



U.S. Department  
of Transportation  
**Federal Aviation  
Administration**



FISCAL YEAR 2012

# SUMMARY OF PERFORMANCE & FINANCIAL INFORMATION

*The FAA. Evolving Technology. Advancing Aviation.*



## OUR MISSION

To provide the safest, most efficient aerospace system in the world.

## OUR STRATEGIC GOALS AND OBJECTIVES

### NEXT LEVEL OF SAFETY

No accident-related fatalities occur on commercial service aircraft in the United States.

Aviation risk is reduced through all phases of flight (gate-to-gate).

There is a reduction in the general aviation fatal accident rate.

There are no fatalities resulting from commercial space launches.

### WORKPLACE OF CHOICE

The FAA is widely recognized as a workplace of choice.

### DELIVERING AVIATION ACCESS THROUGH INNOVATION

Safety, funding, airport infrastructure, and environmental issues are advanced and leveraged by full utilization of NextGen capabilities.

### SUSTAINING OUR FUTURE

Community noise concerns are not a significant constraint on growth.

Aviation emissions do not contribute to significant adverse health impacts.

### IMPROVED GLOBAL PERFORMANCE THROUGH COLLABORATION

Aviation accidents and fatalities are reduced worldwide.



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*The FAA. Evolving Technology. Advancing Aviation.*

## THE FAA AT A GLANCE<sup>1</sup>

<b>ESTABLISHED</b>	▪ 1958
<b>HEADQUARTERS</b>	▪ 800 Independence Avenue, SW Washington, DC 20591 <b><a href="http://www.faa.gov">www.faa.gov</a></b>
<b>FY 2012 BUDGET (enacted)</b>	▪ \$16.1 billion
<b>TOTAL EMPLOYEES</b>	▪ 47,031 employees
<b>HEADQUARTERS</b>	▪ 6,133 employees
<b>REGIONAL AND FIELD OFFICES</b>	▪ 36,246 employees
<b>TECHNICAL CENTER ATLANTIC CITY, NJ</b>	▪ 1,131 employees
<b>AERONAUTICAL CENTER OKLAHOMA CITY, OK</b>	▪ 3,521 employees
<b>FY 2012 PASSENGERS ON U.S. CARRIERS</b>	▪ 735.5 million ( <i>estimate</i> )
<b>FY 2012 TOWER OPERATIONS AND OVERFLIGHTS</b>	▪ 53.8 million arrivals and departures ( <i>estimate</i> )

<sup>1</sup> U.S. Department of Transportation, Federal Aviation Administration, Administrator's Fact Book, June 2012, by Deputy Assistant Administrator for Financial Services (Washington, D.C., 2012).

## ABOUT THIS REPORT

This report summarizes the Federal Aviation Administration's (FAA) more detailed Performance and Accountability Report (PAR). As an agency within the U.S. Department of Transportation (DOT), the FAA is not required to prepare a separate PAR or summary report. However, to demonstrate accountability, we choose to present our performance, management, and financial information, using the same statutory and guidance framework as that used by the DOT in its reporting. In some cases, however, we may depart from the format required of Chief Financial Officers Act agencies. This report and reports from prior years are available on the FAA website at [www.faa.gov/about/plans\\_reports/#performance](http://www.faa.gov/about/plans_reports/#performance).

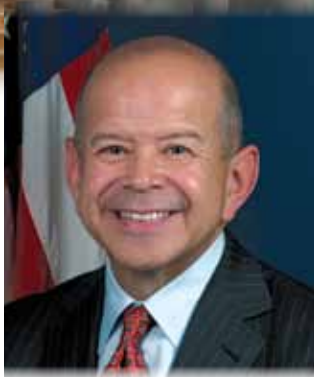
This report and reports from prior years are available on the FAA website at  
**[www.faa.gov/about/plans\\_reports](http://www.faa.gov/about/plans_reports)**

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**MICHAEL P. HUERTA**  
**ACTING ADMINISTRATOR**

# A MESSAGE FROM THE ADMINISTRATOR

Congress passed the FAA Modernization and Reform Act of 2012 (H.R.658) and the President signed it into law on February 14, 2012. This reauthorizing legislation has major significance for both FAA employees and the critical work that we do. After 23 short-term extensions, this four-year, \$63 billion act provides the stability and predictability needed to ensure that we can plan and execute critical aviation safety programs, advances in the Next Generation Air Transportation System (NextGen), infrastructure investments, and research and development initiatives.

We moved forward with three primary areas of focus throughout 2012:

- Make the safest aviation system in the world even safer...and smarter.
- Accelerate the benefits of NextGen right now.
- Empower the FAA's workforce of 47,000 to work even more efficiently and innovatively.

### **Aviation Safety**

In January 2012, the FAA published a final rule on pilot fatigue, guaranteeing commercial passenger pilots the opportunity for proper rest before they fly. The rule sets requirements for pilot flight time, "duty periods," and rest. Moreover, duty periods under the new rule include flight-related activities that are part of the workday, such as time spent training in an aircraft simulator or standing by on call at an airport.

We are also advancing the science of aviation safety itself with a decided shift to predictive systems that anticipate potential causes of accidents. As catastrophic events become more and more rare, the goal is to identify and mitigate risks before accidents occur.

### **NextGen Now**

The development and launch of NextGen is under way. For the passenger, the pilot, and the taxpaying public, NextGen means enhanced safety, decreased environmental impact, and more predictable schedules. We're already seeing these benefits in metropolitan areas around the country.

As part of the Greener Skies initiative, we are partnering with Alaska Airlines, the Port of Seattle, and the Boeing Company to create new NextGen approaches into the Seattle Tacoma Airport (SeaTac). These new flight tracks are shorter, more fuel efficient, and more environmentally friendly. As a result, we reached a milestone this summer. For the first time, Alaska Airlines flew customers into SeaTac using these new NextGen approaches.

To manage the FAA's NextGen effort, we have launched a new Program Management Organization within the Air Traffic Organization, specifically focused on implementing major technology programs. This new organization strengthens and improves the coordination among NextGen initiatives, taking them from the drawing board to live operation.

There is much more to NextGen. For more information, see <http://www.faa.gov/nextgen/>. Additionally, NextGen accomplishments and highlights appear on page 8 of this summary.

NextGen is not the only arena for new technology requiring a special focus. The FAA also created an Unmanned Aircraft Systems (UAS) Integration Office in 2012. This new office is the focal point for all of the agency's efforts dealing with unmanned aircraft. For more on UAS, see [http://www.faa.gov/news/fact\\_sheets/news\\_story.cfm?newsId=14153](http://www.faa.gov/news/fact_sheets/news_story.cfm?newsId=14153).

### **Enhanced Organizational Efficiency**

With resources growing increasingly tighter, we have taken direct steps to improve the efficiency of our internal workflow. In FY 2012, the FAA established a shared services organization to consolidate and provide a more centralized focus for finance, acquisition, information services, and regional operations support.

The shared services effort eliminates duplicate staffs and institutionalizes an effort to reduce and, where possible, eliminate information technology costs. This includes moving to state-of-the-art “cloud computing” for the administrative systems used by FAA employees.

### ***Destination 2025 Leads the FAA Into the Future***

The FAA’s new strategic plan—*Destination 2025*—focuses our performance on the five top agency targets that position us to meet the future successfully:

- **Next Level of Safety.** In 2012, we met our target to reduce commercial aviation fatalities, though reducing general aviation fatalities continues to pose a challenge. In addition, in 2012 we maintained our outstanding commercial space safety record. In May, Space X’s Dragon capsule, built by Space Exploration Technologies, successfully flew a demonstration mission showing it had the capacity to deliver critical supplies to the International Space Station and return safely to earth. For more information about the commercial space program, see page 15.
- **Workplace of Choice.** One of our strategic objectives is for the FAA to be widely recognized as a Federal employer of choice. We focus on creating a workplace marked by integrity, fairness, diversity, accountability, safety, and innovation. Building stronger leadership within the agency helps us to achieve strategic goals and manage people and resources more effectively, thus enhancing our standing as a workplace of choice.
- **Delivering Aviation Access Through Innovation.** Aviation access is about ensuring that airport and airspace services and capacity are better able to meet the needs of the flying public. To accomplish this strategic goal, we have given top priority to ERAM, a modernized automated system for routing flights through air route traffic control centers more efficiently. The new system will serve as a platform for adding other new NextGen tools and technologies.
- **Sustaining Our Future.** High levels of noise and fuel emissions pose the most significant environmental challenges to increasing aviation capacity, efficiency, and sustainability. In FY 2012, we were able to cut the number of people exposed to significant aircraft noise to below 319,901. We also improved aviation fuel efficiency by 14.76 percent over a 2000 baseline.
- **Improved Global Performance Through Collaboration.** The FAA continues to work with governments and industries around the globe to ensure that NextGen concepts, systems, and procedures are integrated with those under development internationally. The agency has established itself as a collaborative leader in a seamless global aviation system.

For more information on *Destination 2025*, see page 13 of this summary and the plan itself at [www.faa.gov/about/plans\\_reports/media/Destination2025.pdf](http://www.faa.gov/about/plans_reports/media/Destination2025.pdf).

We are proud to have received an unqualified opinion with no material weakness from our auditors on our FY 2012 financial statements. We also issued an unqualified statement of assurance and can state that the financial and performance data are reliable and complete.

Working in a difficult budgetary environment, we are dedicated to refining and adjusting our priorities as we move forward. We will select and deliver the technologies and programs that will help us achieve the greatest improvements in safety. We will continue to be careful stewards of the tax dollars we receive. The results in this report are a clear indication that we take this responsibility very seriously.



**Michael P. Huerta**  
Acting Administrator  
November 9, 2012







# MANAGEMENT'S DISCUSSION & ANALYSIS

## OUR ORGANIZATION

The National Airspace System (NAS) consists of a complex network of aviation-related systems and aircraft, combined with the people who certify, operate, and maintain these systems. The network includes more than 19,000 airports, 550 air traffic control facilities, and approximately 65,000 other facilities and pieces of equipment, including radar, communications nodes, ground-based navigation aids, computer displays, and radios, that operate continuously to provide safe and efficient flight services for users. More than 47,000 Federal Aviation Administration (FAA) personnel and 617,000 pilots manage more than 229,500 aircraft within the NAS. American air traffic controllers can be responsible for up to 2,880 flights at any given moment—half of the world's air traffic.

The FAA fulfills its mission through four Lines of Business that work collaboratively to create, operate, and maintain the NAS.

- **Air Traffic Organization (ATO).** Moves air traffic safely and efficiently. The customers of the world's largest air navigation service provider are commercial, private, and military aviation. Approximately 35,000 ATO employees provide services to these customers.
  - **Airports (ARP).** Provides leadership in planning and developing a safe, secure, and efficient airport system; manages the Airport Improvement Program (AIP), which provides grants to state and local governments; enhances environmental quality related to airport development; develops standards for the design and construction of airport facilities; establishes regulations for the safe operation of commercial service airports; and inspects airports for compliance.
  - **Aviation Safety (AVS).** Oversees the safety of aircraft and the credentials and competency of pilots and mechanics; develops mandatory safety rules; and sets the standards that have helped make this one of the safest periods in aviation history.
  - **Commercial Space Transportation (AST).** Oversees the safety of commercial space transportation activities; regulates the U.S. commercial space transportation industry, including human space flight; and encourages, facilitates, and promotes U.S. commercial space transportation.
- The FAA also created two new key Staff Offices this year to further the agency's mission:
- **Finance and Management (AFN).** Consolidates support services and provides a more centralized focus for finance, acquisition, information services, and the regions and center operations. The resulting streamlining of agency functions enables us to be more responsible stewards of FAA resources. The AFN is comprised of the following offices:

    - ◆ Financial Services
    - ◆ Acquisitions and Business Services
    - ◆ Information Services
    - ◆ Region and Center Operations (including The Mike Monroney Aeronautical Center in Oklahoma City, OK)
  - **Next Generation Air Transportation System (NextGen).** The FAA created a new office, separate from the ATO and reporting to the Deputy Administrator that provides leadership in planning and developing NextGen. The office also coordinates NextGen initiatives, programs, and policy development across the various FAA Lines of Business and Staff Offices. The William J. Hughes Technical Center, located in Atlantic City, NJ, supports the NextGen office, serving as the national scientific test base for the FAA.
- See [www.faa.gov/about/office\\_org](http://www.faa.gov/about/office_org) for more details about our organization.



# NextGEN TRANSFORMS THE FLYING EXPERIENCE

IN FEBRUARY 2012, the agency's first long-term Congressional authorization to become law in nearly a decade began providing the FAA with the greater financial guidance and stability essential to planning for the Next Generation Air Transportation System (NextGen). This planning is necessary because the flight technology used today has evolved about as much as it can. NextGen technologies and procedures are essential to upgrading and reinvigorating an aging air transportation system.

Both operators and the flying public will reap very substantial benefits from the transition from ground-based navigational aids (NAVAIDS) and radar to satellite-based navigation and surveillance: improved safety, fewer delays, capacity better matched to public demand, fuel savings, and better environmental performance (in the form of lower carbon and exhaust emissions, development of alternative fuels, and less noise).

Satellite-based navigation signals improve upon NAVAIDS and radar by delivering unprecedented levels of traffic awareness to both controllers and pilots with properly equipped airplanes. NextGen communication technologies will also reduce misunderstandings between controllers and flight crews by replacing many voice transmissions with digital instructions.

## NEXTGEN ACHIEVEMENTS NOW

### *The FAA's investment in the future is paying off now.*

- In a major milestone, two types of alternative jet fuel have been approved for commercial use under the Commercial Aviation Alternative Fuels Initiative (CAAFI). ASTM International, formerly known as the American Society for Testing and Materials, a globally recognized leader in the development and delivery of international voluntary consensus standards, announced approval of a 50 percent blend level of alternative jet fuel mixed with petroleum jet fuel. The alternative fuel is made from biomass, coal, or natural gas. In addition, a bio-derived, oil-based fuel known as HEFA fuel, also used at a 50 percent blend level with petroleum jet fuel, has been approved.
- Further work on new fuels is being conducted by the FAA's William J. Hughes Technical Center (Atlantic City, NY), which is putting regular fuel in one engine of a Piper Navajo and alternative fuel in the other engine, to test which performs better and by how much.
- In April 2012, Houston's air route traffic control center became the first in the Nation to integrate ADS-B technology (the satellite-based successor to radar) into En Route Automation Modernization (ERAM), NextGen's modernized en route automation system.
- In June 2012, ERAM permanently replaced the old airport computer systems in Seattle and Salt Lake City, the first in a series of switchovers that is expected to make ERAM fully operational nationwide over the next two years. Preliminary ERAM operating capability already exists in Albuquerque, Denver, Minneapolis, Chicago, Los Angeles, Oakland, and Houston.
- In June 2012, Alaska Airlines Flight 505 from Los Angeles landed at Seattle-Tacoma International Airport. Flight 505 was the first passenger flight in the Greener Skies Over Seattle initiative, a collaborative effort between the FAA, the airlines, the Port of Seattle, and the Boeing Corporation that will leave Seattle's skies quieter and greener. Alaska Airlines estimates that the Greener Skies procedures will cut fuel consumption by 2.1 million gallons annually and reduce carbon emissions by 22,000 metric tons, the equivalent of taking 4,100 cars off the road every year. In addition, the new procedures will reduce overflight noise exposure for an estimated 750,000 people living within the affected flight corridor.
- On July 26, 2012, two new NextGen optimized-profile descent procedures were introduced at Ronald Reagan Washington National Airport. These procedures provide more predictable and shorter flight paths into the airport and reduce carbon emissions. They also save 1,000-1,500 pounds of fuel per procedure flown. The procedures were named FRDMM ("freedom") and TRUPS ("troops") to honor the events of September 11, 2001.





A NextGen Technologies Interactive Map ([www.faa.gov/nextgen/flashmap](http://www.faa.gov/nextgen/flashmap)) shows where NextGen systems and procedures have already been implemented.

### NEXTGEN ACHIEVEMENTS COMING SOON

- An Automated Terminal Proximity Alert tool being rolled out at Minneapolis-St. Paul International Airport will help controllers keep track of spacing between aircraft lined up for final approach.
- Full ERAM deployment is planned for all 20 U.S. air route traffic control centers by August 2014.
- The deployment of initial ADS-B ground stations is scheduled for completion by late 2014.
- The United States and Mexico will expand ADS-B coverage over the Gulf of Mexico by 2016, adding more ADS-B radio stations (in addition to 21 radio stations already in the Gulf). The new stations will make possible a five-nautical-mile separation between aircraft, where 100 nautical miles had been required. The FAA estimates that the expansion will result in seamless surveillance of the Gulf area and bring nearly \$70 million in fuel savings because of more efficient use of the airspace over the Gulf of Mexico and along the U.S.-Mexican border.
- As the standards for ADS-B mature, pilots will be able to see other aircraft 50–60 miles away, adding an even greater measure of safety, so that they too, like controllers, will be more fully aware of what is happening in the airspace around them.

### SPREADING THE WORD ABOUT NEXTGEN

- In 2009, civil aviation constituted more than five percent of the Nation's gross domestic product and generated more than 10 million jobs. NextGen is indispensable to perpetuating the aviation industry's role as an engine of U.S. economic growth. Key to advancing NextGen is explaining and publicizing its benefits more widely.
- In March 2012, the FAA launched web-based NextGen Performance Snapshots (Web-NPS), a reporting tool that offers aviation stakeholders and FAA staff colorful graphics and comparative charts demonstrating the ongoing transformation of the NAS. The focus is on locations (airports and metroplexes) where the transformation can be most immediately appreciated. The tool can be viewed at [www.faa.gov/nextgen/snapshots](http://www.faa.gov/nextgen/snapshots).
- The FAA is working with airline executives to identify—and track—the benefits of NextGen for commercial aviation. The results will, in turn, be shared with the public.
- This fall the U.S. Travel Association will work with the FAA on a NextGen outreach initiative, placing videos and other materials publicizing the benefits of NextGen on the tourism websites of five cities, as well as distributing materials to travel organizers planning meetings in those cities.



## MANAGEMENT CHALLENGES

The Reports Consolidation Act of 2000 requires the Inspector General (IG) to identify and report each year on the most serious management and performance challenges that Federal agencies face. The DOT IG's report, issued soon after the beginning of the fiscal year, highlights urgent issues for the Department as a whole.

The FAA was asked to play the lead role in addressing some of the DOT-wide challenges identified by the IG, and given a support role in addressing other challenges. In a few cases, the FAA had no required actions. Of the nine challenges identified in the IG memo, the FAA was responsible for addressing the following five in FY 2012:

- Ensuring Effective Oversight of Key Initiatives that Can Improve Aviation Safety
- Ensuring Effective Oversight of American Recovery and Reinvestment Act (ARRA) Projects and Applying Related Lessons Learned to Improve the DOT's Infrastructure Programs
- Managing NextGen's Advancement While Controlling Costs

- Managing DOT Acquisitions in a Smarter and More Strategic Manner to Maximize Limited Resources and Achieve Better Mission Results
- Improving the DOT's Cyber Security

### Looking Ahead to FY 2013

The IG has identified the following top management challenges for FY 2013:

- Ensuring that NextGen Advances Safety and Air Travel
- Enhancing the FAA's Oversight and Use of Data to Identify and Mitigate Safety Risks
- Strengthening Financial Management Over Grants to Better Use Funds, Create Jobs, and Improve Infrastructure
- Assuring Effective Management of the DOT's Acquisitions to Maximize Value and Program Performance
- Managing and Securing Information Systems to Modernize Technology Infrastructure Efficiently and Protect Sensitive Data from Compromise

We will report on our progress in addressing these challenges in our FY 2013 PAR.





## THE YEAR IN HIGHLIGHTS

### *The FAA Serves the Flying Public by Operating a System that:*

- ☑ Operates 24 hours a day, 7 days a week, 365 days a year.
- ☑ Provides more than 65,000 facilities and pieces of equipment.
- ☑ Maintains FAA-operated or contracted towers at more than 500 airports.
- ☑ Inspects and certifies approximately 229,500 aircraft and 617,000 pilots.
- ☑ Facilitates almost 5,750 takeoffs and landings per hour.
- ☑ Transports more than 735.5 million passengers annually.
- ☑ Safely guides approximately 70,000 flights through the world's preeminent aerospace system every day.
- ☑ Generates more than 10 million jobs, with earnings of \$394 billion.
- ☑ Contributes \$1.3 trillion annually to the national economy and constitutes 5.2 percent of the gross domestic product.

### *The FAA Provides:*

- ☑ A workforce of more than 47,000 professionals to operate and maintain the most complex air traffic control system in the world.
- ☑ An array of services and programs within an annual budget of approximately \$16.1 billion.
- ☑ More than 15,000 controllers, who manage and ensure ever-increasing levels of safety in the busiest air traffic system in the world.
- ☑ More than 6,000 technicians, who maintain the equipment in the NAS to extremely high levels of operability.
- ☑ Research to improve aviation safety and efficiency.
- ☑ Grants to improve 3,333 eligible public-use airports in the United States.
- ☑ Protection of the public, property, and national security and foreign policy interests of the United States during commercial space launch and reentry activities.





# PERFORMANCE HIGHLIGHTS



## MEASURING PERFORMANCE

Our strategic plans, annual business plans, human capital plans, program evaluations, annual PARs, and our constant reevaluation of our efforts create a recurring cycle of planning, program execution, measurement, verification, and reporting. We have created a strong link between resources and performance that focuses us on accomplishing defined priorities in the context of their costs.

In our first annual PAR in FY 2002, we listed 10 performance goals in the strategic areas of safety, system efficiency, and organizational excellence. From 2003 through 2011, we published several strategic plans, known as Flight Plans. Beginning in FY 2012, we developed a new strategic plan, *Destination 2025*. Like all of our former Flight Plans, it provides the framework to match resources with initiatives for long-term change.

As we moved from our Flight Plans to *Destination 2025*, we restructured our strategic goals and the performance measures supporting these goals. For FY 2012, we are reporting on 14 performance measures in the PAR rather than the 29 measures we tracked in FY 2011. However, we continue to track 16 additional measures internally. We report the status of all measures in our monthly performance meetings and our monthly performance scorecards, which are reviewed by the FAA Administrator.

### Strategic Goals

Our *Destination 2025* strategic goals are

- Next Level of Safety
- Workplace of Choice
- Delivering Aviation Access Through Innovation
- Sustaining Our Future
- Improved Global Performance Through Collaboration

### THE FAA TAKES FLIGHT WITH *DESTINATION 2025*

*Destination 2025* envisions the ideal future that the FAA strives for—a transformation of the Nation's aviation system in which air traffic will move even more safely, swiftly, efficiently, and seamlessly around the globe than it does now. It updates the prior agency blueprint, the 2009–2013 Flight Plan. The new document reflects NextGen goals and benchmarks, since NextGen is recognized as the future of the agency and the industry. (See the NextGen spread on pages 8–9.)

Highlighted goals from *Destination 2025* include the following:

- No accident-related fatalities occur on commercial service aircraft in the United States.
- Employees rate the FAA in the top 25 percent of places to work in the Federal Government.

- NextGen capabilities are fully implemented and utilized, based on U.S. aviation needs.
- The United States works internationally to improve and harmonize global aviation performance through interoperable standards, procedures, and technologies.
- Environmental sustainability is advanced by accelerating NextGen innovations that reduce noise, fuel burn, and carbon emissions, even with continued growth in aviation.

*Destination 2025* sets the blueprint for transforming not only the aviation system, but also the FAA itself. It acknowledges the need to streamline operations by working in a more cross-organizational and cross-functional manner and the challenge

of “providing an attractive and challenging place to work.”

Another major challenge mentioned in the document is working with domestic and international partners to encourage “open reporting of safety concerns” in order to address hazards before they become accidents.

As a result of fulfilling 2025 goals, it is predicted that “Costs will be contained for both operators and passengers.” The document provides metrics for 2018 as a midpoint for evaluating progress toward 2025.

*Destination 2025* is the product of extensive outreach to employees, aviation stakeholders, and the public, with more than 450 people commenting through a web-based discussion tool.

[www.faa.gov/about/plans\\_reports/media/Destination2025.pdf](http://www.faa.gov/about/plans_reports/media/Destination2025.pdf)

## PERFORMANCE AT A GLANCE

### YEAR TO YEAR PERFORMANCE GOALS ACHIEVED

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
<b>Number of Performance Targets Met</b>	27 of 30	24 of 30	26 of 29	28 of 31	28 of 31	27 of 29	11 of 14
<b>Percentage of Performance Targets Met</b>	90%	80%	90%	90%	90%	93%	92%

To view the full array of performance data, please visit <http://www.dot.gov/budget/dot-budget-and-performance>. For archived performance information, visit <http://www.dot.gov/mission/budget/dot-annual-budget-and-performance-archive>.

### Alignment of FAA Costs And Goals

The FAA's total net budget of more than \$16.1 billion was allocated to our strategic goal areas in the amounts described below.

**1. NEXT LEVEL OF SAFETY.** Nearly \$9.7 billion, or about 60 percent, of our total net cost was devoted to our primary goal of ensuring the safety of the NAS.

- The Office of Airports (ARP) directed more than \$1.6 billion to establishing safe airport infrastructure.
- The Air Traffic Organization (ATO) spent approximately \$6.3 billion, largely on maintaining the safe separation of aircraft in the air and on the ground.
- The Aviation Safety Organization (AVS) spent just over \$1.4 billion on its programs to regulate and certify aircraft, pilots, and airlines, directly supporting the safety of commercial and general aviation.

- The Office of Commercial Space Transportation (AST), the other FAA Staff Offices, and other programs spent slightly more than \$357 million to further support the agency's safety mission.

**2. WORKPLACE OF CHOICE.** Approximately \$687 million supported our workplace of choice goal, to which nearly all the Lines of Business and Staff Offices contributed.

**3. DELIVERING AVIATION ACCESS THROUGH INNOVATION.** Approximately \$5.7 billion—or about 35 percent of total net costs—was assigned to support our goal of expanding the capacity of the NAS, particularly through the pursuit of programs contributing to the NextGen initiative.



*The FAA's Western Pacific Region conducted triennial airport emergency operations training in the Federated States of Micronesia, which included a live airport emergency exercise. Local students acted as accident victims during the simulation.*

- The ATO spent approximately \$4.3 billion, largely to finance its facilities and equipment projects.
- The ARP spent nearly \$1.5 billion to enhance the capacity of the country's airports through runway projects and other efforts.
- The AST contributed more than \$6.7 million to improving commercial space launch capabilities through its Spaceport Grant program.

**4. SUSTAINING OUR FUTURE.** As a whole, we committed approximately \$91.3 million to support environmental sustainability. This funding supported

research programs in alternative fuels and increases in aircraft energy efficiency. Airport Improvement Program grants were also targeted toward reducing aviation noise near large airports.

**5. IMPROVED GLOBAL PERFORMANCE THROUGH COLLABORATION.** As a whole, we committed approximately \$6.7 million to strengthening our international leadership role in aviation. These efforts included programs aimed at reducing fatal accidents around the world. Funding for training and technical assistance helped promote safety standards as well.

## NEWS FROM COMMERCIAL SPACE

### Commercial Space Transportation Payload

In May 2012, the Dragon capsule, built by SpaceX (Space Exploration Technologies), successfully flew a "demonstration" mission showing that it had the capacity to deliver critical supplies to the International Space Station (ISS) and return safely to earth. Having completed this milestone, Dragon will add a new dimension to commercial space flight in October 2012 by making the first of what will be several unmanned cargo flights to the ISS.

One of the most significant impacts of space shuttle retirement last year was the temporary loss of American capability to transport astronauts and cargo to and from the ISS. Dragon flights will address the cargo aspect of U.S. transportation needs. These missions are regulated, inspected for safety, and licensed by the FAA's

only space-related Line of Business, the Office of Commercial Space Transportation.

To meet its human transportation requirements, NASA is funding three companies' development of vehicles designed to provide astronaut flights to the ISS. This capability may emerge by 2017, if not sooner. Until then, NASA will pay the Russian space program to provide this service, at a cost of more than \$60 million per person per trip, approximately twice a year.

NASA will initially be the primary customer for U.S. commercial transportation providers, but non-NASA customers may also emerge, increasing market size and leading to cost reduction. As commercial providers make Earth-to-orbit transportation more affordable, NASA will have more resources available for missions deeper into space.

### On The Horizon

Also on the commercial space horizon are suborbital reusable vehicles (SRVs), rockets designed to travel into space without achieving orbit. The FAA will license, regulate, and inspect these vehicles. Initial operations may begin as early as 2013 or 2014, and market research suggests that potential customers may be willing to spend from \$300 million to more than \$1.6 billion for SRV flight services over an initial 10-year period of industry operations. Future markets for SRVs may include not only commercial human space flight but also such activities as aerospace technology testing, basic and applied research, satellite deployment, media and public relations, and educational opportunities.



SpaceX Dragon Capsule



## PERFORMANCE RESULTS

The following tables summarize our performance on all 14 of our FY 2012 *Destination 2025* performance measures. The details listed for each measure reflect the strategic goals and objectives spelled out in the *Destination 2025* plan.

The results of two of the 14 FY 2012 targets are not yet available as of the date of publication. Therefore, only known results are reported here and the percentages given in the tables have been computed based solely on the 12 targets for which results are available at this time.

### 1 NEXT LEVEL OF SAFETY

By achieving the lowest possible accident rate and always striving to improve safety, all users of our aviation system can arrive safely at their destinations. We will advance aviation safety worldwide.

#### FY 2012: SAFETY PERFORMANCE MEASURES AND RESULTS

Performance Measure	FY 2012 Target	FY 2012 Result	FY 2012 Status	FY 2013 Target
<b>Commercial Air Carrier Fatality Rate</b> In FY 2012, the commercial air carrier fatality rate will not exceed 7.6 fatalities per 100 million people on board. <i>Agency Priority Goal</i>	7.6	0.0 <sup>1</sup>	✓	7.4
<b>Serious Runway Incursion</b> Reduce Category A and B (most serious) runway incursions to a rate of no more than 0.395 per million operations, and maintain or improve through FY 2013.	0.395	0.356 <sup>2</sup>	✓	0.395
<b>System Risk Event Rate</b> Reduce risks in flight by limiting the rate of the most serious losses of standard separation to 20 or fewer for every thousand (.02) losses of standard separation within the National Airspace System.	20	8.95 <sup>2</sup>	✓	20
<b>Information Security</b> Ensure no cyber security event significantly degrades or disables a mission-critical FAA system.	0	0	✓	0
<b>General Aviation Fatal Accident Rate</b> Reduce the fatal accident rate per 100,000 flight hours by 10 percent over a 10-year period (2009-2018). <i>Agency Priority Goal</i>	1.07	1.10 <sup>3</sup>	✗	1.06
<b>Commercial Space Launch Accidents</b> No fatalities, serious injuries, or significant property damage to the uninvolved public during licensed or permitted space launch and reentry activities.	0	0	✓	0

1 Preliminary estimate. Final result to be confirmed by National Transportation Safety Board March 2014.

2 Preliminary estimate. Final result available January 2013.

3 Preliminary estimate. Final result available March 2014.

✓ Target met

✗ Target not met



In FY 2012, we met five of six safety goals, missing our target for General Aviation Fatal Accident Rate. The key results are as follows:

- **Commercial Air Carrier Fatality Rate.** With more than 10.4 million flights and 735.5 million passengers in FY 2012, commercial aviation continues to be one of the safest forms of transportation. As the stewards of aviation safety, the FAA and the aviation industry have built a system that has reduced the risks of flying to all-time lows. Commercial aviation includes both scheduled and nonscheduled flights of U.S. passenger and cargo air carriers and scheduled passenger flights of regional operators. Accidents involving passengers, crew, ground personnel, and the public are all included in this fatality rate.

In FY 2012, with no commercial fatal accidents, we were successful in maintaining the commercial air carrier rate below 7.6 fatalities per 100 million people on board, a result that is not expected to change in future years. However, the FY 2012 result will not be confirmed as final by the National Transportation Safety Board until March 2014. Our focused, data-driven safety agenda, with its emphasis on using the latest technology and training to break the chain of events that lead to accidents, continues to keep the skies safe for commercial passengers. The work of the Commercial Aviation Safety Team (CAST) also contributed significantly to our success.

- **Serious Runway Incursion Rate.** A runway incursion is any unauthorized intrusion onto a runway, regardless of whether or not there is the potential for a collision or accident. This includes the incorrect presence of an aircraft, vehicle, or person on the protected area of a surface designated for the landing and takeoff of aircraft. Such events can create dangerous conditions and lead to serious incidents, potentially involving fatalities, injuries, and significant property damage. The FAA tracks the following two categories of most serious runway incursions:

- ◆ **Category A**—a serious incident in which a collision is narrowly avoided
- ◆ **Category B**—an incident in which the required separation decreases and a time-critical corrective/evasive response may need to be taken to avoid a collision

Reduction in the number and severity of runway incursions is one of the FAA's top priorities. The FY 2012 preliminary estimate for the rate of Category A and B runway incursions was 0.356, just below the established end-of-year goal of 0.395 serious events per million operations. We are currently meeting expectations for this indicator with 18 Category A&B runway incursion surface events. As there are events pending assessment, we remain cautiously optimistic that we will meet the end-of-year target. It is estimated that the number of Category A and B runway incursions will fall within the established rate limit of 20.

- **General Aviation Fatal Accident Rate.** General aviation (GA) encompasses a diverse range of aviation activities, from single-seat homebuilt aircraft, helicopters, balloons, and single- and multiple-engine land and seaplanes to highly sophisticated, extended-range turbojets (executive jets). With more than 300,000 aircraft, the United States has the largest and most diverse GA community in the world. Our goal is to reduce the GA fatal accident rate by 10 percent over a 10-year period (2009-2018).

We did not meet the FY 2012 GA target. We finished the year with a rate of 1.10 fatal accidents per 100,000 flight hours. A disproportionate number of the fatalities occurred in the area of experimental aircraft. "Loss of Control" continues to be the leading cause, accounting for about 70 percent of all fatal GA accidents. Approximately 80 percent of fatal accidents are directly related to human factors.

## 2 WORKPLACE OF CHOICE

We will create a workplace of choice marked by integrity, fairness, diversity, accountability, safety, and innovation. Our workforce will have the skills, abilities, and support systems needed to achieve and sustain NextGen.

### FY 2012 WORKPLACE OF CHOICE PERFORMANCE MEASURES AND RESULTS

Performance Measure	FY 2012 Target	FY 2012 Result	FY 2012 Status	FY 2013 Target
<b>FAA Ratings</b> 75th percentile rank in the Best Places to Work (BPTW) Index for Federal Agencies Subcomponents. <sup>1</sup>	75%	TBD	TBD	75%
<b>Outside Ratings</b> Achieve a 90 percent success rate in the areas of financial management and human resources management. <sup>1</sup>	90% success rate	TBD	TBD	90% success rate

1 Preliminary estimate. Result expected by November 30, 2012. ✓ Target met ✗ Target not met

We operate the largest and safest aerospace system in the world. To do this efficiently, we must continually provide stronger leadership, a better-trained and safer workforce, and improved decisionmaking. We will not have the FY 2012 results available for the two workplace of choice performance measures until early FY 2013.

## 3 DELIVERING AVIATION ACCESS THROUGH INNOVATION

Enhance the flying experience of the traveling public and other users by improved access to and increased capacity of the nation's aviation system. Ensure airport and airspace capacity are more efficient, predictable, cost-effective and matched to public needs.

### FY 2012 AVIATION ACCESS PERFORMANCE MEASURES AND RESULTS

Performance Measure	FY 2012 Target	FY 2012 Result	FY 2012 Status	FY 2013 Target
<b>Air traffic control systems can improve the efficiency of airspace.</b> By September 30, 2013, replace a 40-year old computer system serving 20 air traffic control centers with a modern, automated system that tracks and displays information on high altitude planes. <i>Agency Priority Goal</i>	7	7	✓	11
<b>Major Systems Investments</b> In FY 2012, maintain 90 percent of major system investments within 10 percent variance of current acquisition program baseline (APB) total budget at completion. <sup>1</sup>	90%	100%	✓	90%
<b>LPV Procedures</b> Publish 500 LPV or LP procedures in FY2012 to ensure Localizer Performance (LP) or Localizer Performance w/Vertical (LPV) procedures are available at 5,218 runways in the NAS.	500	536	✓	500

1 Preliminary estimate. System Approach Safety Oversight is under technical status review and could still exceed its baseline. This will not affect achievement of the overall goal. ✓ Target met ✗ Target not met

Improved access and increased capacity are the backbone of air travel. In FY 2012, we met all three aviation access measures. A key aviation access success was this one:

- **By September 30, 2013, replace a 40-year old computer system serving 20 air route traffic control centers with a modern, automated system that tracks and displays information on high-altitude planes.** The En Route Automation Modernization (ERAM) System replaced the 40-year-old “Central Computer Complex HOST” system used at air route traffic control centers around the country to guide airplanes flying at high altitudes. ERAM enables the FAA to maximize its use of airspace, substantially increase the number of flights that can be tracked and displayed, and to enhance its back-up capability. ERAM was originally planned for completion by December 2010. Due to several testing and implementation challenges, the program was rebaselined in June 2011. We achieved initial operating

capability at two sites by the end of FY 2011. In FY 2012, we met our target of achieving initial operating capability at seven sites. As of September 30, 2012, ERAM was operating in some capacity at nine centers:

- ◆ Salt Lake City, UT
- ◆ Seattle, WA
- ◆ Denver, CO
- ◆ Albuquerque, NM
- ◆ Minneapolis, MN
- ◆ Chicago, IL
- ◆ Oakland, CA
- ◆ Los Angeles, CA
- ◆ Houston, TX

We plan to achieve initial operation capability at the remaining 11 sites by the end of FY 2013. Following is the FY 2013 schedule:

- First quarter FY 2013 — Kansas City, New York, and Boston
- Second quarter FY 2013 — Indianapolis, Washington, Cleveland, and Memphis
- Third quarter FY 2013 — Fort Worth and Atlanta
- Fourth quarter FY 2013 — Jacksonville and Miami

## 4 SUSTAINING OUR FUTURE

To develop and operate an aviation system that reduces aviation’s environmental and energy impacts to a level that does not constrain growth and is a model for sustainability.

### FY 2012 SUSTAINING OUR FUTURE PERFORMANCE MEASURES AND RESULTS

Performance Measure	FY 2012 Target	FY 2012 Result	FY 2012 Status	FY 2013 Target
<b>Noise Exposure</b> Reduce the number of people exposed to significant aircraft noise to less than 386,000 in calendar year 2012.	386,000	319,901 <sup>1</sup>	✓	371,000
<b>NAS Energy Efficiency</b> Improve aviation fuel efficiency by 14 percent, as measured by the calendar year 2011 fuel burned per revenue mile flown, relative to the calendar year 2000 baseline.	-14.00%	-14.76%	✓	-16.00%

<sup>1</sup> Preliminary estimate based on Terminal Area Forecast operations for 2012.  
 Final estimate based on actual 2012 operations will be available in May 2013.

✓ Target met

✗ Target not met

In FY 2012, we met both of these environmental goals. The NAS energy efficiency metric demonstrates our success in reducing aviation emissions and minimizing environmental impact.

- **NAS Energy Efficiency.** Measuring and tracking the fuel efficiency of aircraft operations allows the FAA to monitor improvements in commercial aircraft/engine technology and operational procedures, as well as enhancements in the airspace transportation system.

With a result of -14.76%, the FAA exceeded the FY 2012 energy efficiency target as measured by the calendar year 2011 rate of fuel burned per revenue mile flown, relative to the calendar year 2000 baseline.

A combination of factors is responsible for our meeting this target. Better aircraft fleet performance, low air traffic growth, and enhanced air traffic management of the airspace system all contributed to our success. Aircraft fleet performance is still improving, due to

efforts by airlines to eliminate aircraft that are less efficient. And because air traffic growth has not yet returned to the levels previously seen, there are fewer of the delays and less of the congestion that would negatively influence this performance measure.

## 5 IMPROVED GLOBAL PERFORMANCE THROUGH COLLABORATION

Achieve enhanced safety, efficiency, and sustainability of aviation worldwide. Provide leadership in collaborative standard-setting and creation of a seamless global aviation system.

FY 2012 GLOBAL PERFORMANCE MEASURES AND RESULTS				
Performance Measure	FY 2012 Target	FY 2012 Result	FY 2012 Status	FY 2013 Target
<b>World-wide Fatal Aviation Accidents</b> In FY 2012, limit world-wide fatal accidents in Part 121-like operations to no more than 20 fatal accidents per million revenue aircraft departures.	20	10 <sup>1</sup>	✓	20
1 Final numbers for 2012 will be available when International Civil Aviation Organization updates their worldwide departure data in July 2013.			✓ Target met	✗ Target not met





In FY 2012, we met our one global performance goal.

- Worldwide Fatal Aviation Accidents.** In FY 2012 we established a performance metric that tracks aviation-related fatalities around the world. With a preliminary result of 10, it appears that we will achieve our target to limit worldwide fatal accidents in Part 121-like (commercial aviation) operations to no more than 20 fatal accidents per million revenue-earning aircraft departures.

Achieving a consistent level of safety in global air transport is a challenge. Many countries and regions around the world have competing priorities, insufficient resources, unstable political and economic environments, or diverging approaches to legislative and regulatory requirements affecting civil aviation safety. Many such factors beyond the direct influence of the FAA or of the aviation community can influence results.

## AVIATION FIRE SAFETY

The William J. Hughes Technical Center in Atlantic City, NJ, the FAA's national scientific test base, is the world leader in civil aircraft fire research and testing. This includes both in-flight fire prevention and post-crash fire survivability. The FAA has set a number of fire standards that are followed by the entire aviation industry, including:

- Seat cushion fire-blocking layers
- Low-heat and smoke-release interiors
- Heat-resistant evacuation slides
- More stringent cargo compartment fire protection requirements

### Lithium Cargo Fires

The shipment of lithium batteries in passenger and freight aircraft is thought to pose an extremely serious threat of cargo compartment fires. In two recent fatal freighter fires, a large number of lithium batteries were in the cargo hold. These batteries, which can spontaneously combust, are used in mobile phones, hearing aids, tablets, and laptop computers.

The Tech Center's Fire Safety Branch has conducted numerous tests on lithium batteries. Boeing agreed with FAA warnings and

recommendations on lithium battery transport and issued a Multiple Operator Message. In February 2012, the United Nation's International Civil Aviation Organization (ICAO) proposed standards requiring packages containing more than eight lithium cells to be declared hazardous material. If approved, the standards will go into effect on January 1, 2013.

### The FAA's Western-Pacific Region Provides Firefighter Training in Micronesia

The FAA partners with the Pacific Region Aircraft Rescue Firefighter Training Center (PRATC) in Saipan (the Northern Mariana Islands) and United Airlines to provide critical firefighter workshops to Micronesia. Micronesia is an area of the western Pacific Ocean, north of Australia, that consists of thousands of small islands, including the Federated States of Micronesia and the Republics of Palau and the Marshall Islands. The FAA is involved in Micronesia because the United States has a compact with these three international

countries (formerly U.S. trust territories) to provide aviation services and related technical assistance.

The partnership was established to ensure that Pacific region aircraft rescue firefighters are properly trained in live fire safety techniques and emergency situations. The firefighter workshops are especially vital in an area as widely dispersed as Micronesia, where help is far away. In September 2012, a full-scale emergency exercise was successfully conducted that included more than 300 participants.

The FAA will continue to work with Micronesia's officials to plan and create future opportunities to develop firefighters to their full potential.



*The Pacific Aircraft Rescue Firefighter Training Center in Saipan, Commonwealth of the Northern Marianas, conducts FAA-sponsored training at the simulator for airport firefighters from Micronesia.*

## A MESSAGE FROM THE CHIEF FINANCIAL OFFICER



**MARK HOUSE**  
**CHIEF FINANCIAL OFFICER**

The Federal Government is facing a period of significant budget uncertainty. We are all being asked to do more with less. However, we remain committed in our efforts to meet the American people's expectations and accomplish our mission in the most efficient and effective manner possible.

To date, the FAA has successfully managed to strike the optimal balance between maintaining the Nation's aviation infrastructure while deploying the capabilities needed to advance NextGen. However, a key challenge, as noted by the DOT Inspector General, will be setting realistic plans, budgets, and expectations for NextGen in a fiscally constrained environment. But we will always maintain our focus on safety.

Over the past several years, the FAA has implemented effective cost reduction efforts such as concentrating purchasing power; consolidating information technology resources; strengthening the management of capital programs through the establishment of a dedicated Program Management Office; and reducing travel and support contracts. Using solid financial management practices, the FAA has kept non-payroll costs essentially flat since 2008.

The FAA has also established a new shared services organization, the Office of Finance and Management. Shared services is a business model in which internal support services, such as financial management, acquisitions, and information technology, are consolidated. Over the next few years, we will standardize these services to optimize cost and service performance.

I am pleased to report that we achieved an unqualified audit opinion with no material weaknesses on our FY 2012 financial statements. Additionally, for the eighth time, the Association of Government Accountants (AGA) awarded us the Certificate of Excellence in Accountability Reporting (CEAR), their highest form of recognition in Federal Government financial and performance management reporting. The FAA won the award for superior work on the *FY 2011 Performance and Accountability Report*.

A handwritten signature in blue ink that reads "Mark House". The signature is fluid and cursive.

**Mark House**  
Chief Financial Officer  
November 9, 2012



## FINANCIAL HIGHLIGHTS

## FINANCIAL HIGHLIGHTS

Following are highlights of the FAA's FY 2012 financial performance. For a more detailed look at the financial statements and accompanying notes, see our FY 2012 PAR pages 29–33 and 83–119. The PAR is available on our Web site at [www.faa.gov/about/plans\\_reports](http://www.faa.gov/about/plans_reports).

For FY 2012, The Airport and Airway Trust Fund (AATF) provided approximately 71 percent of our enacted budget authority. Created by the *Airport and Airway Revenue Act of 1970*, the AATF derives its funding from excise taxes and earned interest. Aviation related excise taxes that are deposited into the fund come from taxes on domestic passenger tickets, freight waybills, general and commercial aviation fuel, and international departures and arrivals.

The U. S. Treasury maintains the AATF and invests the excise tax deposits in Government securities. Interest earned is also deposited into the fund and invested. Investments are liquidated as needed and the cash is transferred into each FAA appropriation to cover obligations.

We are financed through annual and multiyear appropriations authorized by Congress. The FY 2012 enacted budget of \$16.1 billion was a slight increase from the FY 2011 enacted level of \$15.9 billion. This included \$11.51 billion from the AATF and \$4.6 billion from the

General Fund, as enacted by the *Consolidated and Further Continuing Appropriations Act, 2012* (PL.42-55).

The FAA has four appropriations. The largest, Operations, is funded by both the Treasury's General Fund and the AATF. In FY 2012, the AATF provided 52.4 percent of the revenue for Operations. The AATF is the sole revenue source for our three capital investment appropriations:

- Grants-in-Aid for Airports (AIP)
- Facilities and Equipment (F&E)
- Research, Engineering, and Development (R,E,&D)

### Operations

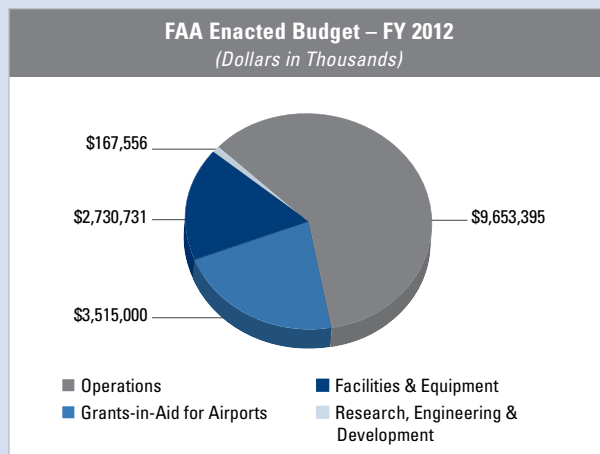
The Operations appropriation is used to finance operating costs, maintenance, communications, and logistical support for the air traffic control and air navigation systems. It also funds the salaries and costs associated with carrying out our safety inspection and regulatory responsibilities. In addition, the account covers administrative and managerial costs for our international, medical, engineering, and development programs, as well as for policy oversight and overall management functions.

The FY 2012 Operations appropriation was \$9.7 billion, approximately 1.47 percent more than in FY 2011, an increase primarily attributable to payroll and inflation costs.

### AIP

The Secretary of Transportation is authorized to award grants for planning and development to maintain a safe and efficient nationwide system of public airports. These grants fund approximately one third of all capital development at the Nation's public airports. Grants are issued to maintain and enhance airport safety, preserve existing infrastructure, and expand capacity and efficiency throughout the system. The program also supports noise compatibility and planning, the military airport program, reliever airports, and airport program administration.

FY 2012 funding for AIP was \$3.5 billion. Funding for the Small Community Air Service Development program was \$6 million, the same as the FY 2011 appropriation.





### F&E

The programs funded by the F&E appropriation are our principal means of modernizing and improving air traffic control and airway facilities, particularly through programs supporting NextGen. The account finances major capital investments to enhance the safety and capacity of the NAS. F&E was funded at \$2.7 billion in FY 2012, the same level as in FY 2011. Several major systems that contribute to the NextGen effort reached significant milestones in FY 2012. These include Automatic Dependent Surveillance-Broadcast (ADS-B), System Wide Information Management (SWIM), and En Route Automation Modernization (ERAM).

### R,E,&D

The FY 2012 appropriation for R,E,&D of \$167.6 million was about 1.2 percent lower than the FY 2011 level. The reduction for FY 2012 included small cuts in programs supporting safety and improvements in the efficiency of the air traffic control system. At the same time, research supporting the reduction of aviation's environmental impacts was increased by nearly 10 percent.

FAA's summarized assets, liabilities and net position are shown on page 30.

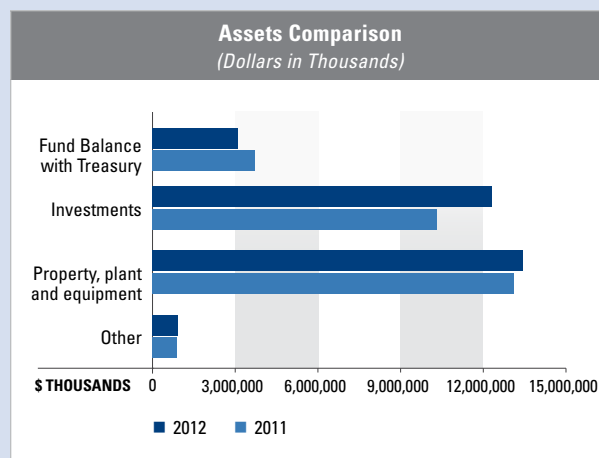
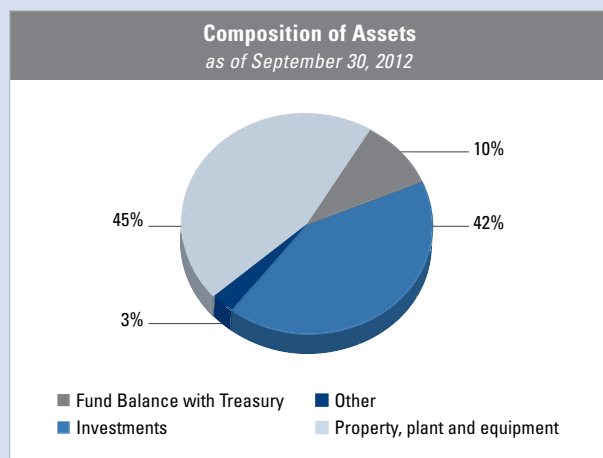
Total assets were \$29.8 billion as of September 30, 2012. FAA's assets are the resources available to pay liabilities or satisfy future service needs. The Composition of Assets chart depicts major categories of assets as a percentage of total assets.

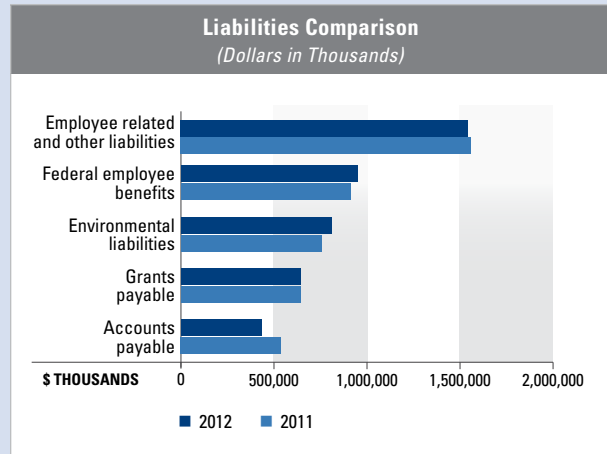
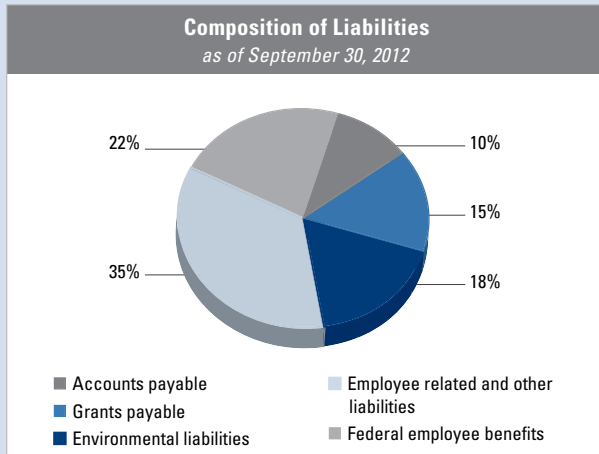
The *Assets Comparison* chart presents comparisons of major asset balances as of September 30, 2011 and 2012.

*Fund balance with Treasury* represents 10% of FAA's current period assets and consists of funding available through U.S. Department of Treasury accounts from which FAA is authorized to make expenditures to pay liabilities. It also includes passenger ticket and other excise taxes deposited to the AATF, but not yet invested. Fund balance with Treasury decreased from \$3.7 billion to \$3.1 billion.

At \$12.3 billion, *Investments* represent 42% of FAA's current period assets, and are derived from passenger ticket and other excise taxes deposited to the AATF and premiums collected from the Aviation War Risk Insurance Program. These amounts are used to finance FAA's operations to the extent authorized by Congress and to pay potential insurance claims. Investments increased by \$2.0 billion due to an increase in excise tax revenues of \$1.0 billion, yearly war risk premiums of \$160.6 million, and earned interest of \$244.9 million. Additionally, Investments are not liquidated until needed to fund expenses which accounts for the remaining increase on a comparative basis.

At \$13.4 billion, *General property, plant, and equipment, net* (PP&E) represents 45% of FAA's assets as of September 30, 2012, and primarily comprises construction-in-progress related to the development of National Airspace System assets, and capitalized real and personal property. There was an increase of \$328





million in the total composition of PP&E as purchases of equipment and additions to construction-in-progress through the normal course of business were greater than the offsets by retirements, disposals, and depreciation.

As of September 30, 2012, FAA reported liabilities of \$4.4 billion. Liabilities are probable and measurable future outflows of resources arising from past transactions or events. The *Composition of Liabilities* chart depicts FAA's major categories of liabilities as a percentage of total liabilities.

The *Liabilities Comparison* chart presents comparisons of major liability balances between September 30, 2011 and September 30, 2012. Below is a discussion of the major categories.

At \$1.5 billion, *Employee related and other liabilities* represent 35% of FAA's total liabilities. These liabilities decreased slightly by \$13 million as of September 30, 2012 and are comprised mainly of \$162.1 million in advances received, \$206.1 million in Federal Employee's Compensation Act payable, \$435.0 million in accrued payroll and benefits, \$531.4 million in accrued leave and benefits, \$34.3 million in legal claims liability and \$82.3 million in capital lease liability.

At \$946.8 million, *Federal employee benefits* represent 22% of FAA's current year liabilities, and consist of FAA's expected liability for death, disability, and medical

costs for approved workers compensation cases, plus a component for incurred but not reported claims. The Department of Labor (DOL) calculates the liability for DOT, and DOT attributes a proportionate amount to FAA based upon actual workers' compensation payments to FAA employees over the preceding four years. This liability is updated on an annual basis at year end.

*Environmental liabilities* represent 18% of FAA's total liabilities and were \$810.4 million as of September 30, 2012 compared with \$757.4 million a year earlier. Environmental liabilities include a component for remediation of known contaminated sites and the estimated environmental cost to decommission assets presently in service.

FAA's *grants payable* are estimated amounts incurred but not yet claimed by AIP grant recipients and represent 15% of liabilities. Grants payable decreased slightly by \$12.8 million. Accounts payable decreased \$104.7 million and are amounts FAA owes to other entities for unpaid goods and services.

FAA's summarized net cost of operations is shown on page 30.

As of September 30, 2012, and September 30, 2011 FAA's net costs were \$16.1 billion and \$16.7 billion, respectively. The *Composition of Net Cost* chart illustrates the distribution of costs among FAA's lines of business.

The *Net Cost Comparison* chart compares September 30, 2011, and September 30, 2012 net costs.

With a net cost of \$11.2 billion, the *Air Traffic Organization* is FAA's largest line of business, comprising 69% of total net costs. Air Traffic Organization's net costs decreased by \$392.9 million, on a comparative basis, primarily from decreases in contractor services and property related activities partially offset by increases in labor costs.

*Airports* is FAA's second largest line of business with a net cost of \$3.1 billion as of September 30, 2012, which is 19% of FAA's total net costs. Net costs decreased by \$249.1 million from the prior year primarily due to a decrease in AIP grant disbursements on a comparative basis.

The net cost of *Aviation Safety* represents 9% of FAA's total net costs, while *Region and Center Operations* and *All Other* comprise 3% of total net costs.

FAA's summarized changes in net position are shown on page 30.

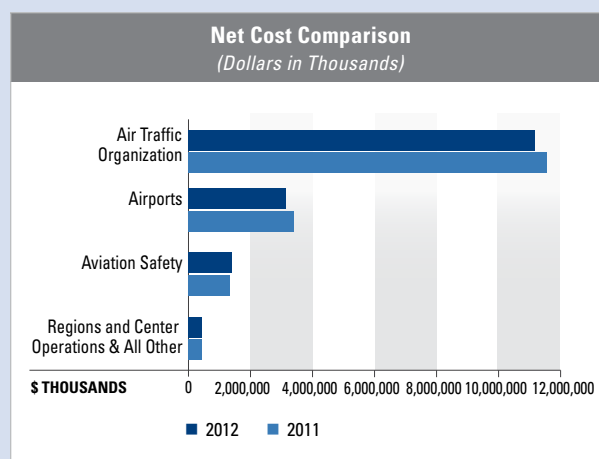
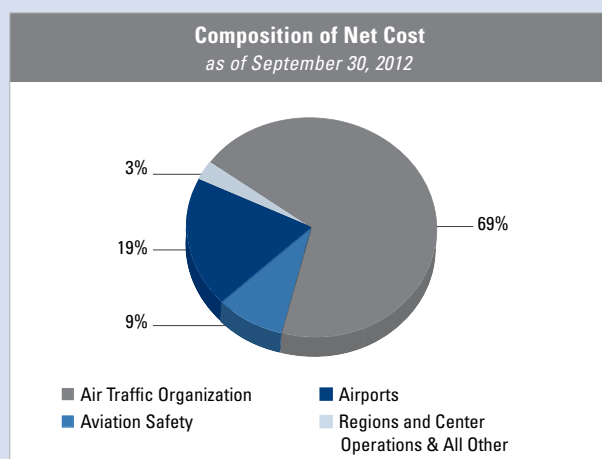
Net Position presents those accounting items that caused the net position section of the balance sheet to change from the beginning to the end of the reporting period. Various financing sources increase net position. These financing sources include appropriations received and non-exchange revenue, such as excise taxes and imputed financing from costs absorbed on FAA's behalf

by other Federal agencies. The agency's net cost of operations and net transfers to other Federal agencies serve to reduce net position.

FAA's cumulative results of operations for the period ending September 30, 2012, increased by \$1.9 billion due primarily to a combination of financing sources of \$4.6 billion from appropriations used, non-exchange revenue of \$12.8 billion, imputed financing of \$552.1 million, and donations of property of \$156.8 million offset by transfers out of \$129.3 million and net costs of \$16.1 billion. Unexpended appropriations decreased slightly by \$85 million.

## SUMMARY FINANCIAL INFORMATION

FAA's independent auditor, KPMG LLP, has rendered an unqualified opinion on FAA's FY 2012 financial statements with no material weaknesses. The DOT OIG presented KPMG's audit report to FAA's Administrator on November 9, 2012. The summary financial information in this Summary of Performance and Financial Information Report was derived from FAA's audited FY 2012 and FY 2011 financial statements which were prepared pursuant to the requirements of the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994.



## SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

### Financial Audit Summary

Table 1 is a summary of the results of the independent audit of the FAA's consolidated financial statements by the FAA's auditors in connection with the FY 2012 audit.

TABLE 1: SUMMARY OF FINANCIAL STATEMENT AUDIT					
<b>Audit Opinion</b>	FY 2012-unqualified				
	FY 2011-unqualified				
<b>Restatement</b>	No				
<b>Material Weakness</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Ending Balance</b>
	0	0	0	0	0
<b>Total Material Weaknesses</b>	0	0	0	0	0

### Management Assurances Summary

Table 2 is a summary of management assurances related to the effectiveness of internal control over the FAA's financial reporting and operations, and its conformance with financial management system requirements under Sections 2 and 4, respectively, of the *Federal Managers' Financial Integrity Act of 1982* (FMFIA). The last portion of Table 2 is a summary of the FAA's compliance with the *Federal Financial Management Improvement Act* (FFMIA).

TABLE 2: SUMMARY OF MANAGEMENT ASSURANCES						
<b>EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA § 2)</b>						
<b>Statement of Assurance</b>	<b>Unqualified statement of assurance</b>					
	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Reassessed</b>	<b>Ending Balance</b>
	0	0	0	0	0	0
<b>Total Material Weaknesses</b>	0	0	0	0	0	0
<b>EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS (FMFIA § 2)</b>						
<b>Statement of Assurance</b>	<b>Unqualified statement of assurance</b>					
	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Reassessed</b>	<b>Ending Balance</b>
	0	0	0	0	0	0
<b>Total Material Weaknesses</b>	0	0	0	0	0	0
<b>CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS (FMFIA § 4)</b>						
<b>Statement of Assurance</b>	<b>Systems conform to financial management system requirements</b>					
	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Reassessed</b>	<b>Ending Balance</b>
Conformance of FAA's core financial management system, Delphi, is assessed and reported by the U.S. Department of Transportation.	0	0	0	0	0	0
<b>COMPLIANCE WITH FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)</b>						
	<b>Agency</b>		<b>Auditor</b>			
<b>Overall Substantial Compliance</b>	Yes		Yes			
1. System Requirements			Yes			
2. Accounting Standards			Yes			
3. USSL at Transaction Level			Yes			



## SUMMARY OF INDEPENDENT AUDITORS' REPORT



KPMG LLP  
Suite 12000  
1801 K Street, NW  
Washington, DC 20006

### Independent Auditors' Report on Summary Financial Information

Acting Administrator  
Federal Aviation Administration:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of the U.S. Department of Transportation Federal Aviation Administration (FAA) as of September 30, 2012, and the related consolidated statements of net cost, changes in net position, and the combined statement of budgetary resources (hereinafter referred to as "fiscal year (FY) 2012 consolidated financial statements") for the year then ended (not presented herein). In our report dated November 9, 2012, we expressed an unqualified opinion on those FY 2012 consolidated financial statements.

The accompanying summary financial information of the FAA as of and for the year ended September 30, 2012, as explained in the notes thereto, is not a presentation in conformity with U.S. generally accepted accounting principles.

In our opinion, the information set forth in the accompanying FY 2012 summary financial information is fairly stated, in all material respects, in relation to the FY 2012 consolidated financial statements from which it has been derived.

The consolidated financial statements of the FAA as of September 30, 2011, and for the year then ended (hereinafter referred to as "FY 2011 consolidated financial statements"), were audited by other auditors. Those auditors expressed an unqualified opinion on the FY 2011 consolidated financial statements in their report dated November 9, 2011 (not presented herein). Accordingly, we express no opinion on the FY 2011 consolidated financial statements, or the FY 2011 summary financial information as presented herein.

**KPMG LLP**

November 9, 2012

KPMG LLP is a Delaware limited liability partnership,  
the U.S. member firm of KPMG International Cooperative  
("KPMG International"), a Swiss entity.

## FINANCIAL STATEMENTS

U.S. Department of Transportation  
FEDERAL AVIATION ADMINISTRATION  
**SUMMARIZED ASSETS, LIABILITIES,  
AND NET POSITION**  
As of September 30  
(Dollars in Thousands)

<b>Assets</b>	<b>2012</b>	<b>2011</b>
Fund balance with Treasury	\$ 3,085,202	\$ 3,724,592
Investments, net	12,331,464	10,335,745
Accounts receivable, prepayments, and other, net	288,203	270,121
Inventory, operating materials, and supplies, net	632,320	607,160
Property, plant, and equipment, net	13,442,573	13,114,738
<b>Total assets</b>	<b>\$ 29,779,762</b>	<b>\$ 28,052,356</b>
<b>Liabilities</b>		
Accounts payable and grants payable	\$ 1,073,747	\$ 1,191,183
Environmental	810,399	757,389
Employee related and other	1,547,098	1,560,374
Federal employee benefits	946,778	909,616
<b>Total liabilities</b>	<b>4,378,022</b>	<b>4,418,562</b>
<b>Net position</b>		
Unexpended appropriations	1,068,541	1,153,946
Cumulative results of operations	24,333,199	22,479,848
<b>Total net position</b>	<b>25,401,740</b>	<b>23,633,794</b>
<b>Total liabilities and net position</b>	<b>\$ 29,779,762</b>	<b>\$ 28,052,356</b>

## NOTES TO THE SUMMARY FINANCIAL INFORMATION

### Reporting Entity

FAA was created in 1958 and is a component of DOT, a cabinet level agency of the Executive Branch of the U.S. government. FAA accomplishes its mission through four lines of business that work together to create, operate and maintain the NAS.

### Basis of Presentation

The summary financial information presented here is intended to provide users with an overview of the financial status and activities of FAA and is derived from

U.S. Department of Transportation  
FEDERAL AVIATION ADMINISTRATION  
**SUMMARIZED NET COST OF OPERATIONS**  
For the Years Ended September 30  
(Dollars in Thousands)

<b>Lines of Business</b>	<b>2012</b>	<b>2011</b>
Air Traffic Organization	\$ 11,158,476	\$ 11,551,383
Airports	3,139,599	3,388,691
Aviation Safety	1,410,309	1,328,632
Commercial Space Transportation	18,400	16,564
<b>Non line of business programs</b>		
Regions and center operations and other programs	404,376	403,458
<b>Net cost of operations</b>	<b>\$ 16,131,160</b>	<b>\$ 16,688,728</b>

U.S. Department of Transportation  
FEDERAL AVIATION ADMINISTRATION  
**SUMMARIZED CHANGES IN NET POSITION**  
For the Years Ended September 30  
(Dollars in Thousands)

	<b>2012</b>	<b>2011</b>
<b>Net Position—Beginning of Year</b>	\$ 23,633,794	\$ 23,090,696
<b>Financing sources</b>		
Excise taxes and associated revenue	12,801,586	11,786,653
Appropriations received	4,592,701	4,974,028
Net transfers out	(115,195)	(153,180)
Imputed financing and other	620,014	624,325
Total financing sources	17,899,106	17,231,826
<b>Net cost of operations</b>	<b>16,131,160</b>	<b>16,688,728</b>
<b>Net position—end of year</b>	<b>\$ 25,401,740</b>	<b>\$ 23,633,794</b>

and should be read in conjunction with the financial statements contained in the FAA's FY 2012 PAR, available on our Web site at [www.faa.gov/about/plans\\_reports](http://www.faa.gov/about/plans_reports). The summary information is not in conformance with accounting principles generally accepted in the United States.



## WE WELCOME YOUR COMMENTS

We welcome your comments on how we can make this report more informative for our readers.

***Please send your comments to***

*Mail:* Office of Financial Reporting and  
Accountability  
Federal Aviation Administration  
800 Independence Avenue, SW  
Room 612  
Washington, DC 20591

*Phone:* 202-267-3018

*Email:* [Allison.Ritman@faa.gov](mailto:Allison.Ritman@faa.gov)

*Fax:* 202-493-4191

This report and reports from prior years are available on the FAA Web site at [www.faa.gov/about/plans\\_reports](http://www.faa.gov/about/plans_reports).

For a printed copy, call 202-267-3018 or email [Allison.Ritman@faa.gov](mailto:Allison.Ritman@faa.gov).



U.S. Department of Transportation  
**Federal Aviation Administration**  
800 Independence Avenue, SW  
Washington, DC 20591