Fiscal Year 2003

FEDERAL AVIATION ADMINISTRATION

BUDGET IN BRIEF

Assistant Administrator for Financial Services/Chief Financial Officer
Office of Budget

February 2002

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The Federal Aviation Administration's (FAA) Fiscal Year (FY) 2003 President's Budget requests $14.012 billion, which is approximately 1.6 percent lower than FAA's budget resources in 2002 due to security responsibilities being shifted from FAA to the Transportation Security Administration by 2003 and one-time anti-terrorism funding. This budget proposes funding 74 percent of the agency programs from Airport and Airway Trust Fund resources derived from excise taxes and interest.

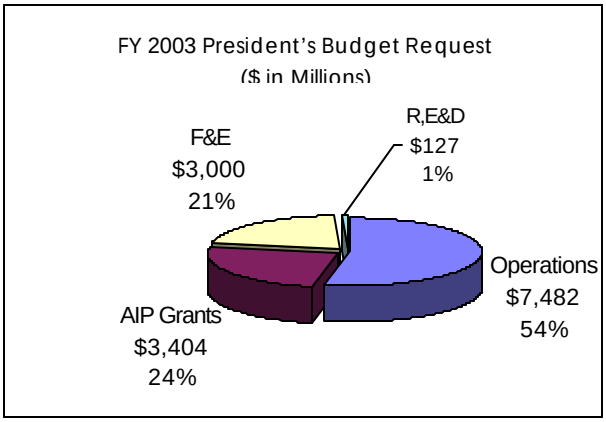

Figure 1

The budget also assumes the collection of $30 million in overflight fees for services provided by the FAA, which will be used for the Essential Air Service (EAS) program.

Table 1 reflects the budget resources proposed in the FY 2003 budget request as compared to FY 2002 enacted levels (adjusted for anti-terrorism supplemental).

In FY 2003, FAA will continue to focus on achieving the FAA's strategic goals: safety, and system efficiency. The Administration's strong commitment to a safe, efficient, and modern aviation system will be continued, including initiatives to reduce the fatal accident rate on U.S. carriers 80 percent by 2007 and the upgrading of the air traffic control system.

Summary of Funds
($ in Millions)

Appropriation	FY 2002 Enacted [2]	Change	FY 2003 Request [3]
Operations	$ 7,273	$ 209	$ 7,482
(General)	$ 1,492	$ 2,191	$ 3,683
(Trust)	$ 5,781	$ (1,982)	$ 3,799
Emergency Supplemental	$ 200	$ (200)	$ -
(Overflight Fees) *non-add*	$ -	$ 30	$ 30
		$ -	
Facilities & Equipment	$ 2,932	$ 68	$ 3,000
Emergency Supplemental	$ 108	$ (108)	$ -
		$ -	
Research, Engineering, & Development	$ 198	$ (71)	$ 127
Emergency Supplemental	$ 50	$ (50)	$ -
		$ -	
Airport Grants (Ob Lim)	$ 3,303	$ 101	$ 3,404
Emergency Supplemental	$ 175	$ (175)	$ -
		$ -	
TOTAL [1]	$ 14,238	$ (226)	$ 14,012

Table 1

[1] Includes estimated accrual payment of $405 million in FY 2003 for civil service retirement and health benefits (See page 4).

OVERVIEW

[2] Includes emergency supplementals, but not FY 2001 balances transferred from Emergency Responses Fund ($351 million for Operations, $87.5 million for F&E, and $50 million for the Aviation Insurance Revolving Fund).
[3] 2003 total excludes $458 million that was appropriated in 2002, now shifted to the Transportation Security Administration

OPERATIONS

For FY 2003, the Administration is seeking $7,482 million for FAA Operations. Changes from that appropriated for FY 2002 are summarized in the following table.

FY 2002 FAA Appropriations		**$7,083.2***
Back-Out of One-Time Anti-Terrorist Supplemental Funding	-$200.0	
Transfer of Civil Aviation Security to the New Transportation Security Administration	-$149.2	
FY 2002 Adjusted FAA Base Appropriations		**$6,733.9**
FY 2003 Changes:		
	Dollar Change	Percent Change
Reductions:		
Program Reductions	-91.5	-1.3
Program Eliminations	-19.1	-0.3
Subtotal, Reductions	-110.6	-1.6
Mandatory Increases:		
Mandatory Pay Adjustments	+267.3	+3.8
Mandatory, Non-Pay Inflation	+35.7	+0.5
Mandatory Increases in Operations and Maintenance Costs for New Equipment to Promote Aviation Safety and Improve System Efficiency	+75.7	+1.1
Mandatory Program Cost Increases (e.g., contractual non-pay costs above inflation)	+19.8	+0.3
Subtotal, Mandatory Increases	+398.5	+5.9
Discretionary Increases:		
Improve System Efficiency and Reduce Delays	+24.2	+0.4
Efforts to Reduce Runway Incursions	+5.0	+0.1
Increase Safety Oversight	+19.8	+0.3
Promote Information Security	+1.8	**
Replace Outdated Personnel Computer System	+4.6	+0.1
Subtotal, Discretionary Increases	+55.3	+0.8
Fully Fund Federal Retirement and Health Costs	+404.8	+6.0
FY 2003 Budget Request		**$7,482.0**

Notes:

* Includes $6,883.2 million in regular FY 2002 appropriations, plus $200 million in anti-terrorist supplemental appropriations.

** Less than 0.05 percent

Table 2

The following describes each of the entries on that table.

BACK-OUT OF ONE-TIME ANTI-TERRORIST SUPPLEMENTAL FUNDING -$200.0 Million

In response to the terrorist attacks of September 11, 2001, $200 million was appropriated to the FAA for additional Federal air marshals, an air marshal training facility, security experts, and security improvements on aircraft. This supplemental was one-time funding and is not required by the FAA in FY 2003. Any funding needed to continue these activities in FY 2003 will be requested separately by the Transportation Security Administration (TSA).

TRANSFER OF CIVIL AVIATION SECURITY TO THE NEW TRANSPORTATION ..... SECURITY ADMINISTRATION -$149.2 Million

The Aviation and Transportation Security Act (Public Law 107-71) created the Transportation Security Administration (TSA) – a new modal administration within the Department of Transportation. This change reflects the fact that, consistent with this legislation, the Civil Aviation Security organization, previously one of six lines of business within the FAA, is being transferred to the TSA. Funding for the TSA is being requested separately.

REDUCTIONS -$110.6 Million

The FAA is proposing both program reductions and program terminations in FY 2003 in order to streamline operations and eliminate programs of only marginal benefit.

Program Reductions: The FAA proposes $91.5 million in program reductions. Most of this reduction, $85.5 million, is in Air Traffic Services (ATS), where ATS will take several steps to reduce costs, including reducing (i) its operational, technical, management, and support workforces by approximately 400 staff, (ii) operational and technical training travel, (iii) its on-hand inventory of spare parts, and (iv) contractual services, including contractors involved in providing operational support (e.g., equipment and software maintenance) and guard services. The staff reductions will begin in FY 2002, will be achieved solely through attrition, and will not affect NATCA or PASS bargaining units, with whom the FAA has collective bargaining agreements in place. These and other impacts of this proposed savings are further discussed below under Air Traffic Services

Program Terminations: The FAA proposes $19.1 million in program terminations. This includes proposals to eliminate funding for (i) the Mid-America Aviation Resource Consortium (-$2.0 million), (ii) Alien Species Act (-$3.0 million), (iii) the Medallion Program (-$3.0 million), (iv) Stonerock Barracks (-5.1 million), and (v) Contract Tower Cost Sharing (-$6 million).

MANDATORY INCREASES +$398.5 Million

This increase provides funds to cover mandatory pay and non-pay adjustments. This includes funding for the full-year cost of the FY 2002 4.6 percent Federal pay raise in FY 2003, the full-year cost of congressionally-approved new employees hired for less than 12 months in FY 2002, the proposed FY 2003 Federal pay raise of 2.6 percent, and standard non-pay inflation, consistent with cost increases estimated by the Office of Management and Budget. These increases represent the normal cost growth associated with doing business and are similar to increases in previous years.

These mandatory increases also include $75.7 million to operate and maintain new equipment being brought on-line to increase system safety and efficiency. This too is similar to increases in previous years and is a required increase.

DISCRETIONARY INCREASES +$55.3 Million

This modest increase of less than 1 percent will be used to increase the FAA's safety oversight and enforcement, reduce delays, promote increased system efficiency, and heighten information security. A small amount will be used to replace the FAA's outdated personnel computer system. As more fully describe below under individual sections, these increases are as follows:

	$ in M	Staff
Improve System Efficiency and Reduce Delays	+$24.2	---
Runway Safety Program	+$5.0	---
Increase Safety Oversight	+$19.8	+86
Promote Information Security	+$1.8	---
Replace Outdated Personnel Computer System	+$4.6	

Purpose: Two programs – Spring/Summer 2003 and Operations Evolution Plan – designed to promote efficiency and minimize delays during the peak travel months of 2003 and in the future.

Purpose: To minimize runway incursions and promote safety.

Purpose: Several programs including Safer Skies Implementation, Aviation Action Program, Air Safety Critical Activities, Increased Drug/Alcohol Program Staffing, and Air Cargo Systems Safety Improvements – all designed to increase safety oversight of aircraft, aircraft operators, aircraft operations, and cargo.

Purpose: Improve protections of FAA control and data systems against growing cyber threats.

Purpose: The FAA's current personnel computer system is antiquated and no longer provides the flexibility needed to meet the myriad personnel demands of today.

FULL-FUNDING FEDERAL RETIREMENT AND HEALTH COSTS +$404.8 Million

The President's Budget for FY 2003 proposes to have each agency pay for the full cost of each Federal employee. Only by requiring agencies to pay this full cost can Federal managers realize the true cost of Federal retirement and health cost programs. This in turn will allow managers to make fully informed decisions about program costs and about the true benefit/cost ratio of continuing or expanding current programs or beginning new ones.

GRANTS-IN-AID FOR AIRPORTS

The FY 2003 budget requests $3.404 billion, $75 million less than the FY 2002 enacted level (adjusted for one time anti-terrorism supplemental), for airport improvement projects to enhance capacity, improve safety and security, and mitigate noise. Beginning in FY 1992, commercial service airports have had an additional source of funding from the passenger facility charge (PFC). At the beginning of 2001, 321 airports were approved to collect PFC's. Estimated PFC collections for FY 2002 are $2.1 billion. This collection level, up from an estimated $1.8 billion in FY 2001, reflects the implementation of the new $4.50 PFC level, authorized under AIR-21, by a growing number of airports. This implementation of the $4.50 PFC level will be underway through at least FY 2004. The FY 2003 budget requests a total of $84.7 million for Administrative expenses to implement the Airports program, including $16.4 million for airport technology research in the areas of lighting and marking, rescue and firefighting, wildlife hazard mitigation, pavement design and

construction, and airport design and layout. In addition, AIP will provide $83 million to the Essential Air Service program.

FACILITIES AND EQUIPMENT

The FY 2003 request for Facilities and Equipment (F&E) is $3.000 billion, of which $2.88 billion is for FAA programs and $124 million will be used to reimburse TSA for security equipment. Included in this request are capital needs contained in the FAA's Capital Investment Plan (CIP) to modernize and improve the National Airspace System (NAS) to accommodate demands for aviation services, maximize operational efficiency, constrain costs, and replace or modernize aging facilities. The budget continues funding to support major systems such as the en route and terminal automation programs, next generation weather radar, the oceanic automation program, communications, and satellite navigation.

RESEARCH, ENGINEERING, AND DEVELOPMENT

For Research, Engineering, and Development (R,E&D), the budget requests $127 million, $121 million less than the FY 2002 enacted level of $248 million. The difference is based on $50 million being transferred to TSA, a $50 million supplemental one-time adjustment in 2002, and an $18 million transfer to F&E. The R,E&D budget focuses on increased initiatives in environment and energy, human factors, and aircraft safety.

FEES

The budget also assumes collection of fees for air traffic services provided to aircraft that neither take off nor land in the United States (overflight fees), with the estimated $30 million from such overflight fees used to help fund the Essential Air Service program managed by the Office of the Secretary of Transportation (OST) in FY 2003.

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, F&E, R,E&D, and part of Operations. For FY 2003, 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 receipts of approximately $8.9 billion are expected, plus $0.9 billion in interest that will accrue to the Trust Fund. The uncommitted balance in the Trust Fund is expected to decrease to $4.7 billion in FY 2002. Total revenues expected in FY 2003 are $9.7 billion, plus $.6 million in interest earned by the Trust Fund cash balance. The Trust Fund uncommitted balance is expected to remain at $4.7 billion at the end of FY 2003.

OVERVIEW

NEW/EXPANDED INITIATIVES

Creation of Performance Based Organization

To create a business-like aviation environment, by 2003 the DOT and FAA will create an air traffic performance-based organization (PBO) that would focus on improved management and coordination of air traffic services and capital investments. A Chief Operating Officer (COO) will head this organization. The new organization will establish performance goals for individual staff, and the organization as a whole, so that progress and advancements can be measured.

Environmental Streamlining

The budget request provides additional resources for the FAA's goal to reduce undue delays in the environmental review of airport projects while maintaining the integrity of the environmental process. The FAA will devote more environmental staff resources to critical airport capacity projects and improve interagency coordination.

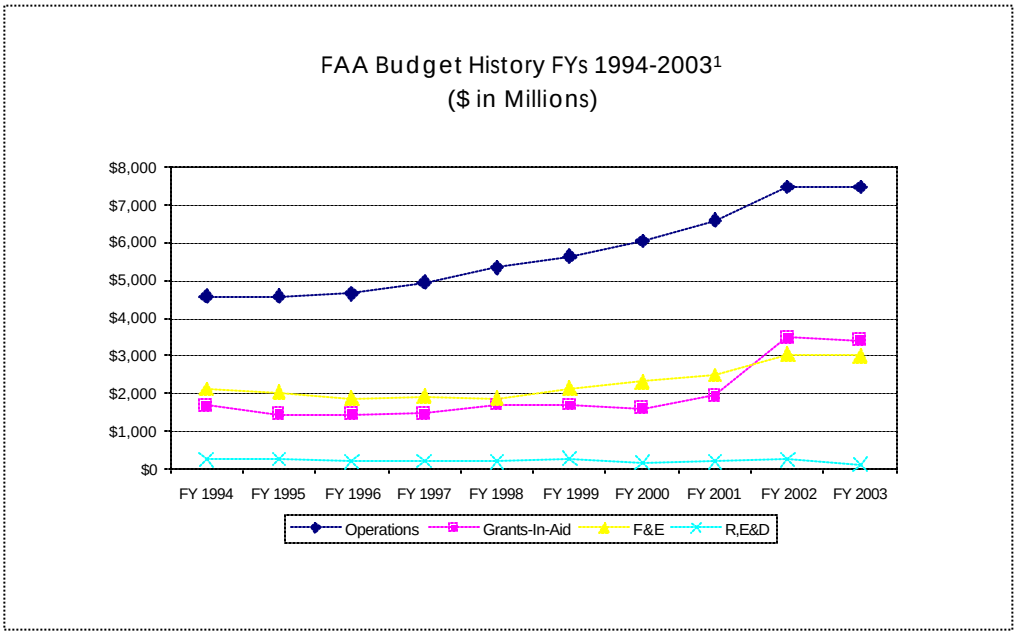

Figure 2 [1] Accrual amount reflected for Fiscal Year 2002 (Enacted) and Fiscal Year

FAA Employment Levels
End-of-Year Employment

	FY 2001 Actual	FY 2002 Enacted	FY 2003 Request
Direct			
Operations (by Line of Business):	44,455	50,396	43,551
Air Traffic Services	34,701	34,938	34,538
Aviation Regulation & Certification	6,130	6,352	6,438
Civil Aviation Security	1,200	1,221	
Research & Acquisition	502	508	508
Financial Services	118	130	130
Human Resources	161	502	502
Region & Center Operations	927	637	637
Office of Information Services			84 [1]
Staff Offices	664	729	645
Commercial Space Transportation	52	69	69
Facilities & Equipment	2,791	3,141	3,234
Research, Engineering & Development	385	405	285
Grants-in-Aid for Airports	465	485	534
Aviation Insurance Revolving Fund	2	3	3
Subtotal, Direct Funded	**48,098**	**49,120**	**47,607** [2]
Operations	275	275	275
Facilities & Equipment	26	55	55
Administrative Services Franchise Fund	1,015	1,015	1,015
Reimbursable/Allocations	**1,316**	**1,345**	**1,345**
Total End-of-Year Employment	**49,414**	**50,465**	**48,952**

[1] Office of Information Services previously included under Staff Offices

[2] Decline of FTE primarily due to transfer of Operations and Research, Engineering and Development staffing to the new Transportation Security Administration

Table 3

OPERATIONS

For FY 2003, the President's Budget requests $7,482 million for FAA Operations. This represents a $359 million increase over the FY 2002 appropriation (when adjusted for the one-time anti-terrorist supplemental of $200 million and the transfer of the Civil Aviation Security function to the Transportation Security Administration). The requested $7,482 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.

AIR TRAFFIC SERVICES - $6,038 Million

Air Traffic Services (ATS) is comprised of the Air Traffic and Airway Facilities organizations. It is the operations and maintenance arm of the National Airspace System (NAS). ATS consists of air traffic controllers, engineers, technicians, pilots, flight inspection personnel, business managers, and support staff. Air Traffic Services controls approximately 200,000 takeoffs and landings per day, provides 24 hour air traffic control, operates and maintains 40,000 facilities, 11,000 terminal instrument flight procedures and 9,000 airway segments, conducts over 14,000 flight inspections per year nationally and internationally, assigns and protects more than 50,000 aeronautical radio frequencies used in air traffic control, and directs the modernization of the NAS infrastructure.

In FY 2003 the FAA will continue the reduction of runway incursions by implementing site-specific solutions at the top 10 airports that currently sustain the highest number of runway incusions. FAA will also continue to support the Administration's Spring/Summer 2003 initiative through enhanced traffic management, improved weather prediction capabilities, better integration of civilian and military airspace, and increased inter-facility communications.

There are six major Air Traffic Services subactivities:

The Air Traffic subactivity is responsible for safe and efficient control of air traffic 365 days a year, 24 hours a day. This is maintained through the operation of 293 towers/terminal radar approach control (TRACON), 24 en route centers and combined center-radar approach control (CERAPs), and 231 contract towers. In addition, Air Traffic maintains a network of flight service stations, which provide flight and weather information and record flight plans (mostly for general aviation pilots). This subactivity requires $3,855 million in FY 2003.

The Air Traffic System Requirements Service (ARS) subactivity ensures that Air Traffic Services' operational needs of today and tomorrow are satisfied through the timely and cost-effective delivery and sustainment of quality products and services that fulfill the FAA mission. This organization develops comprehensive NAS requirements and manages a disciplined process to fulfill the operational needs of the Air Traffic Service. For FY 2003, this subactivity requires $25 million.

The NAS Logistics subactivity is responsible for: limited field maintenance; supply support for NAS equipment and agency aircraft; replenishment and repair of spares; procurement activities in the regions and at the Mike Monroney Aeronautical Center; the purchasing, leasing, and management of real estate including land, office space, and specialized facilities; and material and property management and administrative services to support the day-to-day operations of the agency. For FY 2003, this subactivity requires $98 million.

The purpose of the Systems Maintenance subactivity is to provide for the maintenance, repair, and engineering of over 64,000 facilities and equipment comprising the NAS, including air traffic control equipment, navigation and landing aids, flight service facilities, and support of FAA plant facilities. For FY 2003, this subactivity requires $1,610 million.

The Leased Telecommunications subactivity provides the critical Air Traffic Control telecommunications link in the process that begins with identification of a NAS requirement and ends with the commissioning and operation of a new NAS facility. It also provides FAA-wide telecommunication services. For FY 2003, this subactivity requires $309 million.

The purpose of the Flight Inspection and Procedures subactivity is to promote and ensure aviation safety by providing in-flight investigation of air navigation aids and instrument flight procedures, developing and maintaining flight procedures, and conducting periodic flight checks of FAA facilities. For FY 2003, this subactivity requires $141 million. The Washington Flight Program (Hangar 6) provides flight training and support to the agency. In addition, it provides transportation for the National Transportation Safety Board, the Federal Emergency Management Agency, the Secretary of Transportation, the FAA Administrator, and other Federal agencies. The National Aeronautical Charting Office (NACO) manages the aeronautical chart service program. This office is responsible for directing the lithographic printing, reproduction, and distribution of aeronautical charts and other related products.

AVIATION REGULATION AND CERTIFICATION - $867 Million

The mission of the Regulation and Certification (AVR) organization is to promote aviation safety. To fulfill this mission, AVR:

- Establishes safety standards governing the design and manufacture of aircraft, engines, and other aeronautical products; ensures that operation and maintenance of aircraft and training of airmen and aviation mechanics conform to FAA regulations; and certifies medical qualification of airmen and air traffic controllers.

- Monitors safety performance by conducting safety inspections and surveillance; initiates enforcement actions where appropriate; and participates in accident investigations.

- Issues and maintains certificates for design and manufacturing of aircraft and aircraft parts; certificates and provides licenses for air operators, air agencies, and airmen; issues medical certificates for airmen; records aircraft registrations; and appoints and monitors designees.

- Manages the FAA rulemaking program, which is the primary means by which safety standards and policy are drafted, opened to public comment, and finalized.

- Conducts aviation safety education and research.

For FY 2003, AVR requests $867 million to meet workload requirements. Included in the request is a staffing increase for safety critical aircraft certification/flight standards and medical staffing. In addition, funding increases are requested for NAS Handoff requirements.

CIVIL AVIATION SECURITY - $6 Million

The functions of the Civil Aviation Security (ACS) are being transferred to the Transportation Security Administration (TSA). However, $6 million are required in FY 2003, by the FAA, to cover health and retirement accruals. All other funding requests for ACS are being provided separately by TSA.

OPERATIONS

RESEARCH AND ACQUISITIONS - $211 Million

The Research and Acquisitions (ARA) line of business is entrusted with the primary responsibility of ensuring that the FAA has the research and technology base needed to provide a safe, secure, and efficient National Airspace System.

In this regard, ARA's operations appropriation funded activities are primarily mission support to the FAA's Facilities and Equipment, and Research, Engineering, and Development appropriations, which fund most of ARA's activities. ARA's major operations funded activities include: operation and maintenance of the William J. Hughes Technical Center near Atlantic City, New Jersey; provision of procurement and contracting services for FAA's national and Headquarters programs; FAA-wide configuration management in support of the Acquisition Management System; facilities management and related administrative services for FAA Headquarters; monitoring of General Services Administration (GSA) rented space activities; and acquisition and operation of FAA's corporate information assets.

COMMERCIAL SPACE TRANSPORTATION – $13 Million

The Associate Administrator for Commercial Space Transportation (AST) is committed to a responsive licensing and regulatory process designed 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. This includes licensing and regulatory responsibility for launch and reentry sites and launch and reentry activity. This responsibility covers commercial launches that occur at the reorganized Air Force launch ranges, as well as those occurring from additional launch sites which are not collocated with Federal ranges, and those from international waters, exclusive use sites, and foreign launch sites. The development of these launch and reentry sites, combined with the advent of reusable launch vehicles taking off and landing at what are proposed to be airport-like facilities, will pose new space safety inspection challenges for AST. This requested budget allows AST to continue to perform the mandated role of ensuring the safety of the public and property, and to also prepare for the many challenges posed by the commercial space transportation industry as it continues to evolve.

FINANCIAL SERVICES - $50 Million

The Assistant Administrator for Financial Services (ABA) develops policies, programs, standards, systems, and procedures for budget, accounting, financial, and performance management. Major financial management activities planned for FY 2003 include implementation of a new Department-wide accounting system and other accounting refinements that will improve the quality of agency financial reports. Performance management initiatives include development of a cost accounting system with an integrated performance management capability to enable FAA to manage by performance.

REGIONS AND CENTER OPERATIONS - $94 million

The Assistant Administrator for Regions and Center Operations (ARC) serves as the Administrator's representative on all corporate matters within the nine regions and the Aeronautical Center. The Regional Administrators serve as the senior agency aviation official in the regions providing cross-functional oversight and integration for the agency, relations with industry, the public, and various governmental organizations as well as leadership for regional lines of business support programs.

For FY 2003, the Regions and Centers require $94 million which represents a base decrease from the FY 2002 levels primarily as a result of the elimination of $5.1 million for the one-time costs associated with the renovation of the Stonerock Barracks Coast Guard Facility.

HUMAN RESOURCE MANAGEMENT - $84 million

The mission of the Office of the Assistant Administrator for Human Resource Management (AHR) is to 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 developing; and labor relations services to organizations in the FAA; provide leadership, policy and direction to the FAA in Human Resource Management (HRM) policy and activities.

For FY 2003, AHR request of $84 million represent an increase of 21.9 percent from the FY 2002 level. This increase results primarily from two requirements: $4.6 million will be used to replace the FAA's obsolete personnel and payroll system and $4.4 million will be used to make the FECA administrative payment.

STAFF OFFICES – $89 million

These seven independent offices, reporting directly to the Administrator and Deputy Administrator, are responsible for establishing, directing, and evaluating agency programs and policy. Their services include system safety, legal counsel, congressional liaison, public affairs, civil rights, policy, planning, international aviation, and the Administrator's and Deputy Administrator's executive staff.

For FY 2003, the budget proposes that the Office of Information Services/Chief Information Officer be separated from the staff offices and be made a separate, stand-alone office. This would reduce the staff office budget by $29,650K and 85.5 FTE positions.

OFFICE OF INFORMATION SERVICES/ CHIEF INFORMATION OFFICER - $30 million

The Office of Information Services/Chief Information Officer (AIO) works to protect the FAA's information infrastructure and help the aviation industry reduce security risks through leadership in innovative information assurance initiatives. Other major activities associated with this office are data management, process improvement, and business performance management efforts designed to ensure: reliable information is available quickly; reduction in the cost of delivering IT services without reducing service quality; IT decisions and resources are optimized across the agency; and critical agency IT knowledge, skills, and abilities are acquired and maintained.

For FY 2003, the budget request reflects an increase of $1.8 million for critical security initiatives. In addition, the FAA will add capability to the computer security incident response center that is responsible for detecting cyber attacks on the FAA. The increase also provides for data management, process improvement, and business performance management initiatives needed to ensure reliable information is available quickly, the cost of IT services is reduced, IT decisions and resources are optimized across the agency, and critical IT knowledge, skills and abilities are acquired and maintained.

OPERATIONS

Table 4

FY 2003 Budget Resources
(Includes CSRS/FEHB accruals for FY 2001, FY 2002, and FY 2003)
(Dollars in Millions)

	FY 2001 Actual	FY 2002 Enacted	FY 2003 Request	Percent Change
Air Traffic Services	$5,162	$5,4467	$6,038	+10.9
Aviation Regulation and Certification	706	767	867	+13.0
Civil Aviation Security [1]	143	249	6	-97.6%
Research and Acquisition	190	295	211	-28.4 [2]
Commercial Space Transportation	12	12	13	+1.2
Financial Services/CFO	49	50	50	+0.1
Office of Information Services/CIO [3]			30	n/a
Human Resources	55	69	84	+21.9
Region/Center Operations	97	86	94	+9.4
Staff Offices	104	109	89	-17.6 [4]
TOTAL OPERATIONS	**$6,516**	**$7,083**	**$7,482**	**+5.6**

[1] Change due to transfer of function to TSA
[2] Excluding the $100M supplemental in FY 2002, the percent change would be +8.3%
[3] This office is being separated from Staff Offices in FY 2003
[4] If Information Services were included in FY 2003 total, the percent change would be +9.7%

Note: The percentage changes shown in this table are high due to the Administration proposal to reflect the full cost of Federal Health and Retirement Benefits in FY 2003. These costs are not shown in the previous two years.

GRANTS-IN-AID FOR AIRPORTS

The FY 2003 request is for $3.404 billion for Airport improvement grants to eligible airports to enhance capacity, emphasize safety and security needs, and mitigate noise. Since FY 1992, commercial service airports have had an additional source of funding from the passenger facility charge (PFC). At the beginning of calendar year 2001, 321 airports had been approved to collect PFC's totaling $28.7 billion over the next 40 years. Estimated PFC collections for FY 2002 are $2.1 billion. This collection level, up from an estimated $1.8 billion in FY 2001, reflects the implementation of the new $4.50 PFC level, authorized under AIR-21, by a growing number of airports. This implementation of the $4.50 PFC level will be underway through at least FY 2004. The FY 2003 budget requests a total of $84.7 million for Administrative expenses to implement the Airports program. These funds also 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. Administrative funds also provide $16.4 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 Safer Skies Alliance. In addition, AIP will provide $83 million in FY 2003 to the Essential Air Service Program.

Airport Improvement Program Funding History
($ in Millions)

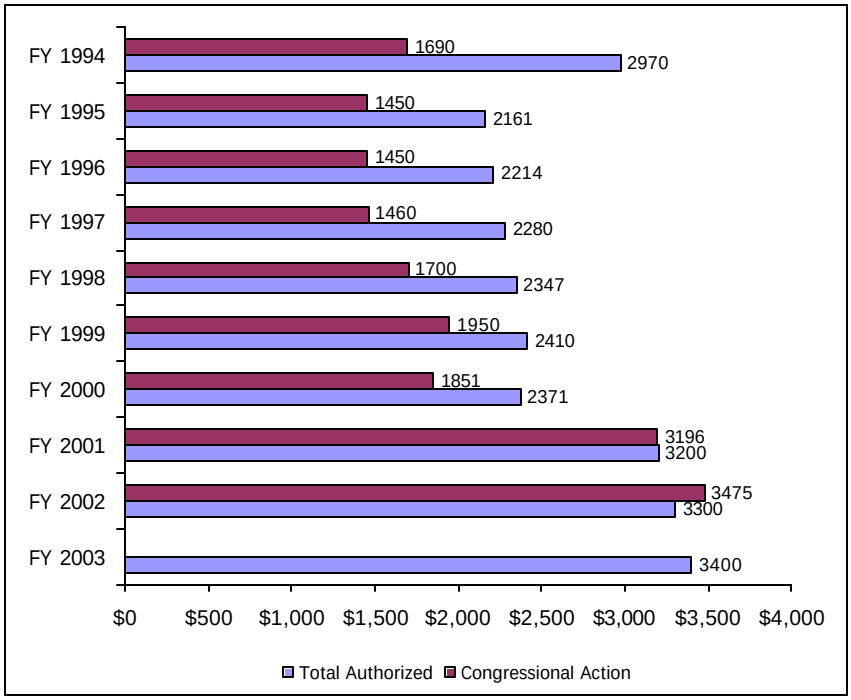

Figure 3 Note: Accrual amount reflected for Fiscal Year 2002 (Enacted) and Fiscal Year 2003 Request

FACILITIES AND EQUIPMENT

For FY 2003, $3.000 billion, of which $2.88 billion is for FAA programs and $124 million will be used to reimburse TSA, 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 2003 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.

F&E Funding History Comparison
($ in Millions)

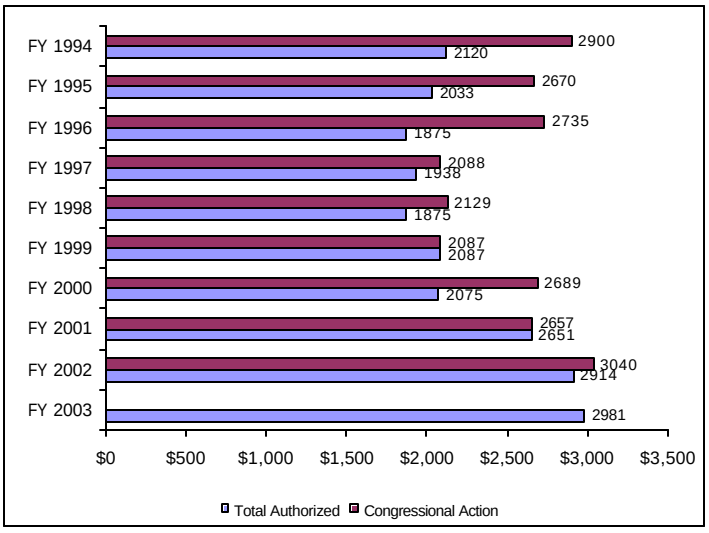

Figure 4

FY 2003 President's (F&E) Budget Request
By Budget Categories

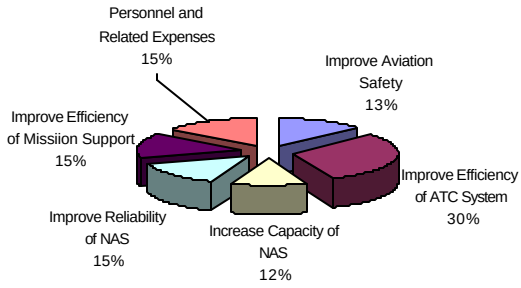

Figure 5

Note: FY 2002 and 2003 include accrued costs

This year's F&E budget request has been formatted in performance terms. Consistent with efforts to bring better focus and alignment with key outcomes, there are five broad areas that represent the performance effects of the resources requested by FAA. Under these broader performance outcome areas, projects are listed under more specific performance measures they are intended to improve.

Major FY 2003 Programs
($ in Millions)

Standard Terminal Automation Replacement System	127.5
Terminal Air Traffic Control Facilities – Replace	108.6
Terminal Digital Radar (ASR-11)	123.4
Wide Area Augmentation System	107.7
Free Flight Phase 2	106.2
Oceanic Automation System	87.4
Next Generation Very High Frequency (VHF) Air/Ground (A/G) Communication System	71.1

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

Improve Aviation Safety, Category 1

This category includes programs that contribute to aviation safety and prevent security incidents within the National Airspace System. In FY 2003 funding is requested for security systems, runway surface detection equipment, and weather related systems to improve detection, forecasting and processing of weather information to pilots, airline operations centers and controllers.

Improve Efficiency of the Air Traffic Control System, Category 2

These programs will improve the utilization of the en route airspace structure. System efficiency will provide an aerospace transportation system that meets the needs of the users and is efficient in the application of the Federal Aviation Administration and aerospace resources. In FY 2003 funding is requested for Free Flight phases 1 and 2, to reduce delays, continue to deploy state-of-the-art automation equipment that will provide en route automation capabilities to better handle increases in air traffic volumes, and provide critical communications and data link systems applications. Also requested is funding for the Standard Terminal Automation Replacement System for use in terminal approach control facilities and to develop the final systems capability.

Increase Capacity of the National Airspace System, Category 3

This category includes programs that will increase the throughput of the National Airspace System. The FY 2003 request includes the oceanic automation program to provide capacity increases through the modernization of oceanic ground systems. Funding is also requested for navigation and landing aids to provide all weather access and precision approach capability that will relieve airports facing capacity problems. These programs will increase capacity as well as decrease delays and diverted or canceled flights.

Improve Reliability of the National Airspace System, Category 4

This category contains programs that will sustain National Airspace System services and capabilities. Included are programs that will provide benefits to the users. For FY 2003, funding is requested for critical telecommunication services, voice switch replacements at the Air Route Traffic Control Centers, and electrical power systems to significantly increase the reliability and availability of the National Airspace System leading to fewer aircraft delays.

Improve the Efficiency of Mission Support, Category 5

This category includes system engineering and integration and transition engineering support contracts that provide technical and management support in all phases of the Capital Investment Plan implementation schedules.

Personnel and Related Expenses, Category 6

Funding for all personnel compensation, benefits, travel and related expenses associated with the Facilities and Equipment programs are budgeted under one consolidated category. These funds directly support Federal Aviation Administration personnel who are primarily responsible for the National Airspace System equipment installation and implementation.

	Budget Line Item Title	Budget FY 2003
Improve Aviation Safety		
A. Reduce Commercial Aviation Fatalities		
1A01	Terminal Business Unit	141,000.0
1A02	Aviation Weather Services Improvements	23,440.0
1A03	Low Level Windshear Alert System (LLWAS) - Upgrade	1,600.0
1A04	Aviation Safety Analysis System (ASAS)	21,700.0
1A05	Integrated Flight Quality Assurance (IFQA)	500.0
1A06	Safety Performance Analysis Subsystem (SPAS)	2,100.0
1A07	Performance Enhancement Systems (PENS)	2,600.0
	Total, Reduce Commercial Aviation Fatalities	**192,940.0**
B. Reduce General Aviation Fatalities		
1B01	Safe Flight 21	29,800.0
	Total, Reduce General Aviation Fatalities	**29,800.0**
C. Overall Aviation Safety Improvement		
1C01	Advanced Technology Development and Prototyping	41,100.0
1C02	Aircraft Related Equipment Program	16,000.0
1C03	National Aviation Safety Data Analysis Center (NASDAC)	2,000.0
1C04	Explosive Detection Technology	121,500.0
	Total, Other Aviation Safety Programs	**180,600.0**
	Total Category 1, Safety Programs	**403,340.000**
Improve Efficiency of the Air Traffic Control System		
A. Increase Number of Flights Handled by Airports		
2A01	Terminal Business Unit	551,035.5
2A02	Aeronautical Data Link (ADL) Applications	33,200.0
2A03	Free Flight Phase 2	106,200.0
2A04	Air Traffic Management (ATM)	13,000.0
2A05	Free Flight Phase 1	39,900.0
2A06	Automated Surface Observing System (ASOS)	12,100.0
	Total, Increase Number of Flights Handled by Airports	**755,435.5**
B. Improve Routing Efficiency for Flights En Route		
2B01	Next Generation Very High Frequency Air/Ground Communications System (NEXCOM)	71,100.0
2B02	En Route Automation Program	71,050.0
2B03	Weather and Radar Processor (WARP)	13,600.0
	Total, Improve Routing Efficiency for Flights En Route	**155,750.0**

Table 5

C. Overall NAS Efficiency Improvement		
2C01	ATOMS Local Area/Wide Area Network	1,100.0
2C02	NAS Management Automation Program (NASMAP)	1,900.0
	Total, Overall NAS Efficiency Improvement	**3,000.0**
	Total Category 2, Efficiency Programs	**914,185.5**
Increase Capacity of the National Airspace System		
A. Increase Capability of En-Route Systems to Handle Flights		
3A01	Navigation and Landing Aids	249,800.0
3A02	Oceanic Automation System	87,400.0
3A03	Gulf of Mexico Offshore Program	2,300.0
3A04	Voice Switching and Control System (VSCS)	14,000.0
	Total, Capacity Programs	**353,500.000**
Improve Reliability of the National Airspace System		
A. Replace Terminal Equipment to Prevent Decreased Performance		
4A01	Guam Center Radar Approach Control (CERAP) - Relocate	5,000.0
4A02	Terminal Voice Switch Replacement/Enhancement Terminal Voice Switch	6,200.0
4A03	Airport Cable Loop Systems - Sustained Support	4,000.0
	Total, Replace Terminal Equipment to Prevent Decreased Performance	**15,200.000**
B. Replace En route Equipment to Prevent Decreased Performance		
4B01	En Route Automation Program	142,800.0
4B02	ARTCC Building Improvements/Plant Improvements	40,200.0
4B03	Air Traffic Management (ATM)	24,500.0
	Total, Replace En Route Equipment to Prevent Decreased Performance	**207,500.000**
C. Replace Supporting Systems that Impact Overall NAS Performance		
4C01	Critical Telecommunication Support	1,000.0
4C02	FAA Telecommunications Infrastructure	46,600.0
4C03	Air/Ground Communications Infrastructure	22,800.0
4C04	Voice Recorder Replacement Program (VRRP)	3,300.0
4C05	NAS Infrastructure Management System (NIMS)	29,100.0
4C06	Flight Service Station (FSS) Modernization	5,700.0
4C07	FSAS Operational and Supportability Implementation System (OASIS)	19,710.0
4C08	Weather Message Switching Center Replacement (WMSCR)	2,000.0
4C09	Flight Service Station Switch Modernization	13,200.0
4C10	Alaskan NAS Interfacility Communications System (ANICS)	2,900.0
4C11	Electrical Power Systems - Sustain/Support	50,700.0
4C12	NAS Recovery Communications (RCOM)	9,400.0
4C13	Aeronautical Center Infrastructure Modernization	11,700.0
4C14	Frequency and Spectrum Engineering	2,600.0
	Total, Replace Supporting Systems that Impact Overall NAS Performance	**220,710.000**
	Total, Reliability Programs	**443,410.000**

Table 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	12,000.0
5A03	Technical Center Building and Plant Support	3,000.0
5A04	En Route Communications and Control Facilities Improvements	1,058.0
5A05	DOD/FAA Facilities Transfer	1,200.0
5A06	Terminal Communications – Improve	1,249.3
5A07	Flight Service Facilities Improvement	1,223.2
5A08	Navigation and Landing Aids - Improve	5,034.0
5A09	FAA Buildings and Equipment	11,000.0
5A10	Air Navigational Aids and ATC Facilities (Local Projects)	2,100.0
5A11	Computer Aided Engineering and Graphics (CAEG) Modernization	2,800.0
5A12	Information Technology Integration	1,600.0
5A13	Operational Data Management System (ODMS)	10,300.0
5A14	Logistics Support Systems and Facilities (LSSF)	9,300.0
5A15	Test Equipment - Maintenance Support for Replacement	1,700.0
5A16	Facility Security Risk Management	37,300.0
5A17	Information Security	13,291.0
5A18	Distance Learning	1,300.0
5A19	National Airspace System (NAS) Training Facilities	2,300.0
5A20	System Engineering and Development Support	25,800.0
5A21	Program Support Leases	38,400.0
5A22	Logistics Support Services (LSS)	7,500.0
5A23	Mike Monroney Aeronautical Center - Leases	14,600.0
5A24	In-Plant NAS Contract Support Services	2,900.0
5A25	Transition Engineering Support	39,000.0
5A26	FAA Corporate Systems Architecture	1,000.0
5A27	Technical Support Services Contract (TSSC)	46,700.0
5A28	Resource Tracking Program (RTP)	3,700.0
5A29	Center for Advanced Aviation System Development	81,364.0
5A30	Operational Evolution Plan (OEP)	1,000.0
	Total, Increase Efficiency of Investment Management	**382,419.504**

Table 5

B. Minimize Enviornmental Impact of Aviation Facilities

5B01	NAS Facilities OSHA and Environmental Standards Compliance	32,600.0
5B02	Fuel Storage Tank Replacement and Monitoring	8,500.0
5B03	Hazardous Materials Management	20,500.0
	Total, Minimize Enviornmental Impact of Aviation Facilities	**61,600.000**
	Category 5 Total	**444,019.504**

Perconnel and Related Expenses

6A01	Personnel and Related Expenses	441,118.0
	Category 6 Total	**441,118.000**

2,999,573.0

Table 5

For FY 2003, $127 million is requested to support the R,E&D program. This request represents $121 million less than the FY 2002 enacted (adjusted) level of $248 million. The difference is based primarily on $50 million being transferred to TSA, a $50 million supplemental one-time adjustment in 2002, and an $18 million transfer to F&E. Of the total amount being requested, $101.4 million is for aviation aircraft technology safety programs; $9.1 million for programs associated with efficiencies in weather research; $7.1 million for environmental and energy and $8.5 million for mission support.

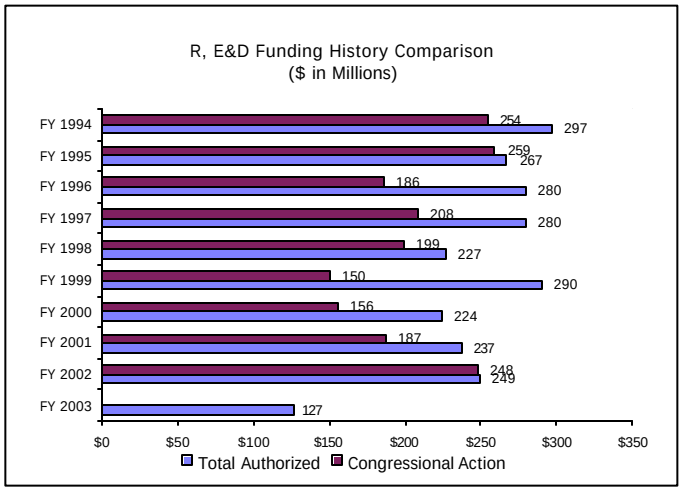

Figure 6 Note: FY 2002 and 2003 include accrued costs

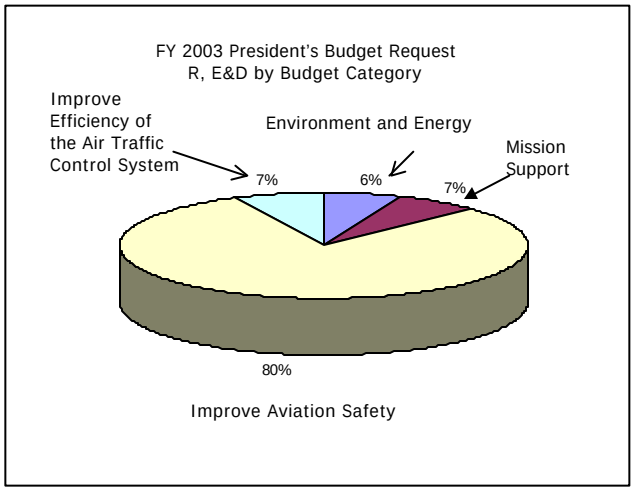

Figure 7

The FAA R,E&D program continues to make significant contributions to aviation research that assure the safety, capacity, and cost effectiveness of the air transportation system to meet increasing demands and user requirements. The R,E&D program has also made significant contributions to the development of effective standards, regulations, and guidance materials necessary to support the agency's regulatory mission.

This year's R,E&D budget request has been formatted in performance terms. Consistent with efforts to bring better focus and alignment with key outcome measures, there are four broad areas that represent the performance effects of the resources requested by FAA. Under these broader performance outcome areas, projects are listed under more specific performance measures they are intended to improve.

The following activities are examples of future benefits that will be attained from a continued investment in FAA R,E&D programs:

- Development of in-flight icing products based on satellite data analysis.

- Preparation of aircraft noise certification handbook and exploratory research of airplane and rotorcraft noise reduction technologies.

- Increased research on flight deck systems and human factors influencing the interoperability of decision support tools.

- Continued development of research initiatives supporting safer skies initiatives addressing controlled flight into terrain, weather, runway incursion, and aeronautical decisionmaking.

		FY 2003 Request
FY 2003 R,E&D by Goals		
A11.	**Improve Aviation Safety**	**$101,423**
	Reduce Commercial Aviation Fatalities	46,207
a.	Fire Research and Safety	6,429
b.	Propulsion and Fuel Systems	3,998
c.	Advanced Materials/Structural Safety	1,374
d.	Flight Safety/Atmospheric Hazards Research	3,101
e.	Aging Aircraft	20,974
f.	Aircraft Catastrophic Failure Prevention Research	1,920
g.	Flightdeck/Maint/Sys Integration Human Factors	8,411
	Reduce General Aviation Fatalities	**$11,964**
b.	Propulsion and Fuel Systems	1,713
c.	Advanced Materials/Structural Safety	1,679
d.	Flight Safety/Atmospheric Hazards Research	1,329
e.	Aging Aircraft	5,243
g.	Flightdeck/Maint/Sys Integration Human Factors	2,000
	Aviation System Safety	**$43,252**
h.	Aviation Safety Risk Analysis	6,926
i.	ATC/AF Human Factors	10,317
j.	Aeromedical Research	6,603
k.	Weather Research Safety	19,406
A12.	**Improve Efficiency of Air Traffic Control System**	**$9,099**
a.	Weather Research Efficiency	9,099
A13.	**Reduce Environmental Impact of Aviation**	**$7,698**
a.	Environment and Energy	7,698
A14.	**Improve Efficiency of Mission Support**	**$8,524**
a.	System Planning and Resource Management	1,459
b.	Technical Laboratory Facility	6,455
c.	Strategic Partnerships	610
	Total R,E&D	**$126,744**

Table 6

Operations Appropriation and Trust Fund Share
$ in Millions

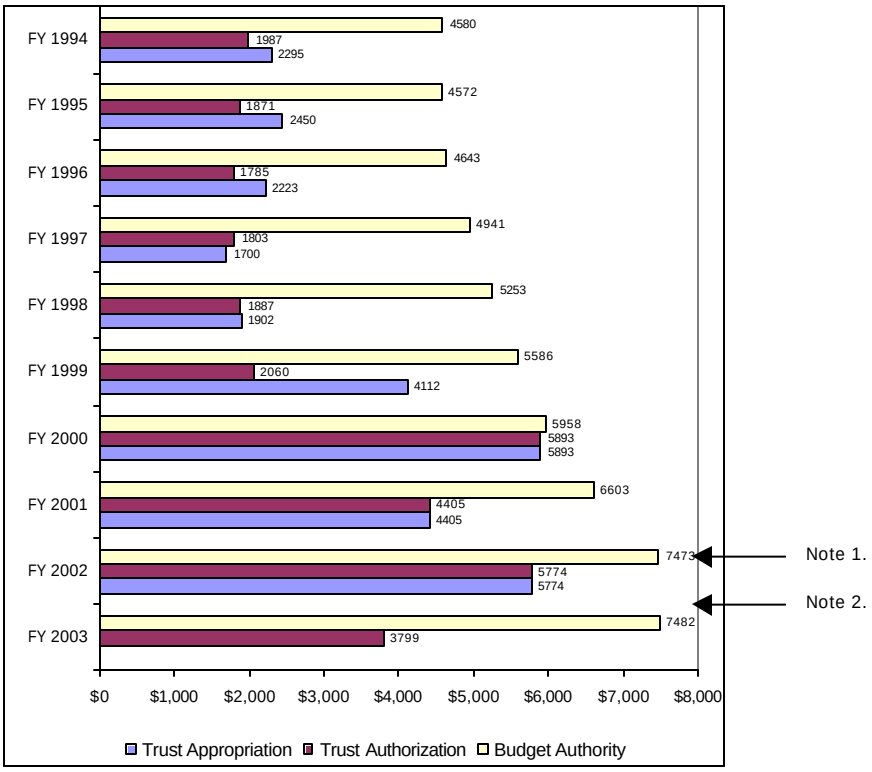

Figure 8

Notes:

1 Reflects $200 Million one-time supplemental funding

2 Reflects one-time request for Federal health and retirement costs. Includes Operations Trust Fund request of $3.799 billion

AIRPORT AND AIRWAY TRUST FUND

Unavailable Collections (in millions of dollars)

Identification code: 20-8103-0-7-402		FY 2001 Actual	FY 2002 Estimate	FY 2003 Estimate
	Balance, start of year:			
01.99	Balance, start of year	7,074	7,344	4,738
	Receipts:			
02.00	Excise Taxes	9,191	8,939	9,680
02.40	Interest	882	869	623
02.81	Facilities and equipment, offsetting collections	72	208	120
02.82	Research, engineering and development, offsetting collections	4	16	16
02.99	Total receipts and collections	10,149	10,032	10,439
04.00	Total: Balances and collections	17,223	17,376	15,177
	Appropriation:			
05.00	Trust fund share of FAA operations	-4,405	-5,974	-3,799
05.01	Grants-in-aid for airports	-2,594	-3,173	-3,404
05.02	Facilities and equipment	-2,723	-3,230	-3,119
05.03	Research, engineering and development	-191	-261	-143
05.05	Office of airline information	0	0	-4
05.99	Total appropriations	-9,913	-12,638	-10,469
06.10	Unobligated balance returned to receipts	34	0	0
07.99	Total balance, end of year	7,344	4,660	4,556

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, FAA facilities and equipment, research, and operations, 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 2001 Actual	FY 2002 Estimate	FY 2003 Estimate
	Unexpended balance, start of year:			
0100	Uninvested balance	837	825	0
0101	U.S. Securities Par value	13,097	13,657	12,767
0199	Total balance, start of year	13,934	14,482	12,767
	Cash Income during the year:			
	Current law:			
	Receipts			
1201	Passenger ticket tax	4,805	4,248	4,736
1202	Passenger flight segment tax	1,556	1,634	1,771
1203	Waybill tax	493	585	606
1204	Fuel tax	769	849	882
1205	International departure/arrival tax	1,336	1,371	1,401
1206	Rural airports tax	82	93	96

1207	Frequent flyer tax	150	158	162
	Offsetting receipts (intragovernmental):			
1240	Interest: Airport and airway trust fund	882	869	623
	Offsetting collections:			
1281	Facilities and equipment	72	208	120
1282	Research, engineering, and development	4	16	16
1299	Income under present law	10,149	10,032	10,439
	Cash outgo during year:			
4500	Trust fund share of FAA operations (Airport and airway trust fund)	-5,069	-6,050	-3,823
4501	Grants-in-aid for airports (Airport and airway trust fund)	-2,017	-2,798	-3,273
4502	Facilities and equipment (Airport and airway trust fund)	-2,266	-2,389	-2,709
4502	Facilities and equipment offsetting collections	-72	-208	-120
4503	Research, engineering and development (Airport and airway trust fund)	-167	-247	-195
4503	Research, engineering and development offsetting collections	-4	-16	-16
4504	Payment to air carriers	-6	-39	-25
4505	Office of airline information	0	0	-4
4599	Total cash outgo (-)	-9,601	-11,747	-10,165
	Unexpended balance, end of year:			
8700	Uninvested balance	825	0	0
8701	U.S. Securities: Par value	13,660	12,767	13,041
8799	Total balance, end of year	14,485	12,767	13,041

Table 7