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*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

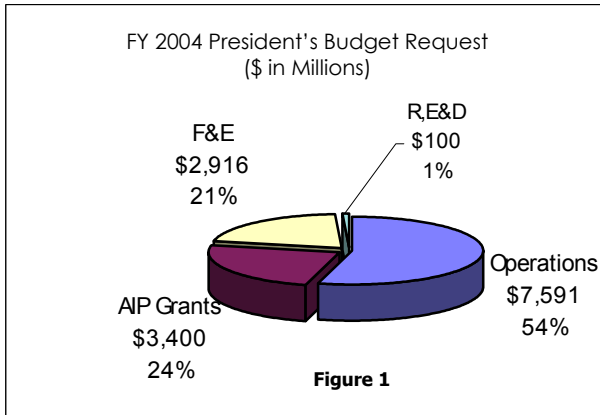
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The Federal Aviation Administration's (FAA) mission is to promote aviation safety and mobility, by building maintaining, and operating the Nation's air traffic control system, overseeing commercial and general aviation safety through regulation and 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.

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)**

<u>Appropriation</u>	<u>FY 2002<sup>1</sup> Actual</u>	<u>FY 2003<sup>2</sup> Request</u>	<u>Change</u>	<u>FY 2004<sup>2</sup> Request</u>
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) <i>non-add</i>		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
<b>TOTAL<sup>3</sup></b>	<b>13,818</b>	<b>13,582</b>	<b>425</b>	<b>14,007</b>

<sup>1</sup> 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)

<sup>2</sup> Excludes CSRS and FEHB accruals

<sup>3</sup> 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.



	<b><u>(\$ in millions)</u></b>	
<b>FY 2003 Budget Request</b>	<b>\$7,077</b>	
<b>FY 2003 Changes:</b>		
	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Mandatory Increases:</b>		
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%
<b>Total, Mandatory Increases</b>	<b>+439</b>	<b>+6.2%</b>
<b>Transfers:</b>		
Transfer from the Transportation Security Administration	+50	+0.7%
Transfer from the Department of Interior	+1	+0.0% <sup>1</sup>
<b>Total, Transfers</b>	<b>+51</b>	<b>+0.7%</b>
<b>Discretionary Increases:</b>		
Additional Controllers (ATS)	+14	+0.2%
Operational Support (ATS)	+5	+0.1%
Safety Initiatives (AVR)	+4	+0.1%
<b>Total, Discretionary Increases</b>	<b>+23</b>	<b>+0.3%</b>
<b>Total, Increases</b>	<b>+513</b>	<b>+7.3%</b>
<b>FY 2004 Budget Request</b>	<b>\$7,591<sup>2</sup></b>	

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.

<sup>1</sup> Less than 0.05 percent.

<sup>2</sup> 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.

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## Operations by Performance Goal Area

(dollars in millions)

	<u>Safety</u>	<u>Efficiency</u>	<u>Security</u>	<u>Other</u>	<u>Total</u>
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	<u>17</u>	<u>5</u>	<u>1</u>	<u>0</u>	<u>23</u>
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 includes 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.

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## **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 21<sup>st</sup> 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.

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

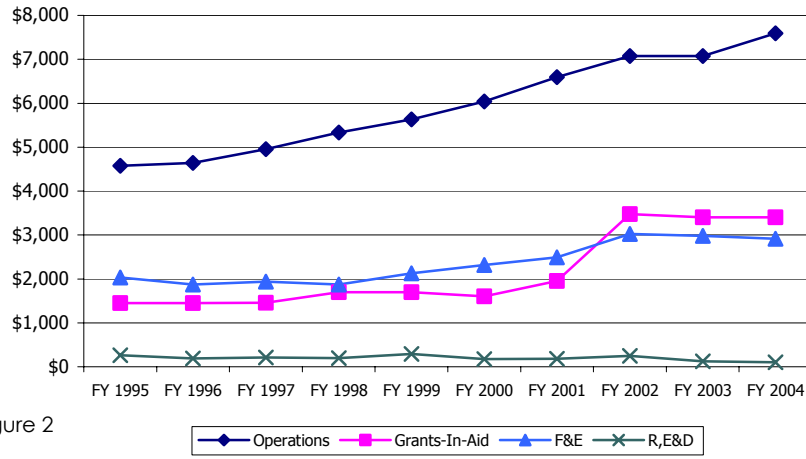


Figure 2

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

	FY 2002 Actual	FY 2003 Request	FY 2004 Request
<b>Direct</b>			
<i>Operations (by Line of Business):</i>	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 <sup>1</sup>	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 <sup>2</sup>		84	84
Staff Offices	698	655	1,098 <sup>3</sup>
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
<b>Subtotal, Direct Funded</b>	<b>52,942</b>	<b>47,614</b>	<b>48,454</b>
Operations	123	161	156
Facilities & Equipment	33	55	55
Administrative Services Franchise Fund	1,083	1,083	1,083
<b>Reimbursable Allocations</b>	<b>1,239</b>	<b>1,299</b>	<b>1,294</b>
<b>Total End-of-Year Employment</b>	<b>54, 181</b>	<b>48,913</b>	<b>49,748</b>

<sup>1</sup> Civil Aviation Security transferred to TSA in FY 2003

<sup>2</sup> Office of Information Services/CIO included under Staff Offices in FY 2002

<sup>3</sup> 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 <sup>1</sup> 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 <sup>2</sup>	85	143	+68.2% <sup>3</sup>
<b>TOTAL OPERATIONS</b>	<b>7,107</b>	<b>7,077</b>	<b>7,591</b>	<b>+7.3%</b>

<sup>1</sup> FY 2003 and 2004 Request excludes accrual increases proposed in the FY 2003 and 2004 President's Budget

<sup>2</sup> 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

<sup>3</sup> The FY 2004 increase is attributable to Internal Security and Hazardous Materials Program transfer from TSA back to FAA

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## **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.

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## **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.

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## 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.

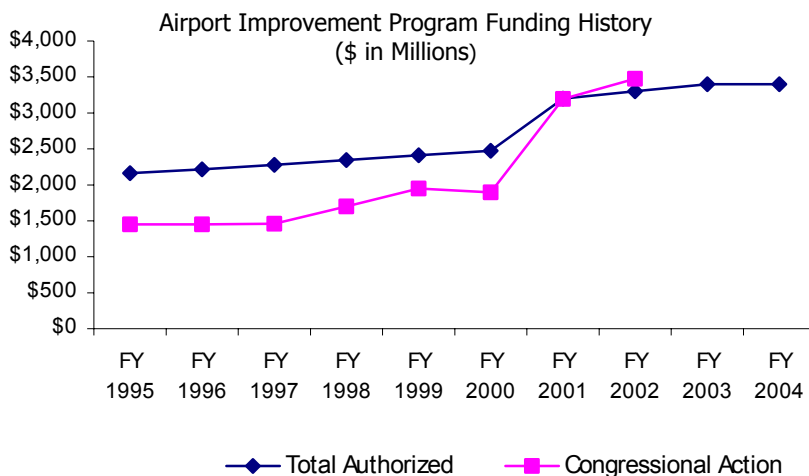
### Operations by Performance Goal Area

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 21<sup>st</sup> 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.

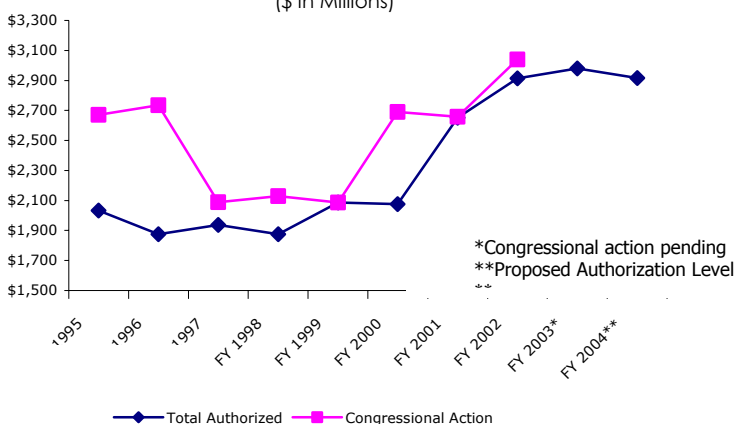


**Figure 3**

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

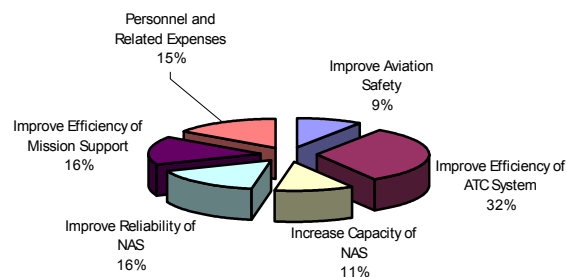


Figure 5

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.

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### ***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.

<b>Budget Line Item Title</b>	<b>Budget FY 2004</b>
<b>Activity 1, Improve Aviation Safety</b>	
<b>A. Reduce Commercial Aviation Fatalities</b>	
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
<b>Total, Reduce Commercial Aviation Fatalities</b>	<b>185,200.0</b>
<b>B. Reduce General Aviation Fatalities</b>	
1B01 Safe Flight 21	30,300.0
<b>Total, Reduce General Aviation Fatalities</b>	<b>30,300.0</b>
<b>C. Overall Aviation Safety Improvement</b>	
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
<b>Total, Other Aviation Safety Programs</b>	<b>58,400.0</b>
<b>Total, Activity 1</b>	<b>273,900.0</b>

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## 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
<b>Total, Increase Number of Flights Handled by Airports</b>		<b>663,578.3</b>

### 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
<b>Total, Improve Routing Efficiency for Flights En Route</b>		<b>268,250.0</b>

### C. Overall NAS Efficiency Improvements

2C01	Air Traffic Operations Management System (ATOMS)	1,100.0
2C02	NAS Management Automation Program (NASMAP)	1,200.0
<b>Total, Overall NAS Efficiency Improvement</b>		<b>2,300.0</b>
<b>Total, Activity 2</b>		<b>934,128.3</b>

## 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
<b>Total, Activity 3</b>		<b>328,500.0</b>

### 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
<b>Total, Replace Terminal Equipment to Prevent Decreased Performance</b>		<b>19,600.0</b>

#### 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
<b>Total, Replace En Route Equipment to Prevent Decreased Performance</b>		<b>237,000.0</b>

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

4C01	Critical Telecommunication Support	16	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
<b>Total, Replace Supporting Systems that Impact Overall NAS Performance</b>			<b>216,110.0</b>

**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)	17	2,000.0
<b>Total, Increase Efficiency or Investment Management</b>			<b>405,321.7</b>

**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
<b>Total, Minimize Environmental Impact of Aviation Facilities</b>			<b>52,900.0</b>
<b>Total, Activity 5I</b>			<b>458,221.7</b>

**Personnel and Related Expenses**

6A01	Personnel and Related Expenses		448,540.0
<b>Total, Activity 6</b>			<b>448,540.0</b>

**TOTAL, ALL ACTIVITIES 2,916,000.0**

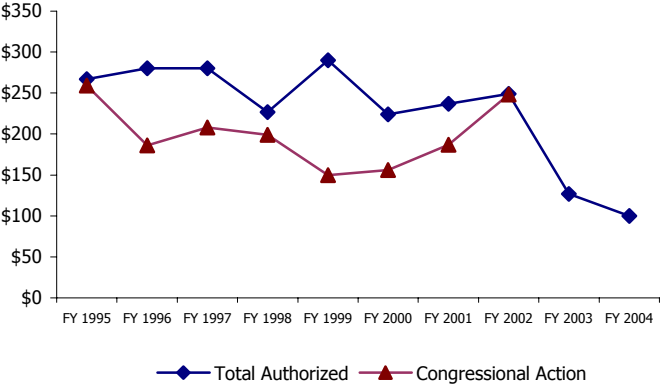
**Table 5**

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.

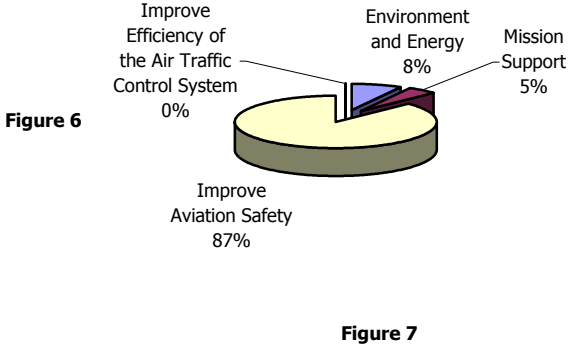
The R,E&D program makes significant contributions to aviation research by helping to ensure that the air transportation system continues to meet increasing capacity demands and remains safe and efficient. The R,E&D program also contributes to the development of effective standards, regulations, and guidance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



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



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



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

<b>A11. Improve Aviation Safety</b>	<b>\$87,339</b>
<b>Reduce Commercial Aviation Fatalities</b>	<b>34,868</b>
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
<b>Reduce General Aviation Fatalities</b>	<b>\$8,440</b>
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
<b>Aviation System Safety</b>	<b>\$44,031</b>
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
<b>A12. Improve Efficiency of Air Traffic Control System</b>	<b>\$0</b>
a. Weather Research Efficiency	0
<b>A13. Reduce Environmental Impact of Aviation</b>	<b>\$7,975</b>
a. Environment and Energy	7,975
<b>A14. Improve Efficiency of Mission Support</b>	<b>\$4,686</b>
a. System Planning and Resource Management	1,261
b. Technical Laboratory Facility	3,425
<b>Total R,E&amp;D</b>	<b>\$100,000</b>

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
<b>Unexpended balance, start of year:</b>			
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
<b>Cash Income during the year:</b>			
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
<b>Cash outgo during year:</b>			
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
<b>Unexpended balance, end of year:</b>			
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 <b>Uncommitted balance, end of year</b>	4,787	4,567	3,074

**Table 7**