



Federal Aviation
Administration

BUDGET IN BRIEF

Fiscal Year 2009

February 2008

HQ-03.365.3x5d

Assistant Administrator for Financial Services / Chief Financial Officer

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Message from the Acting Administrator

Robert A. Sturgell

The FAA's FY 2009 budget request follows through on the President's commitment to a safe and efficient National Air Transportation System while continuing to focus on accountability and performance. Our request ensures that the world's best aerospace system becomes even safer and more efficient during a time of increasing demand for FAA services. For several years, we have pushed to manage more effectively, rein in costs, and better respond to our customers. Our FY 2009 request moves FAA further along this continuum, toward the performance-based organization that the taxpayer and Congress demand that we be.

Meeting Today's Challenges

The budget request puts us on firm ground in critical areas that matter most: safety staffing and improving our nation's air traffic control system.

Safety continues to be our number one priority.

The FY 2009 budget includes funding to hire a net increase of 306 new controllers, a level consistent with the targets being developed for the updated staffing plan to be published in March 2008. The FY 2009 request also maintains the staff added to our Aviation Safety workforce in FY 2007—2008 while increasing staffing by 30 positions in FY 2009. This will allow us to continue to meet the safety management demands of a growing industry.

In March 2008, FAA will submit to Congress its annual update to the Controller Workforce Plan, *A Plan For the Future: The FAA's 10-Year Strategy for the Air Traffic Control Workforce*. As outlined in the Plan, 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 are already

under way, and we plan on hiring more than 17,000 new air traffic controllers through 2017. We need to maintain a continuous pipeline of recruits and trainees because it takes one to three years of on-the-job training for developmental controllers to achieve certified professional controller (CPC) status.

The FAA's goal is to have the right number of people in the right facilities at the right time. Our 10-year plan recognizes the dynamics of staffing to traffic as well as accounting for workloads at individual facilities. We have made significant progress in refining controller staffing requirements and in effectively staffing facilities by utilizing improved scheduling practices, new automated tools, and better management of leave. In its February 9, 2007 report, the DOT Inspector General found that FAA "has made significant improvements" in the controller hiring process, as well as "made progress in reducing the time and costs to train new controllers." We understand how critical it is to have adequately staffed air traffic control facilities, and will continue to take action at the facility level should adjustments become necessary due to changes in traffic volume, unanticipated retirements, or other attrition.

With the air traffic control system at capacity, the Next Generation Air Transportation System (NextGen) is the only way we can continue to meet demand. NextGen is intended to address today's constraints and comprehensively modernize and transform the air transportation system. NextGen is a complex, comprehensive transformation that is already underway. It will mean new technologies, procedures, standards, as well as new roles for the humans in the system. Given the scope of this undertaking, substantial investment is required now to achieve near-term deployment of mature technologies, develop mod-

erately mature concepts for operational viability, and perform research to better define long-term capabilities.

This multi-agency effort is led by the Joint Planning and Development Office (JPDO). Active participants in JPDO include the Department of Transportation (DOT), FAA, NASA, DoD, DHS, and Commerce along with numerous non-governmental stakeholders.

Over the past year, FAA has positioned itself to lead the implementation of much of the NextGen infrastructure. The new OEP, or Operational Evolution Partnership, is serving as a decision making venue. The OEP involves all major parts of our agency in setting NextGen priorities, as well as the place from which commitments will be shared with industry partners. The FY 2009 budget represents strong collaboration between JPDO and the OEP to define and estimate the budgetary requirements for FY 2009. Moving forward, that collaboration will provide oversight and track progress, ensuring that NextGen objectives are achieved.

In the past year, key NextGen defining documents have matured. JPDO released public versions of the Enterprise Architecture and Concept of Operations in June 2007. In July, the initial baseline of the NextGen Integrated Work Plan was completed. The work plan lays out the progression from the present to the future, with activities and responsible agencies identified. As envisioned, the work plan would guide the formulation of future budgets within partner agencies.

Our NextGen investment portfolio includes programs and activities deemed “transformational,” i.e., those that will truly move toward the next generation system. The FY 2009 portfolio consists of \$631 million in ATO Capital Programs, \$57 million in Research, Engineering & Development, and \$704 thousand in Safety & Operations, for a total of \$688 million. This funding level includes \$19.5 million to directly support the JPDO: \$5 million from ATO Capital and \$14.5 million from R,E&D. We expect this mix of

funding to change in the future as NextGen matures and we capture other elements of FAA investment, such as Grants-in-Aid for Airports. Likewise, in the future we expect to depict not only investments, but operational savings as part of the NextGen transformation.

FAA Funding Reform and Reauthorization: To support NextGen, our budget request emphasizes the need for a stable funding source, one 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).

As it stands, there is no link between Trust Fund tax revenues 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, this trend portends for a greater workload. Even general aviation activity is increasing and shifting toward high-performance jet aircraft, which increase FAA workload without a commensurate increase in revenue.

The bottom line is that the current system draws little connection between revenue and FAA’s workload.

After extensive consultation with our stakeholders, we developed and submitted to Congress early in 2007 an FAA reauthorization proposal that provides a stable, fair, and cost-based funding structure to ensure that our costs and revenues are better aligned and that our stakeholders are treated equitably. Our proposal 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. Both the House and Senate have debated the Administration’s proposed legislation and developed their own plans. The Administration continues to support the major themes of maintaining safety, building capacity, and facilitating the transformation of the system into NextGen, while helping FAA



continue its momentum of operating more like a business. FAA's budget request assumes that FAA will implement its new financing system starting in 2010.

A Responsible Request

The FAA is doing more than ever to manage itself responsibly, and it is paying off. At the same time, airlines continue to face financial uncertainty and evolve their business models. Without question, we must prepare for the future, and the future begins with responsible investments in capital and a highly capable workforce. Given the vital role aviation plays in the Nation's economy and the need to prepare for the future, our funding request is designed to support America's growing demand for aviation-related services.

Moving America safely. It's what we do.

Robert A. Sturgell
Acting Administrator



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 actively 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 five 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, and, ultimately, accountability to the bottom line of our customers.

What may be our most difficult challenge in 2010 is upon us. Our proposed financing of Air Traffic Services 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 90 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. Executives are also eligible for short-term incentive increases when specific performance thresholds are met or exceeded. This conversion is allowing the agency to flatten pay bands and tie performance incentives to pay increases.

Major Competitive Sourcing, Consolidations & Asset Management Efforts

In October 2005, we completed the largest non-military A-76 competition in history. The first three years will see cost savings of \$66.4 million in FY 2007, \$51.7 million in FY 2008, and \$14.8 million in FY 2009, for a cumulative cost savings and avoidance of over \$317 million by the end of FY 2009. Our network of automated flight service stations, which provide weather guidance and other assistance to the pilots of small airplanes, has been reduced from 58 to 18 in the fourth quarter of FY 2007. The latter comprises 15 previously existing flight service stations and 3 new ones built by Lockheed Martin. 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 10 years. In FY 2008, we anticipate savings of \$13 million from Service Area Consolidation. Also in FY 2006, FAA completed the consolidation of 11 accounting offices.

In FY 2005, we began centralizing responsibilities for real property management into a Real Estate Management System (REMS). In FY 2006, we continued to enhance the REMS for tracking and managing the Department's assets into a newly created Aviation Logistics Organization. We established a baseline for performance metrics and set targets in an Asset Management Plan. This plan will be used to monitor our progress during FY 2009. Cost savings are anticipated through the consolidation and disposal of real property assets, as well as termination and renegotiation of federal property leases.

We will continue to pursue efforts for competitive sourcing, consolidation and asset management as we scrutinize our organization and mission requirements.

Strategic Information Technology (IT)

Improvements

As in most businesses, IT investments can be expensive and quickly become obsolete. The FAA is being more proactive about IT decisions. For example, the Server Consolidation project is an FAA-wide initiative overseen by the IT Executive Board (ITEB) to consolidate computer servers as well as the physical facilities that support servers. The approach includes identifying, targeting, and shutting down unnecessary servers, data centers and applications. This endeavor saved \$3.8 million during FY 2007.



The renewal of the Oracle Enterprise License Agreement (OELA) brought FAA and DOT extended services (10,000 more seats) and increased Oracle products and services at reduced costs. The other DOT modes will now contribute to the annual costs in the amount of their existing Oracle license support costs. This will result in a direct cost reduction for Oracle products of approximately \$5.5 million over a 6 year period (FY 2005 through FY 2010) for DOT.

The Office of Information Technology (AMI) of the Mike Monroney Aeronautical Center awarded a five-year blanket purchase agreement (BPA) with Dell Corporation for IT commodity equipment for use during FY 2006. The FAA exercised the option to continue the agreement in FY 2007. IT equipment available for purchase in the BPA includes desktops, laptops and servers; and peripherals such as printers and monitors. The BPA was established with a "firm fixed discount" approach securing a guaranteed discount so that equipment can be purchased at a significant discount despite any retail price fluctuations that occur during the year. Administrative costs are minimized by establishing a process for any organization to order directly from Dell under the BPA. In FY 2007, cost savings from this activity totaled \$9.6 million.

Based on past studies and reports of best practices, the FAA is pursuing a strategy to consolidate its helpdesk support. The intent is to move from a dispersed set of helpdesk provider organizations with varying practices and levels of maturity to a single provider that aims to provide mature levels of service with effective automated tools. The agency goal is to reduce the cost of helpdesk and call centers through consolidation. Through consolidation, the agency anticipates it will realize cost savings that industry has claimed from similar initiatives. This includes reductions in staffing required for helpdesk support, reduced numbers of level one and two helpdesks, higher reliance on automated tools to enable remote systems administration (at less cost than being physically at the desktop), and greater standardization of helpdesk and desktop support. This consolidation is expected to save approximately \$3.4 million in FY 2008.

Improved Financial Management Performance

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. They are integral to FAA's strategy of improving our efficiency by integrating budget and performance planning.

Slowing Growth of Operating 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 back-filling positions with new employees at lower pay grades when possible. We are also increasing workforce productivity in several ways:

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 workers compensation rolls for more than one year. In FY 2007, this effort yielded over \$20.3 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 an 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 manage-

ment (EVM) data. EVM will provide an early warning for potential and actual variances as well as help the program manager develop corrective actions. The team continues to thoroughly evaluate the performance of capital programs. In the past, these business case reviews have identified \$460 million in lifecycle savings by restructuring/terminating 10 programs, 6 of them major. To date, over 165 projects were reviewed in various stages of acquisition, capital formulation, and business case development.

SAVES -- The Strategic Sourcing for the Acquisition of Various Equipment and Supplies (SAVES) initiative is an ambitious effort begun in FY 2006 to implement best practices from the private sector in the procurement of administrative supplies, equipment, and IT hardware. It is expected to achieve \$9 million in savings annually.



Clean Audit -- After five years of unqualified audit opinions, we received a qualified opinion on our FY 2006 financial statements due to lack of documentation supporting our Construction in Progress (CIP) balance. After an intensive, year-long effort to review the balance and restate our FY 2006 financial statements, the auditors issued a revised – now unqualified – opinion for that year. In addition, we received an unqualified opinion on our FY 2007 financial statements, with a material weakness related to the timely processing of transactions and accounting of Property, Plant, and Equipment, including the CIP account.

Performance Improvement Initiative -- The main objective of the Performance Improvement PMA initiative (formerly called the Budget and Performance Integration initiative) is to improve program performance. The integration of performance information into budgetary decision-making is one way we do this. In support of this initiative, FAA shows 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 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.

The Airport Improvement Program (AIP) is making best practice improvements throughout its regions based upon its evaluation of its efficiency measures of grant administration.

The Research, Engineering & Development's (RE&D) efficiency measure is to maintain a RE&D management workforce comprising no more than 10 percent of its overall RE&D workforce. In FY 2007, this allowed RE&D to redirect \$1.2 million into its direct research program.

Enhanced Capacity for Our Customers

America's economic success depends on the efficiency of our transportation network. Every day, our capacity accomplishments, such as Domestic Reduced Vertical Separation Minimum (DRVSM),

help provide more economical and efficient aircraft operations. DRVSM created an additional six layers of cruise levels at higher altitudes enabling aircraft to operate at more fuel-efficient cruising altitudes while also increasing system capacity. Implemented in FY 2005, DRVSM was estimated to yield over \$5.3 billion in savings from FY 2005 through FY 2016, but with the rise in jet fuel prices, the savings will exceed \$13.4 billion, a 152 percent increase.

Advanced Technologies and Oceanic Procedures (ATOPs) are now available in 24 million square miles of airspace. Using ATOPs, the Atlantic routes will save airlines 6.5 million pounds of fuel and \$8 million per year.

We also have Required Navigation Performance (RNP) approaches and departures that let aircraft use runways in low visibility conditions that would otherwise have been inaccessible. RNP is truly a game changer for opening up airports in challenging environments and that could mean fewer canceled or diverted flights, thereby resulting in a savings of lost time and money.

In conclusion, 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 45,416 and an annual budget of \$14.5 billion in FY 2007, 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 the FAA. 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. Under the steady leadership of Administrator Marion Blakey and her successor, Acting Administrator Robert Sturgell, FAA achieved a number of significant undertakings in FY 2007, including:

NextGen. NextGen promises a system that will be safer, able to meet growing demand, and responsive to evolving business models. The new system will integrate satellite-based navigation, surveillance, and networking. This year, the FAA's Joint Planning and Development Office (JPDO) completed NextGen's three planning documents that will guide us through the next 15 years and beyond. We also created a partnership of FAA executives and a new executive-level position to guide the implementation of the NextGen plan. We fully funded the development of SWIM, a networking-based initiative that is an essential part of NextGen's initial Network-Enabled Operations (NEO) capability and a high priority for the JPDO and the NextGen partner agencies.

In August 2007, FAA approved a contract with ITT Corporation to provide ADS-B services. ADS-B is a satellite-based technology that broadcasts aircraft identification, position and speed with once-per-second updates. Under the contract, ITT will install, own, and maintain the ground infra-

structure, while FAA pays for the surveillance and broadcast services. We issued a Notice of Proposed Rulemaking (NPRM) in October 2007 to mandate ADS-B avionics in the cockpit for controlled airspace and busy airports.

Flight Plan Goals. We made significant progress in achieving the four goals detailed in our strategic plan—the FAA Flight Plan: ensuring safety, increasing capacity, demonstrating international leadership, and achieving organizational excellence. All of these achievements play an integral role in our efforts to implement NextGen.

Safety. Over the past 5 years, we have achieved the highest safety standards in the history of aviation. Even so, our goal is—as always—to continue to improve safety. The number of general aviation fatal accidents is below our not-to-exceed ceiling again this year, ending at 314 fatal accidents. While aviation accidents in Alaska decreased 9 percent from the past fiscal year, we had 10 fatal accidents: four in Part 135 (commuter and on-demand operations) and six in general aviation.

With the first private human space flights expected to take place in 2009, we issued regulations for crew and space flight passengers who want to experience this type of travel. The new rules maintain FAA's commitment to protect the safety of the uninvolved public and call for measures that enable passengers to make informed decisions about their personal safety.

Capacity. FY 2007 saw a six percent increase in National Airspace System (NAS)-related flight delays over last year, an indicator that the sys-

tem is rapidly reaching critical mass. Capital projects, including the opening of two runways and an innovative new type of taxiway, have expanded capacity at three of the nation's busiest airports.

In November 2006, a new runway at Boston Logan Airport was commissioned, providing delay reduction benefits. In April 2007, an innovative end-around taxiway opened at Atlanta's Hartsfield-Jackson International Airport, eliminating about 600 runway crossings per day and thereby increasing the safety and efficiency of the busiest airport in the United States.

International Leadership. Collaboration with aviation authorities throughout the world is essential to shaping a seamless global aerospace system. We gained approval to open an office in Brazil, our first office in Latin America in 10 years. We also hired new senior representatives to lead offices in Abu Dhabi, Moscow, and Dakar.

NextGen technologies and concepts must be harmonized, interoperable, and compatible with other international systems; we collaborated with aviation authorities worldwide to make this happen. We signed cooperative agreements with several key nations across the world, which will allow us to spur acceptance of NextGen technologies. We signed a formal agreement establishing a trilateral, cooperative NextGen strategy group with Canada and Mexico.

We also created a new international program aimed at further reducing aviation's environmental impact. The Atlantic Interoperability Initiative to Reduce Emissions (AIRE), a scientific and

research venture between FAA, the European Commission, and industry partners, will focus on upgrading air traffic control standards and procedures for trans-Atlantic flights.

Organizational Excellence. We continue to transform business practices to improve efficiency throughout the agency. New initiatives this year resulted in \$79 million in cost efficiencies. Consolidation of our financial accounting and workers' compensation functions resulted in over \$20 million in cost efficiencies.

Over the next decade, approximately 72 percent of the air traffic controller workforce will become eligible to retire. To meet the challenges of this wave of retirements and the increasing demand for air travel, we updated the Air Traffic Controller Workforce Plan, which provides a comprehensive strategy to make sure we have the right number of controllers in the right place at the right time. The plan calls for hiring and training more than 17,000 new air traffic controllers over the next 10 years.

Our workplace and our workforce are changing, and we must be robust and flexible enough to compete for and retain qualified, high quality employees. We are implementing creative strategies to recruit Air Traffic Controllers and Aviation Safety Specialists. We expanded our Collegiate Training Initiative (CTI) schools from 14 to 23. We marketed employment opportunities at universities, military transition centers, state and local employment services, and Government recruitment centers. We've also used technology to expand our reach and have promoted the agency on MySpace, FaceBook, and Craigslist, as well as through newspaper and radio ads.



OVERVIEW OF FY 2009 BUDGET

We've Changed Our Look

FAA has prepared this budget request in a new account structure aligned with our lines of business and consistent with the agency's reauthorization proposal. Starting in FY 2009, the Operations and Facilities & Equipment accounts will no longer receive appropriations. Instead, funding is requested in two new accounts: Safety & Operations and Air Traffic Organization. The new accounts each include funding from both of the

traditional Operations and Facilities & Equipment accounts. The Research, Engineering & Development and Airport Improvement Program accounts will remain essentially unchanged under the proposal.

The following table displays the FY 2009 budget in the proposed new account structure, along with enacted amounts for the past two years:

Comparison of Budgets - FY 2007-2009 (\$ in millions)

	<u>FY 2007 Enacted</u>	<u>FY 2008 Enacted</u>	<u>FY 2009 Request</u>
Operations	\$8,374	\$8,740	
Air Traffic Organization (ATO)	6,740	6,966	
Aviation Safety (AVS)	1,003	1,082	
Commercial Space Transportation (AST)	12	13	
Staff Offices	619	680	
Facilities & Equipment	\$2,518	\$2,514	
Safety & Operations			\$2,052
Aviation Safety (AVS)			1,187
Commercial Space Transportation (AST)			14
Staff Offices			851
Air Traffic Organization			\$9,670
Salaries & Expenses			7,079
Capital Programs			2,591
Research, Engineering & Development	\$130	\$147	\$171
Grants-in-Aid for Airports (Ob Lim)	\$3,515	\$3,515	\$2,750
TOTAL:	\$14,537	\$14,915	\$14,643

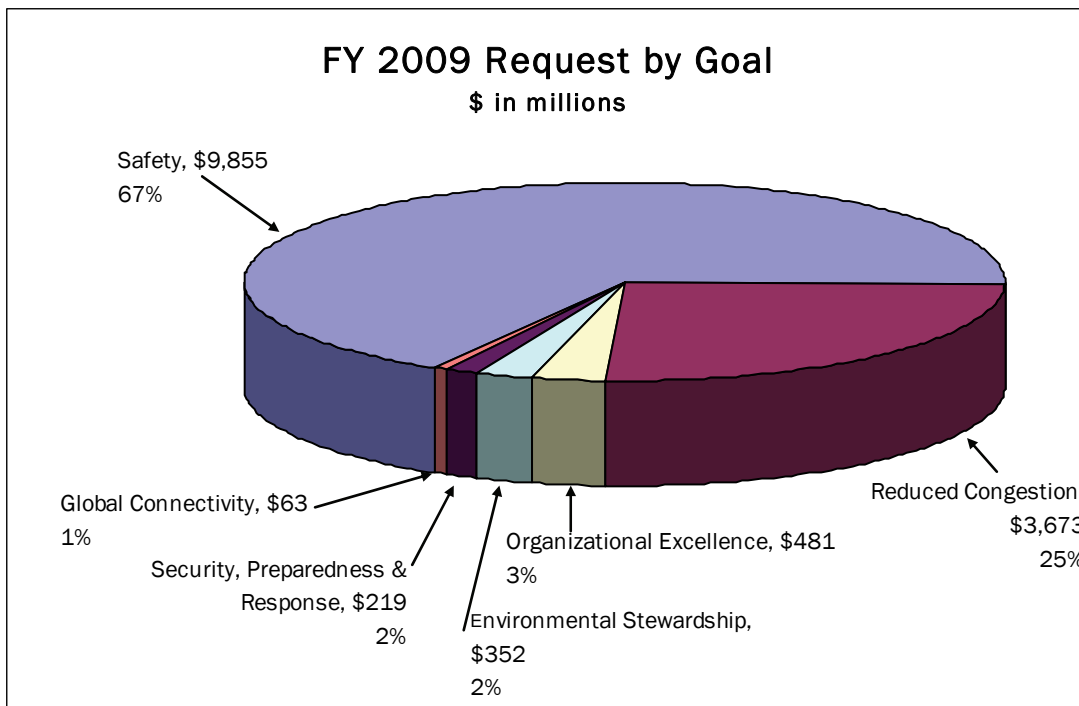
FY 2009 Request by Goal

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 2009 budget request of \$14.6 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 2008-2012*.

Safety – The FAA's safety goals for FY 2009 are to reduce U.S. commercial airline fatalities per 100 million people on board to fewer than 8.31 and to reduce the rate of general aviation fatal accidents. To achieve these goals, FAA's FY

to hire and train sufficient air traffic controllers to achieve our hiring targets set in the 10-Year Strategy for the Air Traffic Controller Workforce. It also includes \$800,000 for 30 new positions to support continued development of the Air Traffic Oversight office, which was formed in FY 2004 to improve the delivery of air traffic services, and maintains the staffing gains to our aviation safety workforce during FY 2007-2008. Total aviation safety staffing will reach 7,069 by the end of FY 2009.

In response to the Office of Inspector General's FY 2007 Aviation Safety Management Challenge, FAA will continue working to reduce the precursors of aircraft accidents, runway incursions and operational errors. To better map move-



2009 budget request includes \$9.9 billion to operate and maintain the air traffic control system, inspect aircraft, certify new equipment, ensure the safety of flight procedures, oversee the safety of commercial space transportation, and develop a replacement air traffic data and telecommunications system.

The request includes an increase of \$11.3 million

ments on the ground and in the air over airports and thus reduce the risk of runway incursions, the agency will deploy nine Airport Surface Detection Equipment Model X systems in FY 2009. In FY 2007, for the sixth year in a row, FAA met its target for decreasing serious runway incursions.

We've worked to increase the level of safety by implementing new technology and procedures.

Required Navigational Performance approaches enable pilots to fly much more precise routes into airports. We put 40 in place in FY 2007 including ten at Atlanta and another three in Dallas/Fort Worth. Precision and safety go hand in hand. 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.

FAA's efforts during the past ten years have also resulted in reduced general aviation fatal accidents, which are at their lowest recorded levels in history. General aviation (GA) fatal accidents trended lower than target in FY 2007 with a preliminary estimate of 314 fatal accidents. Rotorcraft, including Emergency Medical Service (EMS) flights, showed a sharp decline. The FAA worked with various members of the GA community during the year, including aeromedical evacuation and charter services, to promote education and training on instrument check guidance and effective pilot/instructor mentoring programs.

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. Passenger traffic exceeds pre-9/11 levels at most of the nation's top airports. Passenger totals are increasing and expected to more than double in the next decade. Commercial aviation will be flying more than a billion passengers by 2015. By FY 2011, air carrier, commuter, and air taxi operations are anticipated to increase approximately 10.7 percent from FY 2006. By FY 2014, without any changes to the system, we expect to see delays 62 percent higher than they are today.

The multi-agency Joint Planning and Development Office (JPDO) is charged with developing a vision for the air transportation system's long-term transformation. FAA's challenge is to realize JPDO's vision for the Next Generation Air Transportation System (NextGen). Ready to embrace the hard work necessary for transformation, FAA has expanded its existing capacity-

enhancement plan, formally known as the Operational Evolution Plan (OEP), to become the chief operational implementation plan for its NextGen responsibilities. The expanded OEP – now the Operational Evolution Partnership – details the path to the NextGen system, integrating a myriad of FAA planning activities into one comprehensive, high-level blueprint.

To achieve an on-time arrival rate of 88.22 percent of flights in FY 2009 and to increase average daily capacity at major airports, the Department requests \$3.7 billion, primarily for FAA's Air Traffic Organization (ATO), Safety & Operations Capital Accounts, and Airport Improvement Grants. This includes funding to replace obsolete radars and to continue automating terminal control facilities, as well as \$21 million for oceanic automation to improve flight route flexibility. Programs that will form the core of NextGen are also funded, including \$41 million to develop an internet-like System-Wide Information Management network and \$300 million to continue implementing Automatic Dependent Surveillance Broadcast technology throughout the National Airspace System. \$14 million is included in FY 2009 Research, Engineering and Development (RE&D) funding to support the JPDO. The FY 2009 Airport Improvement Program request includes \$1.3 billion aimed at reducing congestion, largely through the building and maintaining of runways.

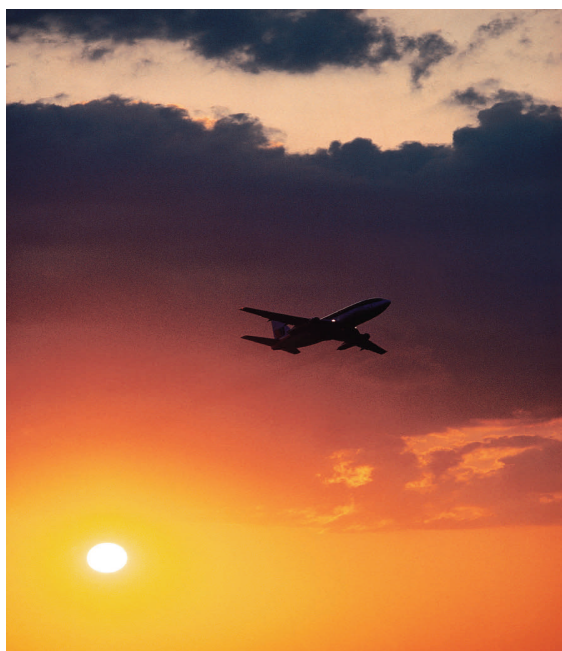
In addition, the Department proposes to budget \$21 million to provide for the assessment, development, acquisition, implementation, operation, and sustainment of additional civil capabilities to the Global Positioning System beyond the second and third civil signals already contained in the current Global Positioning System. These capabilities provide continuous, world-wide civil space-based positioning, navigation and timing services free of direct user fees for civil, commercial, scientific and homeland security uses.

Global Connectivity – The request includes \$63.1 million to expand the agency's international leadership role and to help improve safety. FAA will expand training and technical assistance programs that help civil aviation authorities meet international standards, as well as promoting seamless global operations.

The FAA will continue to promote increased ex-

ternal 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 budget request includes \$276.8 million for FAA in FY 2009 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 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 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. The FY 2009 request includes \$10 million in new RE&D funding for the Continuous Low Emissions, Energy and Noise Technologies program to accelerate the introduction of quieter and cleaner technology in commercial fleets, and to initiate a NextGen Environmental Management System.



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.

Security, Preparedness, and Response - While NAS security is critical to the security of the flying public, most of the \$218.6 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.

Organizational Excellence - The request includes \$481.2 million to support the Department's Organization Excellence goals and to ensure the success of FAA's mission through stronger leadership, a better-trained and safer workforce, enhanced cost-control measures, and improved decision-making based on reliable data. The funding required to support FAA's management reform initiatives allows the agency to strengthen its internal systems, paving the way for the achievement of other strategic goals set forth in the Flight Plan. The request supports activities for two primary sets of goals: The President's Management Agenda initiatives and the *Flight Plan* Organizational Excellence performance targets. The agency's contributions to DOT's major acquisitions and federally-funded infrastructure programs performance measures improve the management of the Department's capital investments. These contributions result from FAA's major air traffic control systems and airport infrastructure projects that are on schedule and within estimated costs.

PREPARING FOR THE FUTURE — NEXTGEN

Preparing for 2015

In 2004 the Bush Administration launched the Next Generation Air Transportation system – (NextGen). NextGen involves 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.

Automatic Dependent Surveillance Broadcast (ADS-B) 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 provides an essential capability for reduced separation and allowing for greater predictability in departure and arrival times. 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.

A significant aspect of NextGen is the level of interagency alignment and collaboration that has been achieved. 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 (SWIM) 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 were rolled out in 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 frame-

work for the future of America's Air Transportation System.

The FY 2009 budget would also fund NextGen demonstrations and infrastructure engineering activities, critical to identifying early implementation opportunities and reducing programmatic risks. Some 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 table illustrates the NextGen Investment Portfolio:

NextGen Programs (\$ in Thousands)		
	FY 2008	FY 2009
	Enacted	Request
ATO Capital		
NextGen Network Enabled Weather (NNEW)	7,000	20,000
Data Communications for Trajectory Based Operations Demonstrations and Infrastructure Development	7,400	28,800
	50,000	28,000
NextGen – System Development	-	41,400
NextGen – Trajectory Based Operations	-	39,500
NextGen – Reduced Weather Impact	-	14,400
NextGen – High Density Arrivals/Departures	-	18,200
NextGen – Collaborative ATM	-	27,700
NextGen – Flexible Terminals and Airports	-	37,100
NextGen – Safety, Security and Environment	-	8,000
NextGen – Networked Facilities	-	17,000
NextGen – Integrated Airport	1,960	-
System-Wide Information Management	23,358	41,000
ADS-B NAS Wide Implementation – Segment 1 b	85,650	300,000
ADS-B Air to Air	9,350	-
NAS Voice Switch	3,000	10,000
SubTotal ATO Capital	187,718	631,100
Research, Engineering and Development (RE&D)		
Flight Deck/Maintenance/System Integration Human Factors *	1,000	-
Air Traffic Control/Technical Operations Human Factors *	1,000	-
Wake Turbulence	8,000	7,370
NextGen – Air Ground Integration	-	2,554
NextGen – Self Separation	-	8,025
NextGen – Weather in the Cockpit	-	8,049
NextGen Environmental Research – Aircraft Technologies, Fuels and Metrics	-	16,050
NextGen – JPDO	14,321	14,494
SubTotal RE&D	24,321	56,542
Safety & Operations		
NextGen – Environmental Performance	-	704
SubTotal Safety & Operations	0	704
Total NextGen Programs	212,039	688,346
JPDO Program Management (non-add to NextGen Total)		
RE&D - JPDO Support	14,321	14,494
ATO Capital - JPDO Support	3,500	5,000
SubTotal NextGen- JPDO	17,821	19,494

* In the FY 2009 Budget FAA has consolidated most NextGen funding in the RE&D appropriation into new line items in order to facilitate tracking NextGen investments. Some funds from the core RE&D Human Factors program in FY 2008 (flight deck ATC) have been moved and integrated into the new NextGen programs for FY 2009 (e.g. Air Ground, Self Separation and Weather Technology in the Cockpit).

The request for FY 2009 includes FAA program support for the Joint Planning and Development Office of \$19.5 million (\$14.5 million from the RE&D appropriation and \$5 million from the ATO demonstration projects). In FY 2008 FAA support for JPDO totaled \$17.8 million (\$14.3 million from RE&D and \$3.5 million from ATO).

FACTS & FIGURES

FY 2009 Budget

Air Traffic Organization: The FY 2009 budget requests \$ 9.7 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 2009 budget requests \$2.1 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 FY 2009 budget requests \$171 million, including \$91 million for continued research on aviation safety issues. The remaining research funding is for reduced congestion and environmental issues, including \$14 million for the Joint Planning and Development Office.

Grants-in-Aid for Airports: The FY 2009 budget requests include \$2.75 billion for planning and development of the Nation's airports, including grants for security, safety, capacity, and noise-reduction projects. This includes \$87 million for administrative expenses, \$15 million for Airport Cooperative Research, and \$19 million for airport technology research.



Federal Aviation Administration

Capital Programs

(Dollars in Millions)

Safety

Wide Area Augmentation System	99
Airport Surface Detection Equipment - Model X	33
Safety Database and Computer Systems	41
Runway Status Lights	27
NextGen System Development	41
Advanced Technology	8
Other (including mission support)	112
Personnel compensation, benefits, and travel	75

Reduced Congestion

Automatic Dependent Surveillance-Broadcast (ADS-B) implementation	300
NextGen Demonstrations and Concepts	190
Air Traffic Management	90
Data Communications for NextGen	29
Oceanic Automation	21
En Route Automation	218
Terminal Automation	36
Terminal Digital Radar	17
Improve Weather Systems	34
Improve Voice Communications	106
Infrastructure Improvements	313
Other (including mission support)	233
Personnel compensation, benefits, and travel	322

Environmental Stewardship

Replace Fuel Tanks	6
Hazardous Materials Clean-Up	18
Personnel compensation, benefits, and travel	5

Security and Emergency Response

Facility Risk Management	15
NAS Recovery Communications	10
Information Security	12
Personnel compensation, benefits, and travel	8

Organizational Excellence

System-wide Information Management (SWIM)	41
Other	213
Personnel compensation, benefits, and travel	52

Total 2,724

SUPPLEMENTARY CHARTS

Comparison of Budgets - FYs 2007-2009 - Old Versus New Accounts
(\$ in millions)

Accounts	FY 2007 Enacted	FY 2008 Enacted	FY 2009 Request	2008-2009 Change
Operations	8,374	8,740	8,998	3.0%
Facilities and Equipment	2,518	2,514	2,724	8.4%
Research, Engineering & Development	130	147	171	16.3%
Airport Improvement Program (Ob Lim)	3,515	3,515	2,750	-21.8%
FAA Total	14,537	14,915	14,643	-1.8%

Accounts	FY 2007 Enacted	FY 2008 Enacted	FY 2009 Request	2008-2009 Change
Safety & Operations	1,769	1,893	2,052	8.4%
[Salaries & Expenses]	1,634	1,774	1,920	8.2%
[Capital Programs]	135	119	132	10.9%
ATO	9,123	9,361	9,670	3.3%
[Salaries & Expenses]	6,740	6,966	7,079	1.6%
[Capital Programs]	2,383	2,395	2,591	8.2%
Research, Engineering & Development	130	147	171	16.3%
Airport Improvement Program (Ob Lim)	3,515	3,515	2,750	-21.8%
FAA Total	14,537	14,915	14,643	-1.8%

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

	FY 2007	FY 2008	FY 2009
	<u>Actual</u>	<u>Enacted</u>	<u>REQUEST</u>
Operations¹	\$8,374,217	\$8,740,000	
General	\$2,746,316	\$2,342,939	
AATF	\$5,627,900	\$6,397,061	
Facilities & Equipment¹	\$2,517,520	\$2,513,611	
Safety & Operations²			\$2,052,094
General			\$1,293,533
AATF			\$758,561
Air Traffic Organization²			\$9,669,878
General			\$1,423,956
AATF			\$8,245,922
Research, Engineering & Development	\$130,234	\$146,828	\$171,028 ³
General	\$0	\$0	\$15,025
AATF	\$130,234	\$146,828	\$156,003
Grants in Aid for Airports:	\$3,671,480	-\$168,947	\$2,750,000
Contract Authority	\$4,292,480	\$16,553	\$2,750,000
Rescission	(\$621,000)	(\$185,500)	
TOTAL BA:	\$14,693,451	\$11,231,492	\$14,643,000
[Mandatory]	\$3,671,480	-\$168,947	\$2,750,000
[Discretionary]	\$11,021,971	\$11,400,439	\$11,893,000

¹Starting in FY 2009, this account will no longer receive new appropriations. New Funding is requested in the Safety & Operations and ATO accounts.

² New account starting in FY 2009. Includes both traditional Operations and Facilities & Equipment funds.

³ In FY 2009, the Research, Engineering, & Development account will be funded by the Airport and Airway Trust Fund and the General Fund.

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

	<u>FY 2007 ACTUAL</u>	<u>FY 2008 ENACTED</u>	<u>FY 2009 REQUEST</u>
DIRECT FUNDED BY APPROPRIATION			
Operations ¹	39,610	40,442	
Aviation Insurance Revolving Fund	5	5	
Facilities & Equipment ¹	2,738	2,884	
Safety & Operations ²			9,761
Aviation Insurance Revolving Fund			5
Air Traffic Organization ²			
Salaries & Expenses			31,134
Capital Programs			2,737
Research, Engineering & Development	262	298	303
Grants-in-Aid for Airports	513	540	550
SUBTOTAL, DIRECT FUNDED	43,128	44,169	44,490
REIMBURSEMENTS/ALLOCATIONS			
Operations ¹	133	124	
Facilities & Equipment ¹	10	55	
Safety & Operations ²			20
Air Traffic Organization ²			
Salaries & Expenses			104
Capital Programs			55
Grants-in-Aid for Airports	4	6	6
Administrative Services Franchise Fund	1,293	1,428	1,428
SUBTOTAL, REIMBURSE./ALLOC.	1,440	1,613	1,613
TOTAL FTEs	44,568	45,782	46,103

¹ Starting in FY 2009, this account will no longer receive new appropriations. New funding is requested in the Safety & Operations and ATO accounts.

² New account starting in FY 2009. Includes both traditional Operations and Facilities & Equipment funds.

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 obligations for airport improvement grants, FAA staff offices, the Air Traffic Organization, payment to air carriers, and the Bureau of Transportation Statistics Office of Airline Information.

Status of Funds (in millions of dollars)

Identification code: 20-8103-0-7-402		FY 2007 Actual	FY 2008 Estimate	FY 2009 Request
Balance, start of year:				
0100	Balance start of year.....	10,366	10,103	10,181
Adjustments:				
0191	Kerosene tax adjustment.....	-164		
0199	Total balance, start of year.....	10,172	10,103	10,181
Cash Income during the year:				
Current law:				
Receipts				
1200	Interest: Airport and Airway Trust Fund.....	472	493	470
Offsetting governmental receipts:				
1260	Excise Taxes, Airport and Airway Trust Fund.....	11,468	11,871	12,570
Offsetting collections:				
1280	Grants-in-aid for Airports (Airport and Airway Trust Fund)	4	1	1
1282	Facilities and equipment (Airport and Airway Trust Fund)	224	135	
1281	Research, Engineering and Development (Airport and Airway Trust Fund)	1	16	
1299	Income under present law.....	12,169	12,516	13,041
3299	Total cash income	12,169	12,516	13,041
Cash outgo during year:				
Current law:				
4500	Payments to air carriers	-65	-44	-24
4501	Grants-in-aid for airports (Airport and Airway Trust Fund)	-3,878	-2,971	-4,091
4502	Facilities and Equipment (Airport and Airway Trust Fund)	-2,514	-2,839	-1,628
4503	Research, engineering and development (Airport and Airway Trust Fund)	-153	-185	-84
4504	Trust Fund Share of FAA Activities (Airport and Airway Trust Fund)	-5,628	-6,399	-9,161
4599	Outgo under current law (-)	-12,238	-12,438	-14,988
6599	Total Cash outgo (-)	12,238	12,438	14,988
Unexpended balance, end of year:				
8700	Uninvested balance (net), end of year.....	2,172	2,231	1,807
8701	Airport and Airway Trust Fund.....	7,931	7,950	6,427
8799	Total balance, end of year.....	10,103	10,181	8,234
Commitments against unexpended balance, end of year:				
9801	Obligated balance (-)	-7,303	-4,199	-1,702
9802	Unobligated balance (-).....	-1,267	-1,034	-455
9899	Total commitments	-8,570	-5,233	-2,157
9900	Uncommitted Balance, end of year ¹	1,533	4,948	6,077

¹ Due to the expiration of AIP contract authority in December 2007, the 2009 Budget only includes \$17M in new AIP contract authority in 2008. This results in a significant increase in the uncommitted balance of the Airport and Airway Trust Fund in FY 2008 and FY 2009. If Congress were to enact additional contract authority for FY 2008, the estimated year-end uncommitted balance would be lower in FY 2008 and FY 2009.