payment of regulatory fees. This new paperless procedure requires that all payments be made by credit card, wire transfer, or ACH payment. This change will affect all payments for regulatory fees made on or after October 1, 2013. Additionally, with the upgrade of the financial system mentioned below, the Commission was able to provide better contract writing and management support capability. The updates to the system serve to improve upon the capability to customize solicitation provisions and contract clauses and to capture and save contract documents within the acquisition file. This functionality also moves the FCC several steps closer to the goal of a paperless system. Furthermore, the Commission established a new Capital Planning and Investment Control process (CPIC) to enhance information technology governance across the FCC.
Systems Modernization	During FY 2013, the Commission modernized its time and attendance process to WebTA. The WebTA system provides FCC employees and supervisors with a self-service web-based solution that simplifies and automates the entire timesheet creation, validation, and management process along with improving the accuracy, management and reporting of time keeping records. Implementation of the new system also facilitated stronger internal controls and significantly reduced the amount of time spent on processing timecards. In addition, the Commission conducted requirement sessions, business process reviews, conference room pilots, and configuration tasks to upgrade its financial management system (Genesis) to the latest 7.0 release. The upgrade, which “went live” in January 2014, upgraded Genesis with the addition of 140+ new enhancements. Several of these new features will allow the FCC to streamline its processes, increasing efficiency, and productivity. The upgrade will provide functionality for implementation of the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) and other Treasury requirements.
Procurement	The Commission’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 and Small Disadvantaged Veteran-Owned Businesses.

Our Financial Results

This section contains condensed financial statement information, a description of our major balance sheet components, 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 http://www.fcc.gov/encyclopedia/fcc-strategic-plan.

Net Position. As of September 30, 2013, the agency's total net position was $7,049.6 million, consisting of Cumulative Results of Operations of $7,046.2 million and Unexpended Appropriations of $3.4 million.

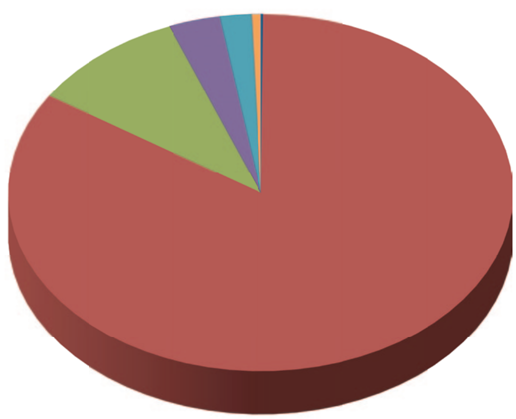
Changes in Financial Position in FY 2013 (consolidated)

Net Financial Condition (Dollars in Thousands)	2013	2012
Intragovernmental		
Fund Balance with Treasury	$279,163	$361,739
Investments	7,200,600	6,548,090
Accounts Receivable	1,235	1,574
Other	–	–
Total Intragovernmental	**$7,480,998**	**$6,911,403**
Cash and Other Monetary Assets	$173,084	$139,322
Accounts Receivable, net	852,026	875,088
Loans Receivable, net	3,502	335
General Property & Equipment, net	47,590	56,832
Other	13,024	13,024
Total Assets	**$8,570,224**	**$7,996,004**
Intragovernmental		
Accounts payable	$2,522	–
Debt	353	–
Other	89,558	168,897
Total Intragovernmental	**$92,433**	**$168,897**
Accounts Payable	$134,727	$110,523
Deferred Revenue	59,920	62,971
Prepaid Contributions	110,057	85,849
Accrued Liabilities for Universal Service	1,088,415	752,423
Other	35,036	39,578
Total Liabilities	**$1,520,588**	**$1,220,241**
Unexpended Appropriations	$3,394	$4,251
Cumulative Results of Operations	7,046,242	6,771,512
Total Net Position	**$7,049,636**	**$6,775,763**
Net Cost of Operations	**$9,432,508**	**$9,536,699**
Total Budgetary Resources	**$14,373,177**	**$14,297,518**

Assets

The chart below presents the total assets of the Commission as of September 30, 2013. The large Investments balance of $7,200.6 million results from carryover in the USF Schools and Libraries Program and new High Cost support mechanisms under the Connect America Plan that has not been implemented. The Remaining Intragovernmental Assets balance of $280.4 million consists of Intragovernmental balances from Fund Balance with Treasury and Accounts Receivable. The Accounts Receivable balance of $852 million is primarily composed of USF receivables totaling $749.6 million.

FY 2013 Total Assets by Category (Dollars in Thousands)

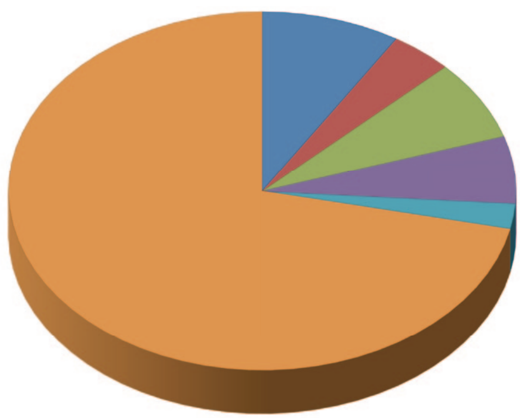


Category	%	Assets
Intragovernmental Investments	84%	$7,200,600
Accounts Receivable, net	10%	$852,026
Remaining Intragovernmental Assets	3%	$280,398
Cash and Other Monetary Assets	2%	$173,084
General PP&E	1%	$47,590
Other Assets	<1%	$13,024
Direct Loans Receivable, net	<1%	$3,502
Total Assets		**$8,570,224.00**

Liabilities

The chart below presents the total liabilities of the Commission as of September 30, 2013. The Commission's most significant liabilities were Accrued Liabilities for Universal Service of $1,088.4 million and Accounts Payable of $134.7 million, which accounted for over 80% of total liabilities as of September 30, 2013. The Accrued Liabilities for Universal Service represent the expected October (FY 2014) payments for the Universal Service Fund High Cost and Low Income Programs and the Telecommunications Relay Service Program. The Intragovernmental of $92.4 million is primarily composed of custodial collections earned on spectrum auctions and miscellaneous receipts.

FY 2013 Total Liabilities by Category (Dollars in Thousands)

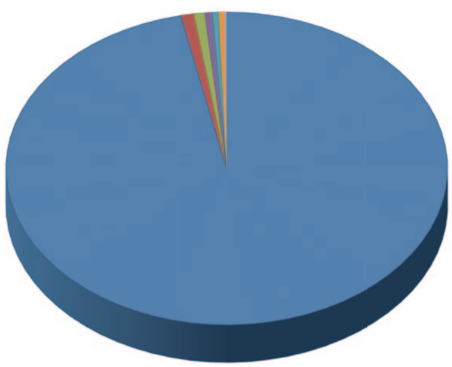


Category	%	Liabilities
Accrued Liabilities for Universal Service	72%	$1,088,415
Accounts Payable	9%	$134,727
Prepaid Contributions	7%	$110,057
Total Intragovernmental	6%	$92,433
Deferred Revenue	4%	$59,920
Other	2%	$35,036
Total Liabilities		**$1,520,588**

Costs

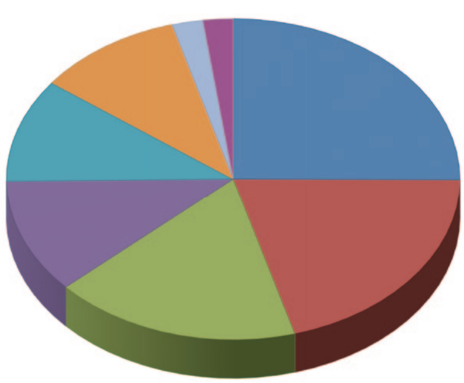
The chart below presents the total gross costs of each Commission program as of September 30, 2013. The costs are aligned with the eight strategic goals of the Commission: Connect America, Maximize Benefits of Spectrum, Promote Innovation, Investment, and America's Global Competitiveness, Promote Competition, Protect and Empower Consumers, Public Safety and Homeland Security, Advance Key National Purposes, and Operational Excellence. 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 Promote Competition strategic goal. As a result of the accounting for these activities, the cost for this goal may be significantly higher than the cost of the seven other goals. For clarity, a separate pie chart has been added to show the program costs by goal for FCC only. 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.

FY 2013 Total Gross Costs (Dollars in Thousands)



Category	%	Gross Costs
Promote Competition	97%	$9,580,394
Operational Excellence	1%	$92,807
Maximize Benefits of Spectrum	1%	$79,655
Protect and Empower Consumers	1%	$52,155
Public Safety and Homeland Security	<1%	$47,359
Connect America	<1%	$47,037
Advance Key National Purposes	<1%	$10,000
Promote Innovation, Investment, and America's Global Competitiveness	<1%	$9,697
Total Gross Costs		**$9,919,104**

FY 2013 Total Gross Costs (Dollars in Thousands)
Excludes USF, TRS and NANP

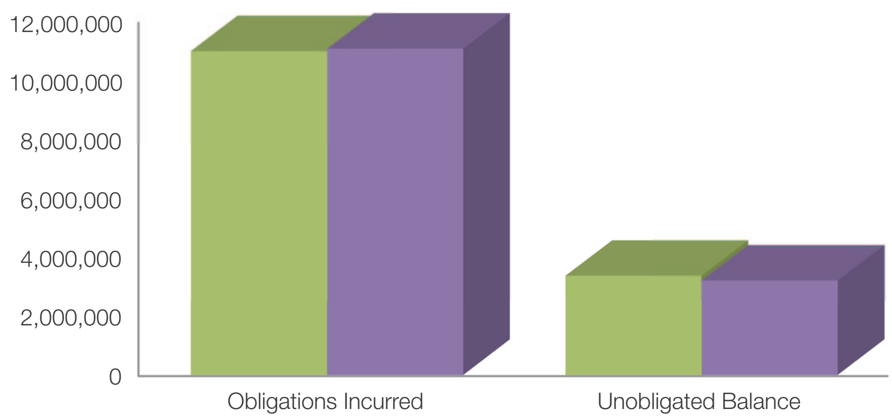


Category	%	Gross Costs
Promote Competition	25%	$113,399
Operational Excellence	21%	$92,807
Maximize Benefits of Spectrum	18%	$79,655
Protect and Empower Consumers	12%	$52,155
Public Safety and Homeland Security	10%	$47,359
Connect America	10%	$47,037
Advance Key National Purposes	2%	$10,000
Promote Innovation, Investment, and America's Global Competitiveness	2%	$9,697
Total Gross Costs		**$452,109**

Budgetary Resources

The bar graph below provides information on how budgetary resources were made available to the Commission for the year and the status of those budgetary resources at the end of the year. The Commission receives most of its budgetary authority from appropriations. Budgetary resources consist of the resources available to the Commission at the beginning of the year, plus appropriations, spending authority from offsetting collections, and other budgetary resources received during the year. The Commission had $14.4 billion in budgetary resources of which $11 billion was obligations incurred and $3.4 billion remained unobligated. The graph below presents the status of budgetary resources comparatively between FY 2013 and FY 2012.

Status of Budgetary Resources – FY 2013 and 2012 (Dollars in Thousands)



Category	FY 2013	FY 2012
Obligations Incurred	$11,005,908	$11,090,551
Unobligated Balance	$3,367,269	$3,206,967
Total Budgetary Resources	**$14,373,177**	**$14,297,518**

Financial Management Indicators

Financial Management Indicators for FY 2013

Indicator	Status
Debt Management	
Eligible delinquent debt transferred to Treasury	95.8%
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% reconciled
Payment Management	
Timely vendor payments (per Prompt Payment Act)	98.5%
Percentage of interest penalties to vendor invoices paid	0.003%
Timely payments for Centrally Billed (travel) Accounts (CBA)*	100%
Timely payments for employee Purchase Cards*	100%
Percentage of travel vouchers processed within 10 business days	89.9%

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

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