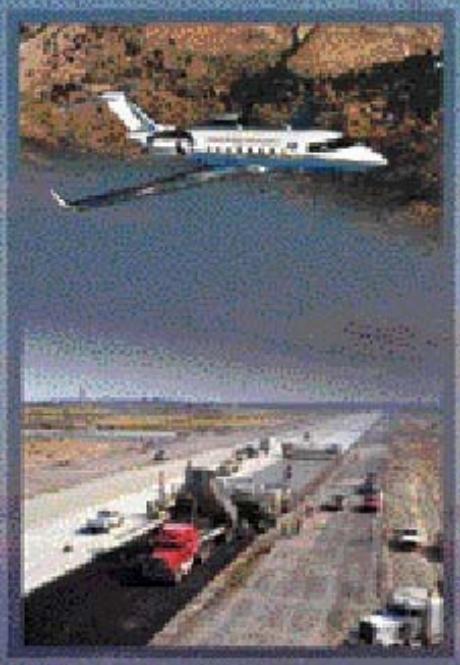
Charting the Next
CENTURY OF FLIGHT

Department of Transportation
Federal Aviation Administration



# Budget in Brief

*Fiscal Year 2004*

**Assistant Administrator for Financial Services/Chief Financial Officer**

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The Federal Aviation Administration's (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 assistance to improve the capacity and safety of our airports. The 2004 budget request for the FAA reflects the Administration's strong commitment to increasing the performance and capacity of our aviation system. The total FAA 2004 request of $14 billion is approximately 3 percent higher than FAA's budget resources in 2003.

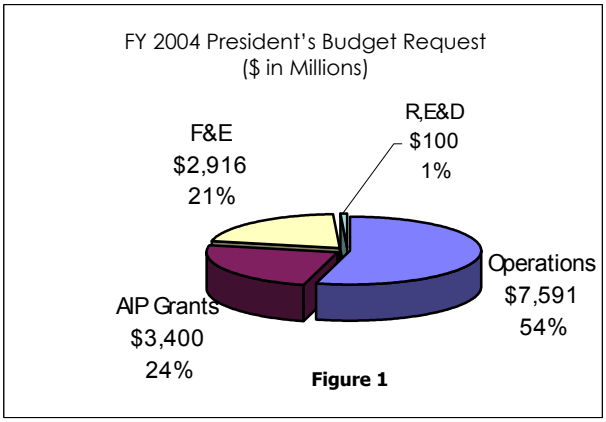


**Figure 1**

The budget funds 89 percent of agency programs from the Airport and Airway Trust Fund resources derived from excise taxes and interest. The budget also assumes the collection of $33 million in overflight fees for services provided by the FAA, which will be used to support the Essential Air Service (EAS) program.

In FY 2004, the FAA will continue to focus on achieving its strategic goals: improving safety and system efficiency, including reducing the fatal accident rate on commercial aircraft 80 percent by 2007 and the upgrading of the air traffic control system.

**Summary of Funds**
**($ in Millions)**

| Appropriation | FY 2002[1] Actual | FY 2003[2] Request | Change | FY 2004[2] Request |
|---|---|---|---|---|
| Operations (Ops) | 6,877 | 7,077 | +513 | 7,591 |
| (General) | | [3,278] | [-1,687] | [1,591] |
| (Trust) | | [3,799] | [+2,201] | [6,000] |
| Emergency Supplemental | 200 | 0 | 0 | 0 |
| (Overflight Fees) *non-add* | | *30* | *+ 3* | *33* |
| Facilities & Equipment (F&E) | 2,912 | 2,981 | -65 | 2,916 |
| Emergency Supplemental | 108 | 0 | 0 | 0 |
| Research, Engineering, & Development (R,E&D) | 195 | 124 | -24 | 100 |
| Emergency Supplemental | 50 | 0 | 0 | 0 |
| Airport Grants (Ob Lim) ( AIP) | 3,300 | 3,400 | 0 | 3,400 |
| Emergency Supplemental | 175 | 0 | 0 | 0 |
| **TOTAL[3]** | **13,818** | **13,582** | **425** | **14 ,007** |

[1] Includes emergency supplementals, but not FY 2001 balances from the Emergency Response Fund ($393 million for Operations, $87.5 million for F&E, and $50 million for the Aviation Insurance Revolving Fund)
[2] Excludes CSRS and FEHB accruals
[3] Amounts may not add due to rounding

**Table 1**

## OPERATIONS

For FY 2004, the Administration is seeking $7,591 million for FAA Operations, $513 million and 7.3 percent over the President's request for FY 2003. The overall increase is comprised of three parts: (i) mandatory increases of $439 million (6.2 percent of the overall increase); (ii) transfers of $51 million (0.7 percent); and (iii) discretionary increases of $23 million (0.3 percent) Changes from FY 2003 President's budget request for FY 2004 are summarized in the following table.

| | ($ in millions) | |
|---|---|---|
| **FY 2003 Budget Request** | **$7,077** | |
| **FY 2003 Changes:** | | |
| | Dollar Change | Percent Change |
| **Mandatory Increases:** | | |
| Mandatory Pay Adjustments | +219 | +3.1% |
| Mandatory, Non-Pay Inflation | +30 | +0.4% |
| NAS Handoff | +129 | +1.8% |
| Replacement Communication System | +53 | +0.7% |
| Other | +8 | +0.1% |
| **Total, Mandatory Increases** | **+439** | **+6.2%** |
| **Transfers:** | | |
| Transfer from the Transportation Security Administration | +50 | +0.7% |
| Transfer from the Department of Interior | +1 | +0.0%[1] |
| **Total, Transfers** | **+51** | **+0.7%** |
| **Discretionary Increases:** | | |
| Additional Controllers (ATS) | +14 | +0.2% |
| Operational Support (ATS) | +5 | +0.1% |
| Safety Initiatives (AVR) | +4 | +0.1% |
| **Total, Discretionary Increases** | **+23** | **+0.3%** |
| **Total, Increases** | **+513** | **+7.3%** |
| **FY 2004 Budget Request** | **$7,591[2]** | |

Note: The President's FY 2003 and 2004 Budget Request excludes an increase of $405 million associated with transferring the full cost of Federal health and retirement accruals to individual agencies.

[1] Less than 0.05 percent.
[2] Amounts may not add due to rounding

**Table 2**

**Mandatory Increases – $439 Million**

Mandatory increases fall into two categories: mandatory price adjustments and non-discretionary increases.

Mandatory Price Adjustments: The Administration requests $249 million to cover six items:

Annualization of FY 2003 Pay Increase of 3.1 Percent .....+$44
The FY 2003 pay raise covered only 9 months of the fiscal year. This increase provides funds to cover the additional quarter.

Annualization of FY 2003 New Hires..... +$4
Additional safety staff were hired in FY 2003 to strengthen our safety oversight and compliance programs. FY 2003 funding only covered 6 months of the fiscal year. This increase provides funds to cover the additional half-year.

Performance Pay Increases.....+$63
This funding covers the cost of increases for the organizational success and superior contribution increases. Unlike previous years, this increase is only being requested in FY 2004 for staff in Air Traffic Services and Regulation & Certification. Other FAA organizations will be required to absorb this additional cost in FY 2004.

FY 2004 Pay Increase of 2.0 Percent .....+$86
This increase covers the anticipated January 2004 pay increase.

One-More Compensable Day.....+$22
This additional funding covers additional payroll costs associated with FY 2004 having one more compensable day in FY 2004 than we had in FY 2003 (262 vs. 261).

Non-Pay Inflation.....+$30
This mandatory increase provides for non-pay inflationary increases estimated at 1.5 percent.

Total..... $249

Non-Discretionary Increases: The Administration requests $190 million to cover four items:

NAS Handoff Requirements.....+$129
This increase provides funding to cover the operation and maintenance costs of new safety and efficiency equipment recently installed in the National Airspace System. Without these funds, this new equipment could not be operated and maintained.

Replacement Communication System.....+$53
These funds are needed to develop a new telecommunications system. The current system is outdated and needs to be replaced with a more robust and efficient system.

Increased GSA Rent ..... +$5
These funds are needed to cover increases in GSA rent above that requested under "Non-Pay Inflation."

Increased Contract Tower Costs..... +$3
These funds are needed to cover increased contractual costs above that requested under "Non-Pay Inflation."

Total..... $190

**Transfers – $51 Million**

Transfer from the Transportation Security Administration (TSA).....+$50
These funds and 443 staff are needed to return management of the internal security and Hazardous Materials program from the TSA to the FAA.

Transfer from the Department of the Interior (DOI) ..... +$1
These funds will support the aviation infrastructure of Micronesia. Through FY 2004, these funds were part of the Department of Interior budget. DOI would then enter into a reimbursable agreement with the FAA to provide aviation support services to Micronesia. This proposal simply transfers these funds to the FAA, thereby simplifying program management by negating the need for a reimbursable agreement between the FAA and DOI.

Total ..... $51

**Discretionary Increases – $23 Million**

Additional Controllers ..... +$14
This increase provides funds to hire an additional 328 controllers. Of these new hires 302 would be hired in anticipation of a major increase in retirements in FY 2007. Given that it takes approximately three years to fully train a new controller, we need to hire these replacement controllers in FY 2004. The balance of 26 controllers would support increased homeland security by working full-time with Department of Defense and NORAD personnel in support of our heightened state of military readiness.

Operational Support ..... +$5
This increase would be used to augment programs, such as the airspace redesign program, which increase system efficiency and reduce system delays.

Safety Initiatives ..... +$4
This increase would be used to expand selected safety programs, such as Safer Skies, and hire an additional 20 aviation safety staff.

Total ..... $23

The FAA's Operations appropriation supports nine organizations. Those organizations and their funding under this budget are as follows.

**Operations Budget by FAA Organizational Element**
(dollars in millions)

| | FY 2003 Request | Mandatory Increases | Transfers | Discretionary Increases | FY 2004 Request |
|---|---|---|---|---|---|
| Air Traffic Services | 5,697.5 | 384.2 | (3.8) | 18.8 | 6,096.8 |
| Regulation & Certification | 834.0 | 35.1 | | 4.3 | 873.4 |
| Commercial Space | 12.3 | 0.3 | | | 12.6 |
| Research & Acquisitions | 207.6 | 9.1 | 1.8 | | 218.5 |
| Regions and Centers | 82.2 | 2.2 | 0.4 | | 84.7 |
| Human Resource Mgt. | 80.3 | 1.8 | | | 82.0 |
| Financial Services | 48.8 | 1.0 | | | 49.8 |
| Information Services | 29.1 | 0.6 | | | 29.7 |
| Staff Offices | 85.5 | 4.6 | 53.1 | | 143.2 |
| Total | 7,077.2 | 438.9 | 51.5 | 23.1 | 7,590.6 |

*May not add due to rounding*

Notes: (1) The President's FY 2003 and 2004 Budget Request excludes an increase of $405 million associated with transferring the full cost of Federal health and retirement accruals to individual agencies.
(2) The transfer column includes $4.5 million in internal zero-sum transfers within Operations.
(3) The Airports organization is funded through a set-aside from the Airport Grants program and therefore is not listed here.

It is important to note that funding for the three organizations that provide a service to our customers – namely, Air Traffic Services, Regulation and Certification, and Commercial Space Transportation – account for over 90 percent of the Administration's funding request for FY 2004. It is also important to note that discretionary increases are limited to two of these three organizations – Air Traffic Services and Regulation and Certification. No discretionary increases are requested for administrative and support organizations.

**Operations by Performance Goal Area**
(dollars in millions)

| | Safety | Efficiency | Security | Other | Total |
|---|---|---|---|---|---|
| FY 2003 Request | 6,690 | 241 | 93 | 53 | 7,077 |
| Mandatory/Non-Discretionary Increases | 411 | 8 | 18 | 1 | 439 |
| Transfers | 18 | 0 | 33 | 0 | 51 |
| Discretionary Increases | 17 | 5 | 1 | 0 | 23 |
| FY 2004 Request | 7,137 | 254 | 145 | 54 | 7,591 |

Note: The President's FY 2003 Budget Request excludes an increase of $405 million associated with transferring the full cost of Federal health and retirement accruals to individual agencies.

The FAA has two primary goals – promoting aviation safety and promoting aviation efficiency. Of these two primary goals, the FAA believes its ultimate goal has been and always will be aviation safety. For this reason, the FAA attributes the vast majority of its resources to aviation safety, with only a smaller amount being attributed to aviation efficiency. Still lower amounts of funding are attributed to security and other goal areas.

## GRANTS-IN-AID FOR AIRPORTS

The FY 2004 request is for $3,400 million for Grants-in-Aid for Airports, which ncludes Airport Improvement Grants to eligible airports to enhance capacity, emphasize safety and security needs, and mitigate noise. The FY 2004 budget request includes $70 million for Administrative expenses to implement the Airports program. These funds support national programs for airport safety and certification; development of airport equipment specifications and standards; and development of standards for airport design and for pavement design and construction. The request also provides $17 million for airport technology research in the areas of lighting and marking, rescue and firefighting, wildlife hazard and noise mitigation, pavement design and construction, airport design and layout, and support for the Safe Skies Alliance. Funding for airport grants is $3,313 million.

## FACILITIES AND EQUIPMENT

For FY 2004, $2,916 million, is requested in the Facilities and Equipment (F&E) appropriation to fund planned facility improvements, equipment development and procurement, and the necessary technical support for systems installation. The funding requested for FY 2004 supports the FAA's comprehensive Capital Investment Plan (CIP) to modernize and improve the NAS to accommodate demands for aviation services, maximize operational efficiency, constrain costs, and replace or modernize aging facilities. The FAA is committed to fulfilling its mission in a safe, secure, and efficient cost-effective manner.

## RESEARCH, ENGINEERING, AND DEVELOPMENT

For Research, Engineering, and Development (R,E&D), the budget requests $100 million, $24 million less than the FY 2003 request of $124 million. Of the total amount being requested, $87.3 million is for aviation aircraft technology; $8 million for environmental and energy, and $4.7 million for mission support.

## FEES

The budget also assumes collection of $33 million from overflight fees for air traffic services provided to aircraft that neither take off nor land in the United States. These new collections will partially fund the Essential Air Service (EAS) program managed by the Office of the Secretary of Transportation (OST) in FY 2004. An additional $17 million from prior year collections will fund the difference required to support a $50 million EAS program in FY 2004.

## FRANCHISE FUND

The Administrative Services Franchise Fund was established by Public Law 104-205 to finance operations where the costs for goods and services provided are charged to internal and external users on a fee-for-service basis. This fund is improving organizational efficiency and provides better support to our customers for services including accounting, payroll, international training, travel, aircraft maintenance, logistics, multi-media, and information technology services.

## AIRPORT AND AIRWAY TRUST FUND (AATF)

Section 9502 of Title 26, U.S.C., provides for the receipts received in the Treasury from the passenger ticket tax and certain other taxes paid by airport and airway users to be deposited in the AATF. In turn, appropriations are authorized from this fund to meet the obligations for Airport Improvement Grants, Facilities and Equipment, Research, Engineering and Development programs, and part of Operations. In FY 2004, the President's Budget continues to support the Bureau of Transportation Statistics' Office of Airline Information with AATF funds, as authorized in AIR-21. In FY 2002 total tax revenue was $9.0 billion, plus $0.9 billion of interest accrued to the Trust Fund. In FY 2004 total revenue of approximately $10.2 billion is expected, plus $.07 billion in interest revenue. The uncommitted balance in the Trust Fund is expected to decrease from $4.8 billion in FY 2002 to $3.1 billion by the end of FY 2004.

## NEW/EXPANDED INITIATIVES

### Reauthorization

The Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21), authorized programs through the end of FY 2003. The Administration is currently developing the Department's reauthorization proposal that is predicated on building on the successes of AIR-21.

### OMB Circular A-76 Cost Comparison

FAA is in the early stages of the A-76 process to determine whether it would be more cost-effective to have a private vendor or FAA employees provide the functions now being performed at Flight Service Stations (FSS). No decisions have been made; conducting a study does not mean that FAA will contract out the FSS activity. It is anticipated that the study will be completed in late 2004, and that a decision will be made at that time.

FAA Budget History FYs 1995-2004
($ in Millions)

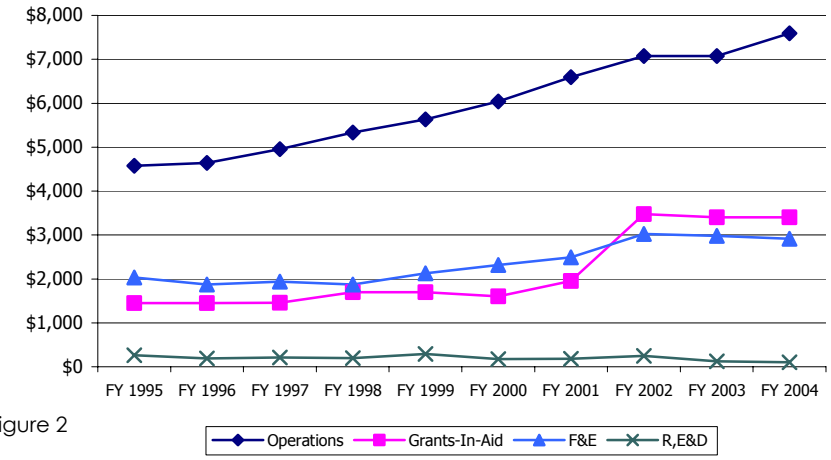



Figure 2

**FAA Employment Levels**
**End-of-Year Employment**

| | FY 2002 Actual | FY 2003 Request | FY 2004 Request |
|---|---|---|---|
| **Direct** | | | |
| *Operations (by Line of Business):* | 48,935 | 43,551 | 44,391 |
| Air Traffic Services | 34,521 | 34,528 | 34,894 |
| Aviation Regulation & Certification | 6,315 | 6,438 | 6,458 |
| Civil Aviation Security[1] | 5,713 | 0 | 0 |
| Research & Acquisitions | 474 | 508 | 516 |
| Financial Services | 121 | 130 | 130 |
| Human Resources | 476 | 502 | 502 |
| Region & Center Operations | 558 | 637 | 640 |
| Office of Information Services/CIO[2] | | 84 | 84 |
| Staff Offices | 698 | 655 | 1,098 [3] |
| Commercial Space Transportation | 59 | 69 | 69 |
| Facilities & Equipment | 3,141 | 3,234 | 3,234 |
| Research, Engineering & Development | 405 | 292 | 292 |
| Grants-in-Aid for Airports | 458 | 534 | 534 |
| Aviation Insurance Revolving Fund | 3 | 3 | 3 |
| **Subtotal, Direct Funded** | **52,942** | **47,614** | **48,454** |
| Operations | 123 | 161 | 156 |
| Facilities & Equipment | 33 | 55 | 55 |
| Administrative Services Franchise Fund | 1,083 | 1,083 | 1,083 |
| **Reimbursable Allocations** | **1,239** | **1,299** | **1,294** |
| **Total End-of-Year Employment** | **54, 181** | **48,913** | **49,748** |

[1] Civil Aviation Security transferred to TSA in FY 2003

[2] Office of Information Services/CIO included under Staff Offices in FY 2002

3 Includes Internal Security/Hazmat previously transferred to TSA

**Table 3**

For FY 2004, the President's Budget requests $7,591 million for FAA Operations. This represents a $513 million and 7.3 percent increase over the FY 2003 President's request. The requested $7,591 million will be financed through both trust fund and general fund contributions. Detailed information in support of this budget request is presented individually by line of business (LOB), below.

**Table 4**

**Operations**
**FY 2003 Budget Resources by FAA Organization**
($ in millions)

| | FY 2002 Actual | FY 2003[1] Request | FY 2004 Request | Percent Change |
|---|---|---|---|---|
| Air Traffic Services | $5,519 | $5,698 | $6,097 | +7.0% |
| Aviation Regulation and Certification | 825 | 834 | 873 | +4.7% |
| Civil Aviation Security | 244 | 0 | 0 | 0% |
| Research and Acquisition | 194 | 208 | 218 | +4.8% |
| Commercial Space Transportation | 12 | 12 | 13 | +8.3% |
| Financial Services/CFO | 49 | 49 | 50 | +2.0% |
| Office of Information Services/CIO | 25 | 29 | 30 | +3.4% |
| Human Resources | 69 | 80 | 82 | +2.5% |
| Region/Center Operations | 85 | 82 | 85 | +3.7% |
| Staff Offices | 85[2] | 85 | 143 | +68.2%[3] |
| TOTAL OPERATIONS | 7,107 | 7,077 | 7,591 | +7.3% |

[1] FY 2003 and 2004 Request excludes accrual increases proposed in the FY 2003 and 2004 President's Budget
[2] FY 2002 excludes $25 million for Office of Information Services/CIO since the FY 2003 President's Budget separated it from Staff Offices ; it is shown as a separate entity within Operations
[3] The FY 2004 increase is attributable to Internal Security and Hazardous Materials Program transfer from TSA back to FAA

## Air Traffic Services

Mission: The mission of Air Traffic Services is to (i) ensure the safe and efficient operation, maintenance, and use of the existing air transportation system, (ii) maximize utility of airspace resources, and (iii) meet tomorrow's challenges to increase system safety, capacity, and productivity.

Budget Request: The President's Budget requests $6,097 million and 34,894 staff for FY 2004. This request would provide for increases of $399 million (+7.0 percent) and 366 staff over that proposed for FY 2003. These increases include $384 million in mandatory and other non-discretionary cost increases, primarily reflecting a proposed 2.0 percent pay raise for January 2004, $128 million and 44 staff to operate and maintain new air traffic safety and efficiency equipment purchased and installed through the Facilities and Equipment program, and $53 million to replace an outdated and aging telecommunication system with a more robust and efficient one. In addition, discretionary increases of $19 million are requested to hire more controllers in anticipation of a surge in retirements (+302 additional controllers) and in support of our nation's airspace defense and security (+26) and to increase funding for delay reduction initiatives.

## Regulation and Certification

Mission: The mission of Regulation and Certification is to promote aviation safety by regulating and overseeing the civil aviation industry.

Budget Request: The President's Budget requests $873 million and 6,458 staff for FY 2004. This request would provide for increases of $39 million (+4.7 percent) and 20 staff over that proposed for FY 2003. These increases include $35 million in mandatory and other non-discretionary cost increases, primarily reflecting a proposed 2.0 percent pay raise for January 2004. In addition, discretionary increases of $4 million are requested to augment safety programs (such as Safer Skies) and hire 20 additional aviation safety personnel.

## Research and Acquisitions

Mission: The mission of Research and Acquisitions is to provide research, development, and acquisition for products and services that enable the FAA to enhance the safety and security of the national airspace system and satisfy current and future operational needs of the U.S. civil aerospace system for national and international operations.

Budget Request: The President's Budget requests $218 million and 516 staff for FY 2004. This request would provide for increases of $11 million (+5.2 percent) and 8 staff over that proposed for FY 2003. These increases include $9 million in mandatory cost increases, primarily reflecting a proposed 2.0 percent pay raise for January 2004 and increases in GSA rent. (This organization pays the entire agency bill for GSA rent.) In addition, internal zero-sum transfers move $2 million and 8 people into Research and Acquisitions from other FAA organizations.

## Commercial Space Transportation

Mission: The mission of Commercial Space Transportation is to produce a safe, secure, and efficient space transportation system that contributes to national security and a viable and internationally competitive commercial space transportation industry.

Budget Request: The President's Budget requests $13 million and 69 staff for FY 2004. This request would provide for increases of $276K over that proposed for FY 2003. This increase is entirely for mandatory cost increases, primarily a proposed 2.0 percent pay raise for January 2004.

## Regions and Centers

Mission: The mission of Regions and Centers is to deliver critical aviation and business services of superior quality at reasonable cost in a timely manner to internal and external customers.

Budget Request: The President's Budget requests $85 million and 640 staff for FY 2004. This request would provide for increases of $3 million and 3 staff over that proposed for FY 2003. These increases are entirely for mandatory cost increases, primarily a proposed 2.0 percent pay raise for January 2004, and a base transfer of funding for Micronesia aviation support services from the Department of the Interior.

## Human Resource Management

Mission: The mission of Human Resource Management is to (i) advise and assist the Administrator in directing, coordinating, controlling, and ensuring the adequacy of FAA plans and programs for personnel, training, human resource planning, evaluation, and development, and labor relation services to the organizations in the FAA and (ii) provide leadership, policy, and direction to the FAA in Human Resource Management policy and activities.

Budget Request: The President's Budget requests $82 million and 502 staff for FY 2004. This request would provide for increases of $2 million over that proposed for FY 2003. This increase is entirely for mandatory cost increases, primarily a proposed 2.0 percent pay raise for January 2004.

## Financial Services

Mission: The mission of Financial Services is to advise the agency on FAA plans and programs for budget, financial management, and performance management.

Budget Request: The President's Budget requests $50 million and 130 staff for FY 2004. This request would provide for increases of $1 million over that proposed for FY 2003. This increase is entirely for mandatory cost increases, primarily a proposed 2.0 percent pay raise for January 2004.

## Information Services

Mission: The mission of Information Services is to protect the FAA's information infrastructure, help the aviation industry reduce security risks through leadership in innovative information assurance initiatives, and improve the management of the agency's investment in information technology.

Budget Request: The President's Budget requests $30 million and 84 staff for FY 2004. This request would provide for increases of about $600K over that proposed for FY 2003. This increase is entirely for mandatory cost increases, primarily a proposed 2.0 percent pay raise for January 2004.

## Staff Offices

Composition: Staff Offices consists of eight offices:

- Office of the Administrator and Deputy Administrator
- The Chief Counsel
- Assistant Administrator for Policy, Planning, and International Aviation
- Assistant Administrator for Government and Industry Affairs
- Assistant Administrator for Public Affairs
- Assistant Administrator for Civil Rights
- Assistant Administrator for System Safety
- Assistant Administrator for Security and Investigations

Mission: The mission of Staff Offices is to provide executive direction and leadership, legal services, international leadership and liaison, strategic planning, economic analysis, safety oversight (including safety risk management), internal security and hazardous material oversight, and liaison with the public, industry, and governmental entities, all in an equal opportunity environment, free of discrimination and harassment, and in support of the agency's overriding mission to promote a safe and efficient airspace system.

Budget Request: The President's Budget requests $143 million and 1,098 staff for FY 2004. This request would provide for increases of $58 million and 443 staff over that proposed for FY 2003. Of this increase, $50 million and 443 staff are to be transferred from the Transportation Security Administration to reflect the need to maintain internal FAA security and the Hazardous Material program in the FAA and not in the TSA where they were transferred in FY 2003. An additional $3 million is an internal, zero-sum transfer from Air Traffic Service to cover the increased post-9/11 cost of the expanded headquarters emergency operations center within the Office of the Administrator. The balance of $2 million is needed to cover mandatory cost increases, primarily a proposed 2.0 percent pay raise for January 2004.

Operations by Performance Goal Area

The FAA has two primary goals – promoting aviation safety and promoting aviation efficiency. Of these two primary goals, the FAA believes its penultimate goal has been and always will be aviation safety. For this reason, the FAA attributes the vast majority of its resources to aviation safety, with only a smaller amount being attributed to aviation efficiency. Still lower amounts of funding are attributed to security and other goal areas.

The FY 2004 request is for $3.4 billion for the Grants in Aid for Airports account, including grants to eligible airports to enhance capacity, emphasize safety and security needs, and mitigate noise. The FY 2004 budget request includes $70 million for Administrative expenses to implement the Airports program. These funds support national programs for airport safety and certification; development of airport equipment specifications and standards; and development of standards for airport design and for pavement design and construction. The request also provides $17 million for airport technology research in the areas of lighting and marking, rescue and firefighting, wildlife hazard, noise mitigation, pavement design and construction, airport design and layout, and support for the Safe Skies Alliance. Funding for airport grants is $3,313 million. The Administration proposes a restructuring of AIP formulas and set-asides in FY 2004 to allow more funds to be targeted to those airports with greatest need and dependence on Federal assistance. The proposed restructuring is expected to transfer more than $87 million in FY 2004 funds from large to small airports, raising small airports' share from approximately 63 percent to over 66 percent of total AIP grants. This proposal also increases the amount of discretionary funding from 34 percent to 46 percent of AIP grants, allowing FAA to target those projects which serve national objectives and achieve the greatest system benefits, regardless of airport size.

Since FY 1992, commercial service airports have had an additional source of funding from the passenger facility charge (PFC). As of May 2002, 330 airports were approved to collect PFC's. Estimated PFC collections for Calendar Year (CY) 2002 are $2.0 billion, up from $1.585 billion in CY 2001. This reflects the implementation of the $4.50 PFC level, authorized under the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21), by a growing number of airports. Collections at the new $4.50 level began in April 2001 and, if fully implemented by all collecting airports, could generate an additional $700 million per year in PFC revenue within the next several years. Funding from all these sources has resulted in an airport system that provides a high level of service in the busiest air system in the world.

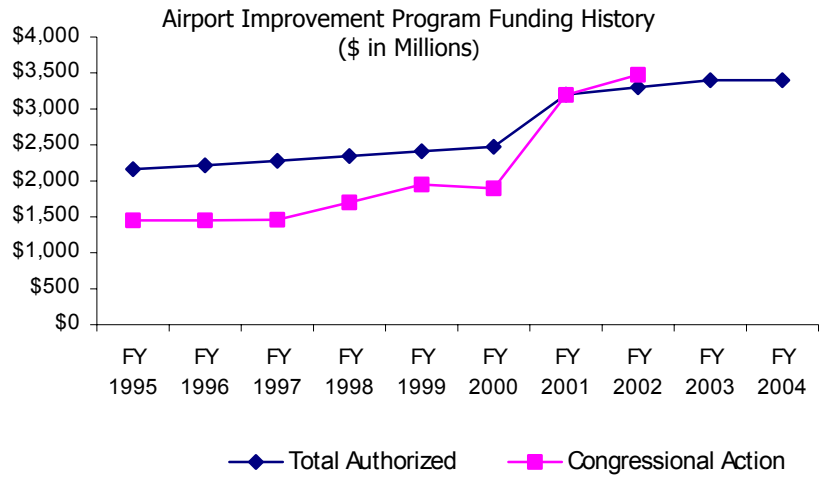
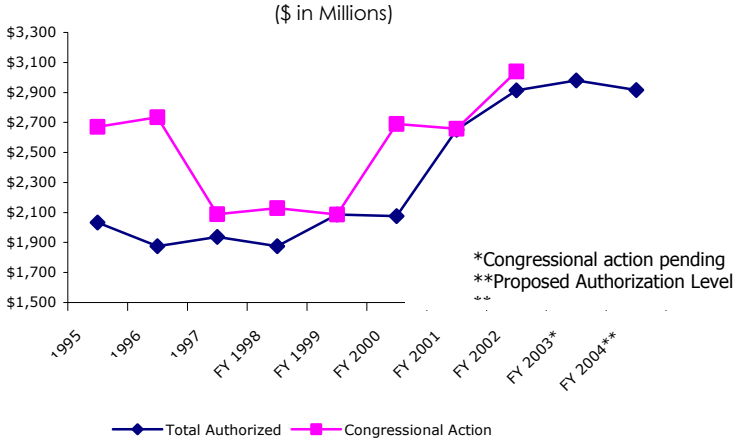



**Figure 3**

For FY 2004, $2.916 billion, is requested in the Facilities and Equipment (F&E) appropriation to fund planned facility improvements, equipment development and procurement, and the necessary technical support for systems installation. The funding requested for FY 2004 supports the FAA's comprehensive Capital Investment Plan (CIP) to modernize and improve the National Airspace System (NAS) to meet demands for aviation services, maximize operational efficiency, constrain costs, and replace or modernize aging facilities. The FAA is committed to fulfilling its mission in a safe, efficient, and cost-effective manner.

Figure 4 F&E Funding History Comparison ($ in Millions)




FY 2004 President's (F&E) Budget Request By Budget Activities

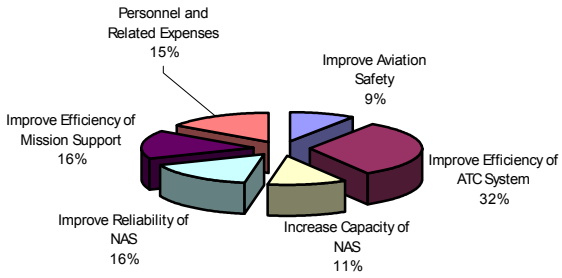



**Figure 5**

The F&E budget request has been formatted in performance terms. Consistent with efforts to align spending with key outcomes, there are five broad activities that represent the performance effects of the resources requested by FAA. Under these broader performance outcome areas, projects are listed under more specific goal area and performance measures they are intended to improve.

The F&E budget consists of six activities that fund the FAA's effort to modernize and improve air traffic control systems and facility improvements. Summaries of these activities follow:

***Improve Aviation Safety, Activity 1***

This activity includes programs that contribute to aviation safety and prevent security incidents within the NAS. In FY 2004, funding is requested for security systems, runway surface detection equipment, and weather related systems to improve detection, forecasting and the distribution of weather information to pilots, airline operations centers and controllers.

***Improve Efficiency of the Air Traffic Control System, Activity 2***

These programs will improve the utilization of the en route airspace structure. In FY 2004 funding is requested for Free Flight phases 1 and 2, to reduce delays, to continue to deploy state-of-the-art automation equipment that can better handle increases in air traffic volume, and to provide critical communications. Also requested is funding for the Standard Terminal Automation Replacement System for use in terminal approach control facilities and to develop the final systems capability.

### *Increase Capacity of the National Airspace System, Activity 3*

This activity includes programs that will increase the volume of air traffic the NAS can accommodate. The FY 2004 request includes funds to modernize oceanic ground systems, as well as navigation and landing aids to provide all weather access and precision approach capability to relieve airports with capacity problems. These programs will increase capacity and decrease the number of delays, diverted, and canceled flights.

### *Improve Reliability of the National Airspace System, Activity 4*

This activity contains programs that will sustain NAS services and capabilities. It includes critical telecommunication services, voice switch replacements at Air Route Traffic Control Centers, and electrical power systems to increase the reliability of the NAS, leading to fewer aircraft delays.

### *Improve the Efficiency of Mission Support, Activity 5*

This activity includes system engineering and integration, and transition engineering support contracts that provide technical and management support in all phases of the CIP implementation schedules.

### *Personnel and Related Expenses, Activity 6*

Funding for all personnel compensation, benefits, travel and related expenses associated with the F&E programs are budgeted under one consolidated activity. These funds directly support FAA personnel who are primarily responsible for the NAS equipment installation and implementation.

| | Budget Line Item Title | Budget FY 2004 |
|---|---|---|
| **Activity 1, Improve Aviation Safety** | | |
| **A. Reduce Commercial Aviation Fatalities** | | |
| 1A01 | Terminal Business Unit | 137,600.0 |
| 1A02 | Aviation Weather Services Improvements | 13,200.0 |
| 1A03 | Low Level Windshear Alert System (LLWAS) - Upgrade | 3,900.0 |
| 1A04 | Aviation Safety Analysis System (ASAS) | 13,900.0 |
| 1A05 | Integrated Flight Quality Assurance (IFQA) | 2,100.0 |
| 1A06 | System Approach for Safety Oversight (SASO) | 12,000.0 |
| 1A07 | Aviation Safety Knowledge Management (ASKME) | 2,500.0 |
| | **Total, Reduce Commercial Aviation Fatalities** | **185,200.0** |
| **B. Reduce General Aviation Fatalities** | | |
| 1B01 | Safe Flight 21 | 30,300.0 |
| | **Total, Reduce General Aviation Fatalities** | **30,300.0** |
| **C. Overall Aviation Safety Improvement** | | |
| 1C01 | Advanced Technology Development and Prototyping | 42,800.0 |
| 1C02 | Aircraft Related Equipment Program | 13,700.0 |
| 1C03 | National Aviation Safety Data Analysis Center (NASDAC) | 1,900.0 |
| | **Total, Other Aviation Safety Programs** | **58,400.0** |
| | **Total, Activity 1** | **273,900.0** |

**Activity 2, Improve Efficiency of the Air Traffic Control System**

**A. Increase Number of Flights Handled by Airports**

| | | |
|---|---|---|
| 2A01 | Terminal Business Unit | 458,128.3 |
| 2A02 | Aeronautical Data Link (ADL) Applications | 23,150.0 |
| 2A03 | Free Flight Phase 2 | 113,100.0 |
| 2A04 | Air Traffic Management (ATM) | 13,000.0 |
| 2A05 | Free Flight Phase 1 | 37,400.0 |
| 2A06 | Automated Surface Observing System (ASOS) | 11,800.0 |
| 2A07 | Information Display System (IDS) – Flight Service Station (FSS) | 2,000.0 |
| 2A08 | Information Display System (IDS) – SAIDS | 5,000.0 |
| | **Total, Increase Number of Flights Handled by Airports** | **663,578.3** |

**B. Improve Routing Efficiency for Flights En Route**

| | | |
|---|---|---|
| 2B01 | Next Generation Very High Frequency Air/Ground Communications System (NEXCOM) | 85,850.0 |
| 2B02 | En Route Automation Program | 173,900.0 |
| 2B03 | Weather and Radar Processor (WARP) | 8,500.0 |
| | **Total, Improve Routing Efficiency for Flights En Route** | **268,250.0** |

**C. Overall NAS Efficiency Improvements**

| | | |
|---|---|---|
| 2C01 | Air Traffic Operations Management System (ATOMS) | 1,100.0 |
| 2C02 | NAS Management Automation Program (NASMAP) | 1,200.0 |
| | **Total, Overall NAS Efficiency Improvement** | **2,300.0** |
| | **Total, Activity 2** | **934,128.3** |

## Activity 3, Increase Capacity of the National Airspace System

**A. Increase Capability of En-Route Systems to Handle Flights**

| | | |
|---|---|---|
| 3A01 | Navigation and Landing Aids | 222,700.0 |
| 3A02 | Oceanic Automation System | 69,000.0 |
| 3A03 | Voice Switching and Control System (VSCS) | 32,800.0 |
| 3A04 | Instrument Approach Procedures Automation (IAPA) | 4,000.0 |
| | **Total, Activity 3** | **328,500.0** |

**Improve Reliability of the National Airspace System**

**A. Replace Terminal Equipment to Prevent Decreased Performance**

| | | |
|---|---|---|
| 4A01 | Guam Center Radar Approach Control (CERAP) - Relocate | 2,600.0 |
| 4A02 | Terminal Voice Switch Replacement/Enhancement Terminal Voice Switch | 12,000.0 |
| 4A03 | Airport Cable Loop Systems - Sustained Support | 5,000.0 |
| | **Total, Replace Terminal Equipment to Prevent Decreased Performance** | **19,600.0** |

**B. Replace En route Equipment to Prevent Decreased Performance**

| | | |
|---|---|---|
| 4B01 | En Route Automation Program | 173,800.0 |
| 4B02 | ARTCC Building Improvements/Plant Improvements | 34,200.0 |
| 4B03 | Air Traffic Management (ATM) | 29,000.0 |
| | **Total, Replace En Route Equipment to Prevent Decreased Performance** | **237,000.0** |

**C. Replace Supporting Systems that Impact Overall NAS Performance**

| | | |
|---|---|---|
| 4C01 | Critical Telecommunication Support | 1,500.0 |
| 4C02 | FAA Telecommunications Infrastructure (FTI) | 51,200.0 |
| 4C03 | Air/Ground Communications Infrastructure | 24,100.0 |
| 4C04 | Voice Recorder Replacement Program (VRRP) | 3,300.0 |
| 4C05 | NAS Infrastructure Management System (NIMS) | 22,100.0 |
| 4C06 | Flight Service Station (FSS) Modernization | 5,800.0 |
| 4C07 | FSAS Operational and Supportability Implementation System (OASIS) | 19,710.0 |
| 4C08 | Weather Message Switching Center Replacement (WMSCR) | 1,500.0 |
| 4C09 | Flight Service Station Switch Modernization | 5,400.0 |
| 4C10 | Alaskan NAS Interfacility Communications System (ANICS) | 900.0 |
| 4C11 | Electrical Power Systems - Sustain/Support | 51,000.0 |
| 4C12 | NAS Recovery Communications (RCOM) | 12,000.0 |
| 4C13 | Aeronautical Center Infrastructure Modernization | 13,000.0 |
| 4C14 | Frequency and Spectrum Engineering | 3,600.0 |
| 4C15 | NAS Interference, Detection, Location and Mitigation | 1,000.0 |
| | **Total, Replace Supporting Systems that Impact Overall NAS Performance** | **216,110.0** |
| | **Total, Activity 4** | **472,710.0** |

**Activity 5, Improve the Efficiency of Mission Support**

**A. Increase Efficiency of Investment Management**

| | | |
|---|---|---|
| 5A01 | NAS Improvement of System Support Laboratory | 2,700.0 |
| 5A02 | Technical Center Facilities | 14,000.0 |
| 5A03 | William J. Hughes Technical Center Infrastructure Sustainment | 3,500.0 |
| 5A04 | En Route Communications and Control Facilities Improvements | 1,203.4 |
| 5A05 | DOD/FAA Facilities Transfer | 1,200.0 |
| 5A06 | Terminal Communications – Improve | 1,012.0 |
| 5A07 | Flight Service Facilities Improvement | 1,276.9 |
| 5A08 | Navigation and Landing Aids - Improve | 5,929.4 |
| 5A09 | FAA Buildings and Equipment | 11,200.0 |
| 5A10 | Air Navigational Aids and ATC Facilities (Local Projects) | 2,200.0 |
| 5A11 | Computer Aided Engineering and Graphics (CAEG) Modernization | 2,000.0 |
| 5A12 | Information Technology Integration | 1,600.0 |
| 5A13 | NAS Aeronautical Information Management Enterprise System (NAIMES) | 10,300.0 |
| 5A14 | Logistics Support Systems and Facilities (LSSF) | 5,000.0 |
| 5A15 | Test Equipment - Maintenance Support for Replacement | 4,000.0 |
| 5A16 | Facility Security Risk Management | 41,600.0 |
| 5A17 | Information Security | 11,500.0 |
| 5A18 | Distance Learning | 1,400.0 |
| 5A19 | National Airspace System (NAS) Training Facilities | 4,200.0 |
| 5A20 | System Engineering and Development Support | 28,300.0 |
| 5A21 | Program Support Leases | 41,100.0 |
| 5A22 | Logistics Support Services (LSS) | 7,900.0 |
| 5A23 | Mike Monroney Aeronautical Center - Leases | 14,600.0 |
| 5A24 | In-Plant NAS Contract Support Services | 2,800.0 |
| 5A25 | Transition Engineering Support | 39,800.0 |
| 5A26 | FAA Corporate Systems Architecture | 1,000.0 |
| 5A27 | Technical Support Services Contract (TSSC) | 47,600.0 |

| | | |
|---|---|---|
| 5A28 | Resource Tracking Program (RTP) | 3,600.0 |
| 5A29 | Center for Advanced Aviation System Development | 90,800.0 |
| 5A30 | Operational Evolution Plan (OEP) | 2,000.0 |
| | **Total, Increase Efficiency of Investment Management** | **405,321.7** |
| **B. Minimize Environmental Impact of Aviation Facilities** | | |
| 5B01 | NAS Facilities OSHA and Environmental Standards Compliance | 28,300.0 |
| 5B02 | Fuel Storage Tank Replacement and Monitoring | 5,600.0 |
| 5B03 | Hazardous Materials Management | 19,000.0 |
| | **Total, Minimize Environmental Impact of Aviation Facilities** | **52,900.0** |
| | **Total, Activity 5l** | **458,221.7** |
| **Personnel and Related Expenses** | | |
| 6A01 | Personnel and Related Expenses | 448,540.0 |
| | **Total, Activity 6** | **448,540.0** |
| | **TOTAL, ALL ACTIVITIES** | **2,916,000.0** |

**Table 5**

For FY 2004, $100 million is requested to support the Research, Engineering and Development (R,E&D) program, $24 million less than the FY 2003 request of $124 million. The FY 2004 request includes $87.3 million for aviation safety research, $8 million for environmental and energy research, and $4.7 million for mission support.

The R,E&D program makes significant contributions to aviation research by helping to ensure that the air transportation system continues to meet increasing capacity demands and remains safe and efficient. The R,E&D program also contributes to the development of effective standards, regulations, and guidance materials that support the agency's regulatory mission.

R, E&D Funding History Comparison
($ in Millions)

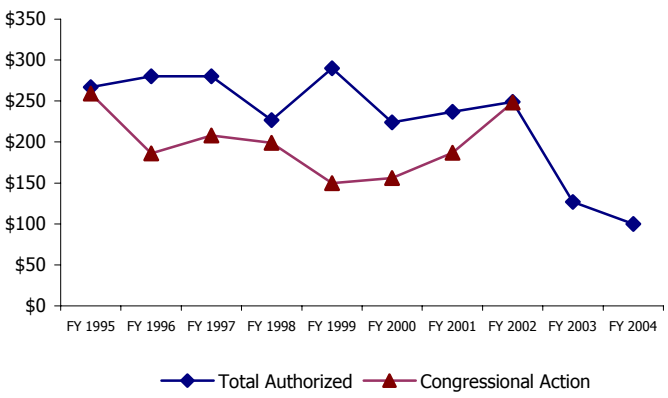



**Figure 6**

FY 2004 President's Budget Request
R, E&D by Budget Category

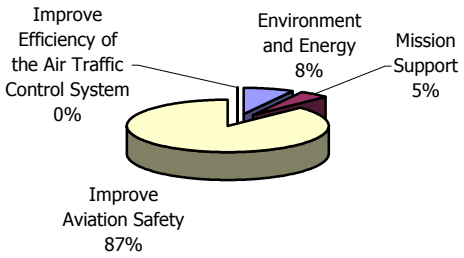



**Figure 7**

The R,E&D budget request is formatted in performance terms representing the performance effects of the President's Budget.

The following activities are examples of future benefits that will be attained from the proposed R,E&D investments:

- Reducing the chance of accidents caused by encounters with atmospheric icing by using satellite data analysis to develop new in-flight deicing products.
- Reducing the risk of catastrophic fuel tank explosions by developing new aircraft fuel tank inerting technologies.
- Reducing aircraft noise in communities by continuing research into new noise reduction technologies.
- Improving pilot and controller decision-making by continuing human factors research.
- Preventing accidents resulting from controlled flight into terrain, weather, runway incursions, and other factors by continuing safety research.

| | | FY 2004 Request |
|---|---|---|
| | FY 2004 R,E&D by Goals | |
| **A11.** | **Improve Aviation Safety** | **$87,339** |
| | **Reduce Commercial Aviation Fatalities** | **34,868** |
| a. | Fire Research and Safety | 7,725 |
| b. | Propulsion and Fuel Systems | 802 |
| c. | Advanced Materials/Structural Safety | 1,244 |
| d. | Flight Safety/Atmospheric Hazards Research | 3,217 |
| e. | Aging Aircraft | 14,336 |
| f. | Aircraft Catastrophic Failure Prevention Research | 762 |
| g. | Flightdeck/Maint/Sys Integration Human Factors | 6,782 |
| | **Reduce General Aviation Fatalities** | **$8,440** |
| b. | Propulsion and Fuel Systems | 344 |
| c. | Advanced Materials/Structural Safety | 1,522 |
| d. | Flight Safety/Atmospheric Hazards Research | 1,378 |
| e. | Aging Aircraft | 3,584 |
| g. | Flightdeck/Maint/Sys Integration Human Factors | 1,612 |
| | **Aviation System Safety** | **$44,031** |
| h. | Aviation Safety Risk Analysis | 7,898 |
| i. | ATC/AF Human Factors | 8,899 |
| j. | Aeromedical Research | 6,382 |
| k. | Weather Research Safety | 20,852 |
| **A12.** | **Improve Efficiency of Air Traffic Control System** | **$0** |
| a. | Weather Research Efficiency | 0 |
| **A13.** | **Reduce Environmental Impact of Aviation** | **$7,975** |
| a. | Environment and Energy | 7,975 |
| **A14.** | **Improve Efficiency of Mission Support** | **$4,686** |
| a. | System Planning and Resource Management | 1,261 |
| b. | Technical Laboratory Facility | 3,425 |
| | **Total R,E&D** | **$100,000** |

**Table 6**

## AIRPORT AND AIRWAY TRUST FUND

Section 9502 of Title 26, U.S.C., provides for the receipts received in the Treasury from 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, Facilities and Equipment, Research, Engineering and Development, and Operations accounts, and for the Bureau of Transportation Statistics Office of Airline Information. The status of the fund is as follows (in millions of dollars):

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

| Identification code: 20-8103-0-7-402 | | FY 2002 Actual | FY 2003 Estimate | FY 2004 Estimate |
|---|---|---|---|---|
| | **Unexpended balance, start of year:** | | | |
| 0100 | Uninvested balance | 825 | 1,645 | 0 |
| 0101 | Par value | 13,660 | 10,997 | 12,340 |
| 0199 | Total balance, start of year | 14,485 | 12,642 | 12,340 |
| | **Cash Income during the year:** | | | |
| | Current law: | | | |
| | Receipts | | | |
| 1201 | Passenger ticket tax | 4,726 | 4,655 | 5,180 |
| 1202 | Passenger flight segment tax | 1,532 | 1,888 | 2,032 |
| 21203 | Waybill tax | 474 | 433 | 461 |
| 1204 | Fuel tax | 789 | 748 | 778 |
| 1205 | International departure/arrival tax | 1,282 | 1,426 | 1,526 |
| 1206 | Rural airports tax | 80 | 75 | 83 |
| 1207 | Frequent flyer tax | 148 | 155 | 158 |
| | Offsetting receipts (intragovernmental): | | | |
| 1240 | Interest: Airport and airway trust fund | 860 | 708 | 709 |
| | Offsetting collections: | | | |
| 1280 | Trust Fund share of FAA | 2 | 0 | 0 |
| 1281 | Facilities and equipment | 172 | 120 | 120 |
| 1282 | Research, engineering, and development | 4 | 16 | 16 |
| 1299 | Income under present law | 10,069 | 10,225 | 11.063 |
| | **Cash outgo during year:** | | | |
| 4500 | Trust fund share of FAA operations (Airport and airway trust fund) | -5,902 | -3,943 | -6,000 |
| 4501 | Grants-in-aid for airports (Airport and airway trust fund) | -2,860 | -3,244 | -3,299 |
| 4502 | Facilities and equipment (Airport and airway trust fund) | -2,737 | -2,968 | -3,229 |
| 4502 | Facilities and equipment offsetting collections | -172 | -120 | -120 |
| 4503 | Research, engineering and development (Airport and airway trust fund) | -200 | -201 | -157 |
| 4503 | Research, engineering and development offsetting collections | -4 | -16 | -16 |
| 4504 | Payment to air carriers | -34 | -30 | 0 |
| 4505 | Office of airline information | 0 | -4 | -4 |
| 4599 | Total cash outgo (-) | -11,909 | -10,526 | -12,825 |
| | **Unexpended balance, end of year:** | | | |
| 8700 | Uninvested balance | 1,645 | 0 | 0 |
| 8701 | U.S. Securities: Par value | 10,997 | 12,340 | 10,578 |
| 8799 | Total balance, end of year | 12,642 | 12,340 | 10,578 |
| 9801 | Obligated balance (-) | -7,282 | -7,330 | -7,010 |
| 9802 | Unobligated balance (-) | -573 | -443 | -494 |
| 9899 | Total Commitments (-) | -7,855 | -7,773 | -7,504 |
| 0900 | **Uncommitted balance, end of year** | 4,787 | 4,567 | 3,074 |

**Table 7**