



Federal Aviation  
Administration

February 2007

# BUDGET IN BRIEF

## Fiscal Year 2008



Assistant Administrator for Financial Services / Chief Financial Officer

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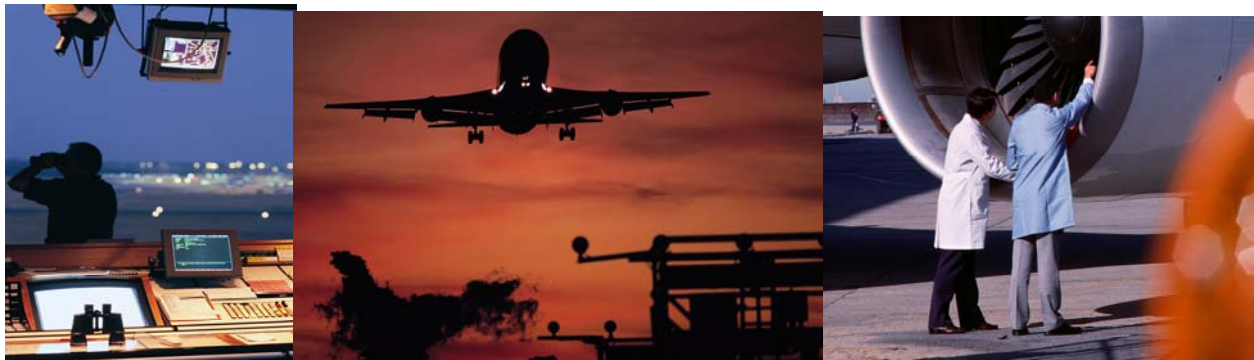
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## Message from the Administrator

Marion C. Blakey

Safety is our primary concern. Our efforts, in concert with those of our stakeholders, to improve operations have led to the safest period in aviation safety. At the same time, the demand for FAA services has never been greater. We oversee about 50,000 flights per day. In 1995, the system supported about 545 million passengers. In 2005, it was 739 million. Forecasts call for one billion passengers annually by 2015.

Given the anticipated growth — not only in terms of passengers, but in the number of aircraft as well — we know that our services must adapt to meet the demand. We also know that the complexity of the future operating environment—with evolving fleet mixes, new aircraft, technology, and the environmental constraints—must be approached in partnership with our customers. The preparation for these changes already is well under way. The federal government's commitment to being ready for the future is gathered in one vision, the Next Generation Air Transportation System (NextGen). This budget demonstrates a long-term commitment to NextGen, not as pie-in-the-sky vision, but as embodied by tangible systems, processes, and management energy that will lead us to the future.

The budget request also emphasizes our need for a stable funding source that is based on our costs and the services we provide. Most of FAA's current funding comes from the Airport and Airway Trust Fund, which in turn is funded primarily through ticket taxes (and other taxes to lesser extents). All of these taxes are scheduled to expire in September 2007, which coincides with the end of the current authorization for FAA programs under Vision 100.

As it stands, there is no link between FAA's budget and the actual cost to provide service. Since 2000, low-cost carriers and other factors

have changed the business of aviation. The airlines also are favoring smaller jets. With the number of passengers increasing and the number of jets to carry them also on the rise, this portends for a greater workload. Even general aviation activity is increasing and shifting toward high-performance jet aircraft, which increases FAA workload without a commensurate increase in revenue. The bottom line is that there is no connection between revenue and workload.

After consultation with our stakeholders, we have developed a reauthorization proposal for FAA that will be released in February 2007. It proposes a stable, cost-based funding structure to ensure that our costs and revenues are better aligned and that our stakeholders are treated equitably. It also maintains a well-supported general fund contribution for "public good" services and provides strong incentives for FAA to continue to control costs and meet demand efficiently, via ongoing stakeholder consultation.

This new reauthorization proposal will support the other major themes of this budget request by maintaining safety, building capacity, and facilitating the modernization of the system into NextGen, while helping FAA continue its momentum of operating more like a business. This budget request reflects the proposal's modified account structure that matches FAA's costs to appropriate funding sources.

In FY 2008, several capital programs directly support the NextGen concept by creating new, transformational capabilities. The technology includes Automatic Dependent Surveillance-Broadcast, the next generation surveillance technology; and System-Wide Information Management, which will provide a broad range of real-time information to users of the National Airspace System. The FY 2008 budget would also fund

NextGen demonstrations and infrastructure engineering activities, critical to identifying early implementation opportunities and reducing programmatic risks. Most of this funding would be used to demonstrate and refine the concept of trajectory based operations. When operational, this concept will allow flights to follow their preferred and most fuel-efficient routes.

We are also requesting funding for about 30 capital programs that create a platform for, or enable, future capabilities. Examples of these contributor programs include: En Route Automation Modernization; the Wide Area Augmentation System, which augments the Global Positioning System signal for aviation uses; Airport Surface Detection Equipment-Model X, which reduces runway incursions; and the Next Generation Air/Ground Communications System, which modernizes air-to-ground communications infrastructure. These investments are necessary to modernize the foundation of the NAS, allowing the eventual integration of a full complement of advanced air traffic management tools.

We have incorporated cost control and improved management initiatives in all aspects of our agency through the FAA Flight Plan, the President's Management Agenda (PMA), the Program Assessment Rating Tool (PART) reviews, and being responsive to our stakeholders.

The FAA has aggressively searched for ways to become more efficient and to deliver better service at a lower cost. We completed the largest non-military A-76 competition in federal government history, which is projected to save over \$2.2 billion by 2015. We're making headway with air traffic control procedures as well. The recent implementation of Domestic Reduced Vertical Separation Minimum (DRVSM) created an additional six layers of cruise levels at higher altitudes. These enable jets to operate at more efficient cruising altitudes and increases system capacity while doing so. DRVSM is projected to yield savings of more than \$13.4 billion from FY 2005 through FY 2016 for our customers. Administratively, in our largest operational Line of Business, we streamlined operations and eliminated five layers of upper management since 2003. We also instituted productivity improvement targets for the controller workforce that we continue to meet.

The budget request furthers this momentum as we pursue other opportunities to maximize efficiencies and control costs ... including labor costs. The majority of our operational costs come from personnel – about two-thirds of our entire budget. Our contract negotiations with the controllers union reflected our constant effort to control costs.

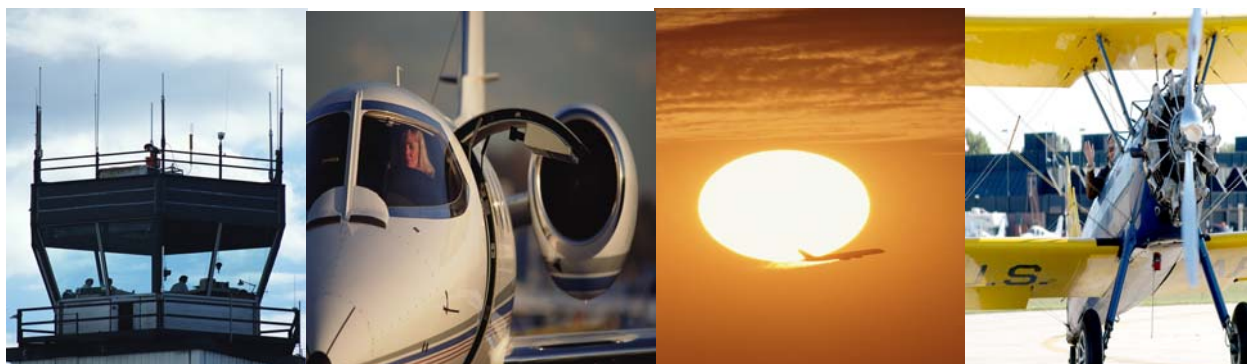
The FAA is doing more than ever to manage itself responsibly and it is paying off. At the same time, the airline industry continues to face financial uncertainty. While some air carriers remain under bankruptcy protection, most air carriers continue to reform their high cost structures, reduce in-house staff, renegotiate more favorable labor agreements, and use more outside repair stations. Frankly, we believe it would be highly irresponsible to cut our safety efforts at this point in time.

The budget request puts us on firm ground in critical areas that matter most: safety and staffing. As always, passenger safety continues to be our number one priority. Our goal for FY 2008 will be to enhance safety through better oversight and operational and research programs. This includes a request to increase our safety workforce by 330 and an additional 30 operational support staff in FY 2008.

As outlined in the update to the Congressional report, *A Plan For the Future: The FAA's 10-Year Strategy for the Air Traffic Control Workforce*, almost three-quarters of the controllers hired after the 1981 PATCO strike will reach retirement age over the next decade. Steps to keep the system moving smoothly already are under way. We need to maintain a continuous pipeline of recruits and trainees because it takes several years of on-the-job training for developmental controllers to achieve certified professional controller (CPC) status. Our FY 2008 budget request funds the hiring of 1,420 new controllers in FY 2008. These new hires will be offset by expected losses of 1,276 controllers, resulting in a net increase of 144.

Our FY 2008 budget request for Grants-in-Aid to Airports is \$2.75 billion. With the additional tools in our reauthorization proposal, this level, when combined with programmatic changes we recommend for AIP and passenger facility charge reauthorization, FAA will be able to fund high priority safety, capacity, and security projects.

Without question, we must prepare for the future, and the future begins with responsible capital investments. Given the vital role aviation plays in the Nation's economy, and the need to prepare for the future, our budget request and reauthorization proposal are designed to support America's growing demand for aviation services.





# WE'VE CHANGED OUR LOOK

## The Agency's Budget Aligns With Pending Reauthorization Proposal

FAA has prepared this budget request in a new account structure that aligns with FAA's lines of business and the reauthorization proposal currently under review by the Administration.

Under FAA's current tax structure, which expires on September 30, 2007, there is no direct relationship between the taxes paid by users and the air traffic control services provided by FAA. The rapid growth of low-cost carriers and continued pressure on ticket prices has made the stability of the current tax structure unpredictable. Since the current tax structure is primarily based on the price of a ticket, FAA collects much more in taxes from a full plane rather than from a nearly empty plane of the same size. However, FAA's cost in moving that plane through the NAS is the same. The reauthorization legislation that will be transmitted in early 2007 reforms the system's financing structure to tie costs to revenues, enable the development of the Next Generation Air Transportation System (NextGen), avoid delays and increase safety. The FAA aims to create a direct relationship between revenue collected and services received, providing FAA with a stable revenue stream and creating incentives to make the system more efficient and responsive to user needs.

The reauthorization proposal transforms FAA's excise tax financing system into a cost-based system that recovers the cost of providing air traffic control services to commercial aviation operators through user fees and the costs of providing air traffic services to general aviation operators through a fuel tax beginning in 2009. User fees allow aviation users to pay directly for the services that FAA provides in managing the use of the national airspace, and enable users

to better gauge the actual costs of their requirements of the system. This structure encourages FAA to control costs and continue to operate like a business, and makes air traffic management more efficient and responsive to user needs.

Under the proposal, FAA would have the authority to collect the user fees that directly offset the cost of FAA's operations from commercial aviation users; expenditure of the available fees would be affirmed in the appropriations process. Both turbine and piston general aviation users would continue to pay a fuel tax. Both user fees and fuel tax rates would be calibrated based on the costs that the users impose on the system. The FAA would also be able to charge all users a fee for operating in the Nation's most congested airspace. A general fund component of FAA's budget would be maintained to cover activities that benefit the public good like safety oversight functions and public use of the airspace. Finally, FAA's airport grants program would continue to be funded by fuel taxes.

The 2008 Budget assumes FAA will implement its new financing mechanism starting in 2009 and that other elements of the reauthorization will be effective in 2008.

Improvements are evident in other aspects of the budget as well. Most notably, this request reflects FAA's continued progress in integrating the budget and performance through the Flight Plan, Business Plans, and other strategic planning and performance measurement. We are beginning to use cost accounting data to improve our decision-making and look forward to incorporating it even more in future submissions.

The following table highlights the proposed new

account structure, and relationship to current accounts:

**BUDGET AUTHORITY BY APPROPRIATIONS ACCOUNT  
(\$000)**

<u>ACCOUNTS</u>	<u>FY 2006<sup>1</sup> ACTUAL</u>	<u>FY 2007 CR LEVEL</u>	<u>FY 2007 PRES. BUDGET</u>	<u>FY 2008 REQUEST</u>
<b>Operations<sup>2</sup></b>	<b>\$8,104,140</b>	<b>\$8,104,140</b>	<b>\$8,366,000</b>	
General	(\$2,618,550)	(\$2,618,550)	(\$2,921,000)	
AATF	(\$5,485,590)	(\$5,485,590)	(\$5,445,000)	
FSS A-76 Competition (non-add)	(\$148,500)			
<b>Facilities &amp; Equipment<sup>2</sup></b>	<b>\$2,555,200</b>	<b>\$2,480,955</b>	<b>\$2,503,000</b>	
<b>Safety &amp; Operations<sup>3</sup></b>				<b>\$1,879,453</b>
General				(\$1,207,859)
AATF				(\$671,594)
<b>Air Traffic Organization<sup>3</sup></b>				<b>\$9,307,896</b>
General				(\$1,393,380)
AATF				(\$7,914,516)
<b>Research, Engineering<sup>4</sup> &amp; Development</b>	<b>\$136,620</b>	<b>\$131,297</b>	<b>\$130,000</b>	<b>\$140,000</b>
General				(\$17,133)
AATF				(\$122,867)
<b>Grants in Aid for Airports:</b>				
(Obligation Limitation)	\$4,138,654	\$3,515,000	\$4,307,000	\$2,750,000
Rescission	(\$1,067,754)		(\$1,582,000)	
<b>TOTAL:</b>	<b>\$13,866,860</b>	<b>\$14,231,392</b>	<b>\$13,724,000</b>	<b>\$14,077,349</b>
[Mandatory]	\$3,070,900	\$3,515,000	\$2,725,000	\$2,750,000
[Discretionary]	\$10,795,960	\$10,716,392	\$10,999,000	\$11,327,349

<sup>1</sup>FY 2006 reflects 1% across-the-board rescission and hurricane supplemental funding for \$40.6M in Facilities and Equipment per P.L. 109-148.

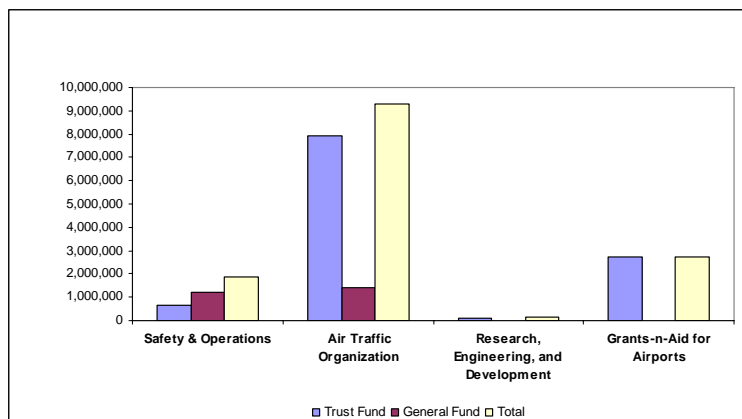
<sup>2</sup> Starting in FY 2008, this account will no longer receive appropriations. Funding will go to the new Safety & Operations and

<sup>3</sup> New account starting in FY 2008. Includes both traditional Operations and Facilities & Equipment funds.

<sup>4</sup> Funding sources for Research, Engineering, & Development account change from the Airport and Airway Trust Fund in FYs

<sup>5</sup> CR levels estimated in accordance with P.L. 109-838

FY 2008 Budget by Funding Sources



# WE ARE THE FAA

Where Safety, Accountability and Innovation Come First

## FAA -- Like A Business with a Public Mission

At FAA, “acting more like a business” isn’t just a slogan. We’re engaging in a comprehensive pay-for-performance program, consolidating operations, improving internal financial management, and increasing benefits to our customers. Our beacon will always be our mission – to provide the safest, most efficient aerospace system in the world. Our bottom line is results for our stakeholders, including the taxpayer and traveling public.

The transformation over the past four years has been steady and relentless, as we’ve embraced the vision of the President’s Management Agenda (PMA) and its aggressive strategy to improve management throughout the federal government. The evolution of the PMA complements the strategic vision of our Flight Plan. It contains a number of management performance measures, including a cost control performance measure requiring each organization to contribute cost efficiencies that save money or avoid costs for the agency. Through the Flight Plan and PMA, we’ve made dramatic gains in human capital, competitive sourcing and consolidations, financial performance -- including containing and cutting costs; and, ultimately accountability to the bottom line of our customers.

What may be our most difficult challenge is upon us. Our proposed financing of Air Traffic Services – in part directly by our user community – will radically reform the way FAA is funded. It will also increase the scrutiny, and therefore the transparency, of our services. Providing better links between the costs of services being provided and amounts paid by service beneficiaries is critical. This budget request embarks the

agency on this path, and we are ready for the challenge.

## Pay-for-Performance — Human Capital Reform

Personnel reform for the agency, granted in 1998, is starting to bear fruit, with conversion from the traditional GS-Schedule pay system to pay for performance. Accountability for results is systemic throughout our organization, with 80 percent of our employees on the pay-for-performance system, including our executives. Flight Plan performance targets must be achieved before annual pay raises are calculated. Executives and managers have a good deal of discretion in rewarding high-performing employees, and incentives are present to ensure quality work and innovation are rewarded.

In December 2003, we renegotiated costly Memorandums of Understanding (MOUs) with various bargaining units. At the same time, we’ve strengthened the management approval processes for future MOUs.

We also continue to apply effective management and financial principles on a new contract with our air traffic controllers. Our recent contract negotiations with the controllers union reflected our constant effort to control costs.





## **Major Competitive Sourcing, Consolidations & Asset Management Efforts**

In October 2005, we completed the largest non-military A-76 competition in history. The first two years will see cost savings of \$66.4 million in FY 2007 and an additional \$51.7 million in FY 2008, for a cumulative savings of \$184 million by the end of FY 2008. Our network of automated flight service stations, which provide weather guidance and other assistance to the pilots of small airplanes, will be reduced from 58 to 20 in the fourth quarter of FY 2007. The contract not only saves money, it also commits the vendor to modernize and improve the flight services we provide to general aviation pilots. In addition, the employees who left Federal service as a result of this transition were given offers to work for Lockheed Martin, the successful bidder of the contract.

In FY 2006, the Air Traffic Organization (ATO) began its Service Area Consolidation effort to consolidate its administrative and staff support functions from nine service areas to three. This will allow us to provide better service to customers while saving an estimated \$360 to \$460 million over the next ten years. In FY 2008, we anticipate savings of \$29 million from Service Area Consolidation. Also in FY 2006, FAA completed the consolidation of eleven accounting offices. Annual payroll savings alone from this consolidation are estimated to be \$3.5 million. With regard to cancellation of Instrument Flight Procedures (IFPs), a total of 750 procedures have been eliminated over the last two years. The breakout is 560 non-directional beacon "NDB" and 190 "Other" procedures. Finally, we eliminated over 199 navigational aids within the last year.

In FY 2005, we began centralizing responsibilities for real property management into a Real Estate Management System (REMS). The FAA is the lead for the Department of Transportation, since we have 99 percent of the real property assets; thus, being the linchpin for the Department to reach "green" on this initiative.

## **Improved Financial Management Performance**

We're making significant strides in improving our financial management. The Government Accountability Office removed us from its high-risk list in

2005, a particular accomplishment since FAA Financial Management had been a high-risk item since 1999. We also received, for the third year in a row, the Association of Government Accountants' prestigious Certificate of Excellence in Accountability Reporting (CEAR) for our 2005 Performance and Accountability Report.

A major focus for the entire agency is controlling costs. Our strategic and budget planning goals are more closely aligned than ever, and they both include explicit cost savings initiatives.

We have improved oversight and control of costs, and today over 90 percent of major programs are within 10 percent of budget and are on schedule. We are committed to disciplined investment analysis reviews by FAA's Joint Resources Council and independent review of contracts over \$10 million by the agency's Chief Financial Officer.

**Slowing Growth of Labor Costs** -- We know that labor costs drive a significant share of our budget, and we are slowing the rate of growth in labor costs, such as in our controller negotiations, or back-filling positions with new employees at lower pay grades when possible. We're also increasing workforce productivity in several ways:

We are on track to achieve cost efficiencies of 10 percent by FY 2010 in controller staff costs through productivity improvements. Our budget request assumes we will achieve controller productivity improvements of two percent in both FYs 2007 and 2008.

Through proactive management of our worker's compensation caseload we've slowed the growth of this program, which has resulted in \$5.5 million in avoided costs in FY 2005 and \$7 million in FY 2006. For example, we now follow up on all newly filed claims to ensure the employee returned to work as soon as practical following a work related injury or sickness. In addition, the ATO has taken steps to bring back employees who have been on workman compensation rolls for more than one year. In FY 2007, this effort is expected to yield an additional \$7 million in avoided costs.

Over the last several years, ATO reduced its overhead expenses by cutting multiple levels of

senior management, reducing its executive ranks by 20 percent. In addition to the Service Area Consolidation noted above, ATO has used Activity Value Analysis to help streamline its operations, and eliminate and consolidate administrative staffs and support functions. Since FY 2003, the ATO non-safety workforce was reduced by 16 percent. In FYs 2005 and 2006, this reduction resulted in a savings of over \$84 million that carries forward to the future. The long-term value of this downsizing exceeds \$100 million per year.

**Smarter Capital Investment Choices** -- A capital investment team was created in 2004 to review financial and performance data. The team completes an evaluation of baseline performance and includes associated variances, obligations, schedule milestones and earned value management (EVM) data. EVM will provide an early warning for potential and actual variances as well as help the program manager develop corrective actions. During the past year, 73 projects or programs were reviewed, prompting the team to restructure 10 projects and terminate 3 programs. These changes resulted in \$460 million in lifecycle savings to FAA.

**Integrating Budget & Performance** – The main objective of the PMA budget and performance integration initiative is to build FAA’s budget in a way that quantifies what the agency is doing. The goal is to show how increases or decreases in our budget affect those activities and drive performance, and how the activities across the six goal areas work together. The initiative uses performance measures to track program viability, which is one of six criteria to reach “green” status on the PMA report card.

Throughout the agency, resources are focused on tracking efficiency measures. As our Cost Accounting System (CAS) data improves with the expansion to all of our Lines of Business, we will be able to capitalize on timely analysis of how well we’re doing, or where we need to improve. Among the efficiency measures developed to track progress are measures for each program assessed through a Program Assessment Rating Tool (PART) review, examples of these include:

- ATO is tracking its overhead rate, comparing non-facility labor dollars to total labor dollars. Targets have been established and provide a compass for future decision-making.

- ATO has determined a cost per controlled flight and utilizes that metric to determine efficiency in handling Instrument Flight Rule flights.
- The Airport Improvement Program (AIP) is making best practice improvements throughout its regions based upon its evaluation of its efficiency measure of grant administration dollars divided by grants.

Our results are not only marked by cost savings and increased capacity in the system, but by an enviable safety record that makes us a model for aviation safety practices throughout the world. We keep in front of us the beacon of our mission, and will allow nothing to divert us from our course.

# BUILDING FOR THE FUTURE

## ON OUR PAST

### Accomplishments — The Past Year in Review

With a workforce of 44,865 and an annual budget of \$14.3 billion in FY 2006, FAA operates and maintains the most complex air traffic control system in the world. More than half of the world's air traffic is managed by FAA controllers. We conduct research to improve aviation safety and efficiency, and provide grants to improve almost 3,400 eligible public-use airports in the United States. FAA also regulates commercial space launch activities to ensure public safety. Administrator Marion C. Blakey led FAA to a number of significant accomplishments in FY 2006, including:

- The Office of Aviation Safety was successfully certified to the prestigious International Organization for Standardization ISO9001:2000 quality management standard covering multiple aviation safety services, including national and international sites encompassing 6,462 employees. FAA is the largest Federal business to achieve this world-class registration.
- Commissioning four new runways—in St. Louis, Atlanta, Cincinnati, and Minneapolis/St. Paul—adding 1.67 percent (or 655,000 takeoffs and landings) in new capacity. These new runways will help FAA manage increased demands on the system while working to minimize delays and congestion. We are now planning for six new runway projects, which will further increase capacity.
- Developing a legislative proposal for a new system for financing the FAA in the future. The excise taxes that go to the Airport and Airway Trust Fund are set to expire in FY 2007.
- Maintaining 97 percent of critical acquisitions on schedule and 100 percent on budget.
- Hiring over 1,100 new controllers and releasing an updated Air Traffic Controller Workforce Plan designed to address anticipated retirement and replacement of air traffic controllers over the coming decade. The revised document outlines the agency's plans to hire more than 11,800 new air traffic controllers over the next 10 years.
- Introducing the Airspace Flow Program, which is designed to greatly reduce the number of flight delays and bring an estimated \$900 million in cost savings to the airlines and the flying public.
- Issuing new common Federal launch safety standards designed to create consistent, integrated space launch rules for the nation.
- Initiating the Strategic Sourcing for the Acquisition of Various Equipment and Supplies (SAVES) program in FY 2006 to implement best practices from the private sector in the procurement of administrative supplies, equipment, and IT hardware. This initiative is expected to achieve \$5 million in savings annually.
- Enhancing capacity for our customers with the use of Domestic Reduced Vertical Separation Minimum, Required Navigation Performance, and Advanced Technologies and Oceanic Procedures.

# OVERVIEW OF FY 2008 BUDGET

## FY 2008 Request by Goal—\$ in millions

The FAA mission is to promote aviation safety and mobility by building, maintaining, and operating the Nation's air traffic control system; overseeing commercial and general aviation safety through regulation and inspection; and providing support to improve the capacity and safety of our airports. The FY 2008 budget request of \$14.1 billion reflects the Administration's commitment to increase the performance and capacity of our aviation system and is directly related to the agency's *Flight Plan 2006-2010*.

The FY 2008 budget requests \$1.9 billion for FAA Safety and Operations. Most of the funds requested for Safety and Operations in FY 2008 support the goal of maintaining and increasing aviation safety, reflecting the President's commitment in this area. Other significant amounts support mobility and security.

**Safety** – The request includes \$9.4 billion to inspect aircraft and ensure the safety of flight procedures. This includes an increase of \$16 million to hire and train 1,420 air traffic controllers, resulting in a net gain of 144 controllers; \$8 million to expand the Air Transportation Oversight System, \$4.8 million for new aviation safety requirements; and \$5.7 million for future aviation safety initiatives. The request supports continued development of the ATO, which was formed in FY 2004 to improve the delivery of air traffic services by adopting "best business-like" practices. It also includes funding for operating and main-



taining the air traffic control system, developing a replacement air traffic data and telecommunications system, commercial space transportation, and a share of agency overhead support costs.

In FY 2008, FAA will continue working to reduce the precursors of aircraft accidents in response to the recommendations in OMB's PART review of Air Traffic Services conducted in FY 2003, and to the Office of Inspector General's (OIG's) Aviation Safety Management Challenge for FY 2006. In FY 2006, for the fifth year in a row, serious runway incursions decreased. To

better map movements on the ground and in the air, the agency deployed 8 Airport Surface Detection Equipment Model X systems and plans to deploy 19 more at airports between FY 2007 and FY 2009. While FAA met its target for operational errors, reducing them further as traffic continues to increase remains one of the agency's top

priorities. To address this challenge, FAA will continue to concentrate on outreach, awareness, technology, and improved procedures and infrastructure.

General Aviation (GA) fatal accidents trended significantly lower in FY 2006 compared to the previous year. The FAA worked with various members of the GA Community during the year, including aeromedical evacuation and charter services, to focus education and training efforts on night landings, weather, and other areas of concern. Personal, agricultural, and amateur-built operations showed especially sharp improvements.

The FY 2008 budget request for FAA includes \$9.4 billion to meet our safety goals. These include our targets to reduce U.S. commercial air carrier fatal accidents to below 0.010 per 100,000 departures in FY 2008, and to reduce all general aviation fatal accidents to no more than 325 in FY 2008. The request also supports FAA's efforts to reduce the most serious runway incursions to a rate of 0.509 per million operations. It provides funding for inspecting aircraft, certifying new equipment, and ensuring the safety of flight procedures and the competence of airmen and women. It also includes funding for additional air traffic controllers to prepare for the projected surge in retirements over the next decade, and to ensure that adequate staffing is available and fully trained to perform this critical safety function.



**Reduced Congestion** - The aviation industry is responsible for moving people and products, and it contributes approximately \$640 billion to our economy. Over two million people a day travel on our Nation's airlines and more than one-third of the value of all goods is moved by air. Air travel exceeded pre-9/11 levels in FY 2006, and is on track to reach more than one billion passengers by 2015. By FY 2008, air carrier, commuter, and air taxi operations are anticipated to increase 8.3 percent from FY 2004. We cannot afford to reduce our commitment to investing in the Nation's air traffic control system and our airports.

The request includes \$3.6 billion to improve air traffic efficiency by various means, including improving the flow of air traffic through better airspace design.

To achieve an on-time arrival rate of 88.0 percent of flights in FY 2008, and to increase average daily capacity at major airports, FAA requests \$3.6 billion, primarily for FAA's ATO and Safety/Operations Capital Accounts and Airport Improvement Grants. This includes funding to replace obsolete radars and to continue automating terminal

control facilities and \$53.1 million for oceanic automation to improve flight route flexibility. Programs that will form the core of the Next Generation Air Transportation System (NextGen) are also funded, including \$21.3 million to develop an internet-like System-Wide Information Management network, and \$85.7 million to continue implementing Automatic Dependent Surveillance Broadcast technology throughout the National Airspace System. The Joint Planning and Develop-

ment Office (JPDO), a multi-agency task force assembled to address future capacity needs, is charged with overseeing the NextGen project. \$14.3 million is included in FY 2008 Research, Engineering and Development (RE&D) funding to support the JPDO. The FY 2008 Airport Improvement Program request includes \$1.3 billion aimed at enhancing

capacity, largely through the building and maintaining of runways. The FY 2004 PART review for the Airport Improvement Grants program affirmed that this program is well managed and effective in providing support to airport authorities for moving people and goods.

**Global Connectivity** - The request includes \$78 million to expand the agency's international leadership role and to help improve safety. FAA will expand its training and technical assistance programs that help civil aviation authorities meet international standards, as well as promoting seamless global operations.

FAA will continue to promote increased external funding for training and technical assistance programs that help civil aviation authorities around the world meet international safety standards. FAA will also continue to work with its international partners and the International Civil Aviation Authority to harmonize global technological standards, and to expand the use of global satellite navigation systems.

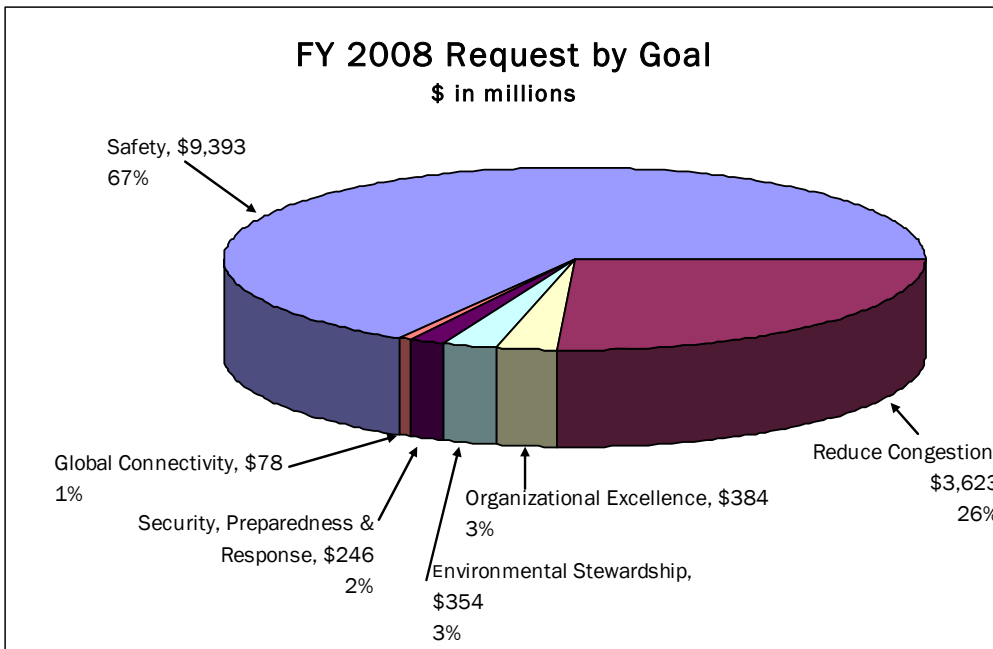


**Environmental Stewardship** – The request includes \$354 million to continue the agency’s commitment to manage aviation’s growth in an environmentally-sound manner and has an aggressive plan to accomplish this through mitigation, operational measurements and standards.

The budget request includes \$248 million to ensure that the number of people in the United States who are exposed to significant aircraft noise levels - a Day/Night Average Sound Level (DNL) of 65 decibels or more - continues to decline. FAA will address the environmental impacts of airport projects, primarily aircraft noise. FAA will also provide expertise and funding to assist in abating the impacts of aircraft noise in

**Security, Preparedness, and Response** - While NAS security is critical to the security of the flying public, most of the \$246 million requested focuses on enhancing the security of its personnel, facilities, and communications.

FAA ensures the operability of the national airspace through the facilities, equipment and personnel of the air traffic control system, which is essential to the rapid recovery of transportation services in the event of a national crisis. Additionally, the budget request includes funding to continue upgrading and accrediting facilities, procure and implement additional security systems, and upgrade the Command and Control Communications equipment.



neighborhoods surrounding airports by purchasing land, relocating persons and businesses, soundproofing residential homes or buildings used for educational and medical purposes, purchasing noise barriers and monitors, and researching new noise prediction and abatement models and new technologies.

Regulatory factors at the local, State, and Federal levels are also considered in the decision-making process. FAA funds pollution prevention; complies with occupational safety, health and environmental regulations; promotes good energy management practices; and conducts environmental impact analyses.

**Organizational Excellence** - The request includes \$384 million, which funds activities for two primary sets of goals: The President’s Management Agenda initiatives and the *Flight Plan* Organizational Excellence performance targets.



# PREPARING FOR THE FUTURE — NEXTGEN

## Preparing for 2015

In 2004 the Bush Administration launched the Next Generation Air Transportation system – NextGen. NextGen represents an unprecedented collaboration between government and industry. Involving four cabinet level departments, Transportation, Commerce, Defense, Homeland Security, and NASA, the FAA, and the White House Office of Science and Technology, NextGen is about developing the national aviation transportation system of the future. It envisions a system that is far more efficient and scalable in order to meet expected future demands in capacity and handle the wide range of new aircraft and aviation business models.

NextGen represents a long term and continuing transformation of the National Air Transportation System and covers a period of nearly two decades. However, to achieve benefits in improved capacity and in the management and efficiency of air traffic in the nearer term, and certainly by 2015, certain key NextGen investments in new technologies and capabilities need to be made now.

Two critical investment areas that will form much of the technological foundation for NextGen are Satellite Based Navigation and Network Enabled Operations. These will form the basis for applications and capabilities that will lead to a more scalable and flexible air transportation system.

ADS-B, which stands for Automatic Dependent Surveillance Broadcast, is a critical part of developing our initial capabilities in satellite based control and navigation. ADS-B allows an aircraft to continuously transmit its location, speed and altitude to other planes, pilots, and controllers. And it does it with more accuracy than today's radar. In practical terms, ADS-B will give

real-time cockpit displays of traffic information, both on the ground and in the air, to all users, throughout the system. ADS-B has been tested in Alaska, and in the areas where it has been in use, the accident rate for ADS-B equipped aircraft has dropped substantially.

Perhaps the most significant aspect of NextGen is the level of interagency alignment and collaboration that has been achieved. Rarely in government have so many different government organizations worked so well and so closely together. Working with all of the JPDO's partner agencies, critical research, investment, and deployment plans are being aligned. This is a challenging undertaking, but essential if NextGen is to provide the benefits to our traffic system and our national economy.

Aviation and aerospace in both primary and related industries make up as much as nine percent of America's Gross Domestic Product and at the same time represent the fastest growing source for technological exports. However, if America is to retain its leadership in this industry, if it is to assure the smooth flow of passengers and cargo to support our economy, then NextGen needs to be a part of our future.

Another key capability is network enabled operations. Through the System Wide Information Management Program and working with our partner agencies, the JPDO is setting the stage for a major change in the way air traffic data is shared throughout the system. This is a joint agency initiative that involves not only shared information on aircraft position and intent, but also weather and security information. The impact of this emerging technological capability will be a dramatic improvement to manage air

traffic, better forecast weather conditions, and deal with security concerns.

The future of NextGen is being defined in two key products – The Enterprise Architecture and the Concept of Operations. Both of these documents, developed jointly by the member agencies and with substantial industry involvement will be ready in mid 2007. These tools explain how the system will work and in particular provide a description of the development and deployment of the essential NextGen capabilities. They are definitional documents and provide the framework for the future of America's Air Transportation System.

The FY 2008 budget would also fund NextGen demonstrations and infrastructure engineering activities, critical to identifying early implementation opportunities and reducing programmatic risks. Most of this funding would be used to demonstrate and refine the concept of trajectory based operations. When operational, this concept will allow flights to follow their preferred and most fuel-efficient routes. The following tables illustrate NextGen funding, along with NextGen contributor programs:



### NextGen Programs (\$ in Thousands)

	FY 2007 President's Budget Request	FY 2008 President's Budget Request
<b>NextGen Transformational Programs</b>		
System-Wide Information Management	24,000	20,800
ADS-B NAS Wide Implementation	80,000	85,000
NextGen Network Enabled Weather	0	7,000
NextGen Data Communications	0	7,400
NextGen Demonstrations and Infrastructure Development	0	50,000
NAS Voice Switch	1,000	3,000
<b>Total NextGen Transformational Programs</b>	<b>105,000</b>	<b>173,200</b>
<b>NextGen Contributor Programs</b>		
ATDP - Runway Incursion Reduction Program (RIRP)	8,000	5,000
ATDP - System Capacity, Planning, and Improvements	5,500	6,500
ATDP - Operations Concept Validation	3,000	3,000
ATDP - NAS Weather Requirements & Programs	800	1,000
ATDP - Airspace Management Lab	4,000	4,000
ATDP - Airspace Redesign	2,800	5,000
ATDP - Wake Turbulence	1,000	3,000
ATDP - Local Area Augmentation System (LAAS)	0	1,000
Safe Flight - Alaska Capstone	16,800	15,000
Next-Generation VHF A/G Communication System (NEXCOM)	25,000	30,400
Traffic Management Advisor (TMA)	37,600	15,400
En Route Automation Modernization (eRAM)	375,000	368,000
En Route Communications Gateway (ECG)	4,200	4,000
Air Traffic Management (ATM) - TFM Modernization	43,800	53,500
Collaborative Air Traffic Management Technologies	32,900	34,800
Integrated Terminal Weather System (ITWS)	20,200	12,400
FAA Telecommunications Infrastructure	28,000	8,500
Advanced Technologies and Oceanic Procedures (ATOP)	30,900	52,800

Note: Levels do not include funds requested for Independent Operations Test and Evaluation (OT&E)

	<b>FY 2007 President's Budget Request</b>	<b>FY 2008 President's Budget Request</b>
Corridor Integrated Weather System (CIWS)	0	2,100
Airport Surface Detection Equipment (ASDE-X)	57,100	37,900
Advanced Facility Planning	2,000	5,000
Wide Area Augmentation System for GPS (WAAS)	108,900	105,900
Distance Measuring Equipment (DME)	5,000	5,000
Instrument Approach Procedures Automation (IAPA)	9,300	17,800
Aircraft Related Equipment Program	11,000	9,800
Aviation Safety Analysis System (ASAS)	14,500	16,900
System Approach for Safety Oversight (SASO)	17,300	11,300
Aviation Safety Knowledge Management Environment (ASKME)	4,600	4,000
Systems Engineering & Technical Assistance	24,400	26,200
Transition Engineering Services (NISC)	24,000	10,000
NAS Spectrum Engineering Sustained Support	1,200	2,900
Center for Advanced Aviation System Development (CAASD)	70,000	74,200
<b>Total for NextGen Contributor Programs</b>	<b>988,800</b>	<b>952,300</b>
<b>Total NextGen Transformational and Contributor Projects</b>	<b>1,093,800</b>	<b>1,125,500</b>
<b>NextGen RE&amp;D Contributor Programs</b>	<b>FY 2007 President's Budget Request</b>	<b>FY 2008 President's Budget Request</b>
Environment and Energy	16,008	15,469
Weather Program – Safety	19,545	16,888
Unmanned Aircraft System	1,200	3,310
Joint Program and Development Office	18,100	14,321
Wake Turbulence	3,066	10,755
Air Traffic Control/Technical Operations Human Factors	-	1,000
Flight Deck/Maintenance/System Integration Human Factors	-	1,000
<b>Total NextGen RE&amp;D Contributor Programs</b>	<b>57,919</b>	<b>62,743</b>
<b>Total NextGen Transformational and Contributor Programs</b>	<b>1,151,719</b>	<b>1,188,243</b>



# FACTS & FIGURES

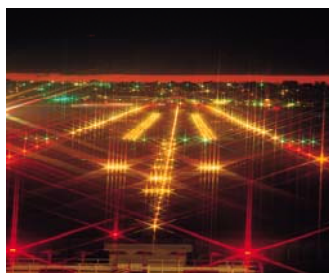
## FY 2008 Budget

**Air Traffic Organization:** The FY 2008 budget request \$ 9.3 billion for the Air Traffic Organization (ATO) account. This account provides funds for the operation, maintenance, communications, and logistical support of the air traffic control and air navigation systems.

**Safety & Operations:** The FY 2008 budget requests \$1.9 billion for the Safety & Operations account. This account provides funds for the administrative and managerial costs for the FAA's regulatory, international, medical, engineering and development programs as well as policy oversight and overall management functions.

**Research, Engineering, and Development:** The budget requests \$140 million, including \$91.3 million for continued research on aviation safety issues. The remaining research funding is for reduced congestion and environmental issues, including \$14.3 million for the Joint Planning and Development Office.

**Grants-in-Aid for Airports:** The budget request includes \$2.75 billion for planning and development of the Nation's airports, including grants for security, safety, capacity, and noise-reduction projects. Funding also includes \$80.7 million for administrative expenses, \$10 million for Airport Cooperative Research, and \$18.7 million for airport technology research.



## Federal Aviation Administration

### Capital Programs

(Dollars in Millions)

#### Safety

Wide Area Augmentation System	116
Airport Surface Detection Equipment - Model X	38
Safety Database and Computer Systems	32
Safe Flight 21	17
Advanced Technology	10
Other (including mission support)	47
Personnel compensation, benefits, and travel	79

#### Reduced Congestion

Automatic Dependent Surveillance-Broadcast (ADS-B) implementation	86
Traffic Management Advisor	15
Oceanic Automation	53
En Route Automation	382
Terminal Automation	40
Terminal Digital Radar	20
Improve Weather Systems	29
Improve Communications	98
Infrastructure Improvements	319
Other (including mission support)	454
Personnel compensation, benefits, and travel	324

#### Global Connectivity

Visual Nav aids-Replace VASI with PAPI	3
Personnel compensation, benefits, and travel	1

#### Environmental Stewardship

NAS Facilities OSHA Standards	26
Replace Fuel Tanks	6
Hazardous Materials Clean-Up	18
Personnel compensation, benefits, and travel	12

#### Security and Emergency Response

Facility Risk Management	22
NAS Recovery Communications	10
Information Security	11
Logical Access Control	7
Personnel compensation, benefits, and travel	11

#### Organizational Excellence

Telecommunications Infrastructure	9
Other	134
Personnel compensation, benefits, and travel	33

Total	2,462
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Below are tables comparing budgets for Fiscal Years 2006 through 2008 in the old and new account structure.

**Comparison of FYs 2006-2008 Budgets - Old Versus New Accounts  
(\$ in millions)**

<b>Old Accounts</b>	<b>FY 2006 Enacted</b>	<b>FY 2007 CR Level<sup>1</sup></b>	<b>FY 2007 Request</b>	<b>FY 2008 Request</b>	<b>2007-2008 Change</b>
Operations	8,104	8,104	8,366	8,726	4.3%
Facilities and Equipment	2,555	2,481	2,503	2,462	-1.7%
Research, Engineering & Development	137	131	130	140	7.7%
Airport Improvement Program (Obligation Limitation)	3,515	3,515	2,750	2,750	0.0%
<b>FAA Total</b>	<b>14,310</b>	<b>14,231</b>	<b>13,749</b>	<b>14,077</b>	<b>2.4%</b>

<b>New Accounts</b>	<b>FY 2006 Enacted</b>	<b>FY 2007 CR Level<sup>1</sup></b>	<b>FY 2007 Request</b>	<b>FY 2008 Request</b>	<b>2007-2008 Change</b>
Safety & Operations	1,520	1,531	1,789	1,879	5.1%
[Capital Programs]	114	125	127	118	-7.1%
[Salaries & Expenses]	1,406	1,406	1,662	1,761	6.0%
ATO	9,140	9,055	9,080	9,308	2.5%
[Capital Programs]	2,441	2,356	2,376	2,343	-1.4%
[Salaries & Expenses]	6,698	6,698	6,704	6,965	3.9%
Research, Engineering & Development	137	131	130	140	7.7%
Airport Improvement Program (Obligation Limitation)	3,515	3,515	2,750	2,750	0.0%
<b>FAA Total</b>	<b>14,310</b>	<b>14,231</b>	<b>13,749</b>	<b>14,077</b>	<b>2.4%</b>

<sup>1</sup> CR Levels estimated in accordance with P.L. 109-383.

**PERSONNEL RESOURCE – SUMMARY  
TOTAL FULL-TIME EQUIVALENTS**

	<b>FY 2006<sup>1</sup> ACTUAL</b>	<b>FY 2007 CR LEVEL</b>	<b>FY 2007<sup>1</sup> PRES. BUDGET</b>	<b>FY 2008 REQUEST</b>
<b>DIRECT FUNDED BY APPROPRIATION</b>				
Operations <sup>2</sup>	39,394	39,876	40,046	
Aviation Insurance Revolving Fund	4	5	5	
Facilities & Equipment <sup>2</sup>	2,832	2,884	2,884	
Safety & Operations <sup>3</sup>				9,416
Aviation Insurance Revolving Fund				5
Air Traffic Organization <sup>3</sup>				
Salaries & Expenses				30,739
Capital Programs				2,792
Research, Engineering & Development <sup>4</sup>	255	298	298	298
Grants-in-Aid for Airports	492	518	554	540
<b>SUBTOTAL, DIRECT FUNDED</b>	<b>42,977</b>	<b>43,581</b>	<b>43,787</b>	<b>43,790</b>
<b>REIMBURSEMENTS/ALLOCATIONS</b>				
Operations	99	120	120	
Facilities & Equipment	19	55	55	
Safety & Operations				20
Air Traffic Organization				
Salaries & Expenses				104
Capital Programs				55
Grants-in-Aid for Airports	2	4	4	4
Administrative Services Franchise Fund	1,251	1,251	1,397	1,428
<b>SUBTOTAL, REIMBURSE./ALLOC.</b>	<b>1,371</b>	<b>1,430</b>	<b>1,576</b>	<b>1,611</b>
<b>TOTAL FTEs</b>	<b>44,348</b>	<b>45,011</b>	<b>45,363</b>	<b>45,401</b>

<sup>1</sup> FY 2006 and FY 2007 staffing numbers for the Air Traffic Organization have been adjusted from the levels shown in the FY 2007 President's Budget. These adjustments result from ATO's zero-based review completed in the second quarter of FY 2006 and reflect impacts from the FY 2006 government-wide rescission and unfunded pay raise.

<sup>2</sup> Starting in FY 2008, this account will no longer receive new appropriations. New funding will go to the new Safety & Operations and ATO accounts.

<sup>3</sup> New account starting in FY 2008. Includes both traditional Operations and Facilities & Equipment funds.

<sup>4</sup> Research, Engineering, & Development account changes from being funded by the AATF in FYs 2006-07 to General Fund in FY 2008.

## Airport and Airway Trust Fund

Section 9502 of Title 26, U.S. Code, provides for amounts equivalent to the funds received in the Treasury for the passenger ticket tax and certain other taxes paid by airport and airway users to be transferred to the Airport and Airway Trust Fund. In turn, appropriations are authorized from this fund to meet the obligations for Airport Improvement grants, Safety & Operation, Air Traffic Organization, Research, Engineering and Development, payment to Air Carriers and the Research and Innovative Technology Administration.

### Status of Funds (in millions of dollars)

Identification code: 20-8103-0-7-402		FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
<b>Balance, start of year:</b>				
0100	Uninvested balance.....	11,290	10,336	10,159
0199	Total balance, start of year.....	11,290	10,336	10,159
<b>Cash Income during the year:</b>				
Current law:				
Receipts				
1280	Aviation excise taxes [021-00-810310-0] .....	10,590	11,426	12,094
Offsetting receipts (intragovernmental):				
1200	Interest: Airport and airway trust fund [021-00-810320-0] .....	495	495	478
Offsetting collections:				
1281	Grants-in-aid for airports [021-12-8106-0] .....	1	1	1
1282	Facilities and equipment [021-12-8107-0] .....	107	193	50
1283	Research, engineering and development(021-12-8108-0) .....	1	16	
1299	Income under present law.....	11,194	12,131	12,623
3299	Total cash income .....	11,194	12,131	12,623
<b>Cash outgo during year:</b>				
<b>Current law</b>				
4500	Payments to air carriers [021-12-8304-0].....	-64	-41	-23
4501	Trust fund share of FAA operations [021-12-8104-0] .....	-5,486	-5,486	-8,709
4502	Grants-in-aid for airports [021-12-8106-0] .....	-3,842	-3,822	-3,712
4503	Facilities and equipment [021-12-8107-0] .....	-2,614	-2,775	-1,622
4504	Research, engineering and development [021-12-8108-0] .....	-142	-184	-88
4599	Outgo under current law (-) .....	-12,148	-12,308	-14,154
6599	Total Cash outgo (-) .....	12,148	12,308	14,154
<b>Unexpended balance, end of year:</b>				
8799	Total balance, end of year.....	10,336	10,159	8,628
Commitments against unexpended balance, end of year				
9801	Obligated balance (-) .....	-7,582	-6,459	-3,878
9802	Unobligated balance (-).....	-981	-1,694	-1,616
	Total commitments .....	-8,563	-8,153	-5,494
	Uncommitted Balance, end of year .....	1,773	2,006	3,134