Since last PPAC meeting, fiscal status changed significantly

- The fee revenue “bubble” in advance of the fee rule came in lower than anticipated.
- Full-year fee estimates were revised downward in light of actual collections so far this year.
- USPTO must set aside a portion of fee revenue for the remainder of FY 2013 due to budget sequestration.
- Planned spending was adjusted at the start of the year to reflect revenue uncertainty; additional actions were taken during April in light of recent developments.
Our revenue posture has shifted:

- **FY 2013 Resource Status**

1. Result of decisions to reduce certain proposed fee rates and adjust production capacity in response to public and stakeholder comments.
2. Fee estimate revision based on recent applicant behavior and an assessment of the economy.
3. Fee estimate revision plus the expected sequester total. The annualized sequester percentage is 5% of fee collections.
Budget sequestration was implemented March 1, 2013

As indicated previously, USPTO fees are not exempt.

Sequestration is applied to actual fee collections through year-end at a 5.0% annualized rate.

USPTO sequester was estimated at $148M for planning purposes, but the final amount will be determined by the actual level of collections.
Programs and projects were thoroughly evaluated in late March and early April.

- Measures were taken to reduce or eliminate all lower priority activities.
- Information technology modernization has been scaled back significantly.
- Remaining travel and training has been virtually eliminated.
- Hiring of most support personnel has been stopped for the time being.
- Limited examiner hiring has been evaluated and will be considered if fee revenue strengthens toward the end of Q3.
April spending reviews yielded year-end spending reductions totaling approximately $170M directly related to the Patents business line.

Coupled with budget savings identified earlier in the fiscal year, spending has been adjusted by about $240M.
Way forward for the remainder of FY 2013:

- **Track revenue closely.** Revenue is currently tracking near updated estimates, but variability still remains.

- **Vigilance on spending.** Work to avoid further spending reductions, but be prepared to do so if necessary.

- **Await for opportunities.** If revenue comes in at a healthy level, consider modest spending actions.

- **Plan for FY 2014.** Rework plans for FY 2014 in light of recent developments.