About This Report

This report summarizes the Federal Aviation Administration’s (FAA) more detailed Performance and Accountability Report (PAR). As an agency within the U.S. Department of Transportation (DOT), the FAA is not required to prepare a separate PAR or summary report. However, to demonstrate accountability, we choose to present our performance, management, and financial information, using the same statutory and guidance framework as that used by the DOT in its reporting to the federal government. In some cases, however, we may depart from the format required of Chief Financial Officers Act agencies.

This report and reports from prior years are available on the FAA website at www.faa.gov/about/plans_reports/#performance
Our Mission
To provide the safest, most efficient aerospace system in the world.

Our Vision
Transform the aviation system to reflect the highest standards of safety and efficiency and be a model for the world.
The FAA will bring about this transformation by fostering innovation in our workforce and in how we serve our stakeholders and the American people.

Our Values
Safety is our Passion.
We work so that all air and space travelers arrive safely at their destinations.

Excellence is our Promise.
We seek results that embody professionalism, transparency, and accountability.

Integrity is our Touchstone.
We perform our duties honestly, with moral soundness, and with the highest level of ethics.

People are our Strength.
Our success depends on the respect, diversity, collaboration, and commitment of our workforce.

Innovation is our Signature.
We foster creativity and vision to provide solutions beyond today’s boundaries.

Visit us from your mobile device at m.faa.gov
- Read the latest news, updates & press releases
- Review runway safety signage and markings and test your knowledge
- Look up the N-number of an aircraft
- Get information on airport status & delays
- Get Notices to Airmen by airport code
- Read advisory circulars
- Locate a Flight Standards District Office
- Report a wildlife strike
- Report a laser incident

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Less than a year from now, it will be time once again to reauthorize the FAA. We will work closely with Congress to ensure the reauthorization process goes smoothly. Nevertheless, like many other agencies that provide a significant public benefit, we are subject to political dynamics. This will be especially challenging for us as we strive to maintain our complex, older air traffic control system, while introducing the new benefits of NextGen. The air traffic services we provide are fundamental to our economy. At the same time, modernizing our system is an investment that is critical to our future. We can best fulfill both missions with a stable level of funding, so that we can predictably plan and build our nation's aviation infrastructure.
Make Aviation Safer and Smarter

The core of our mission is safety. We continue to operate in one of the safest periods ever in aviation history. That’s not just a tribute to how well we maintain the infrastructure. It also clearly indicates that all the players are bringing their “A-game” to work. Pilots, mechanics, flight attendants, dispatchers, technicians, engineers, and controllers—every person who “touches” the airplane has a direct hand in the safety of the system. Yet despite this success, we strive for ways to keep improving.

Using the principles of Safety Management Systems, we recognize and mitigate hazards proactively, before they become a problem. This depends upon employees voluntarily reporting hazards they see in the system. It also depends upon industry sharing operational data so that we can see patterns in how we operate.

These databases contain information from flight data recorders, radar, and voluntary reports from pilots, air traffic controllers, technical specialists, and other safety professionals on the front line. Risk-based decision making will enable us to further improve safety in our aviation system. Creating an environment where people feel they can safely talk about issues and problems and where industry can share data is one of the most important aspects of a robust safety culture.

We’re putting measures in place to enable us to share safety data among all of the players—within the FAA, with industry, and with our international peers. This will make a broader spectrum of data available and put us in a position to make even smarter decisions.

Deliver Benefits Through Technology and Infrastructure

NextGen

NextGen will transform the radar-based air traffic control system of today into a satellite-based system that will be more efficient, safer, and more environmentally friendly.

Already, the FAA is significantly improving safety, capacity, and efficiency in our nation’s skies and airports through the “invisible” infrastructure of NextGen, namely new air traffic control procedures. The FAA is rolling out environmentally friendly procedures that reduce fuel burn and carbon emissions, most notably through our Metroplex initiatives, including Houston and North Texas, and other airspace redesigns across the country, such as Denver and Seattle.

The FAA has also made significant progress in laying the foundational elements from which an entire suite of NextGen capabilities will grow. In March we completed installation of the ground infrastructure for Automatic Dependent Surveillance—Broadcast (ADS-B), the new surveillance system that uses GPS signals to determine an aircraft’s location. With ADS-B, controllers get an update of the aircraft position almost continuously, compared to five seconds or longer with radar. This improves the precision of our tracking and leads to enhanced safety, greater efficiency, and ultimately a smoother flow of air traffic across the nation.

Transmitting data every second may not sound like a big deal, but it is when you’re talking about knowing the exact location of more than 30,000 commercial flights a day. And it’s important in congested airspace to better control the flow of aircraft and reduce delays.

What makes ADS-B capabilities possible are the upgrades we are making to our air traffic control automation software. We are on track to complete En Route Automation Modernization (ERAM) by 2015 in 20 centers that control high altitude traffic. ERAM will replace the legacy computer system that the FAA has been using since the 1970s.

By FY 2017 we also expect to update the automation platform at 11 of our major Terminal Radar Approach Control facilities that control traffic approaching and departing our nation’s airports. This program is called Terminal Automation Modernization and Replacement (TAMR). Our legacy system has been limited by its relatively slow processing speed and by the relatively small number of radar inputs it could accept. With ERAM and TAMR, we can process more data, more efficiently, from more sensors. This has already allowed us to fuse radar and ADS-B in dozens of facilities. All of this leads to a greater capacity for air traffic controllers to more effectively handle the aircraft in their sectors. Ultimately, it leads to improved efficiency for our entire airspace.

These accomplishments represent significant progress and will generate benefits for the aviation community. They do not, however, represent the end of NextGen. Rather, these technology upgrades will work in concert with ADS-B and other NextGen programs still in development—such as Data Communications and a suite of traffic management and decision-support tools—that will provide new ways to move aircraft safely and efficiently through our airspace.
Unmanned Aircraft Systems
As the provider of air traffic services, the FAA must ensure the safety and efficiency of the entire airspace, including all aircraft, people, and property—both manned and unmanned—in the air and on the ground. We recognize that the expanded use of unmanned aircraft presents great opportunities, including tangible economic benefits. However, all the associated safety issues must be carefully considered.

Enhance Global Leadership
The FAA has traditionally been the “gold standard” for aviation safety and technology, but we cannot take that position for granted. Aviation is a global industry and other countries are expanding their systems at a greater rate than the United States. We need to stay engaged to ensure that we are at the table to help set standards. That requires a good deal of engagement with our international partners.

One of the first steps we took in implementing the Global Leadership Initiative was to create a new governance structure consisting of the FAA’s International Advisory Board and International Steering Committee so that we can make decisions about international efforts in a data-informed, collaborative manner. This new structure will drive the creation and implementation of an agency-wide international strategy. With this cross-organizational structure, we will be better positioned to make data-informed decisions together, align our resources, prioritize our international activities, and track our progress.

Accountability
For the seventh consecutive year, independent auditors gave the FAA an unmodified audit opinion with no material weaknesses on our financial statements. We issued an unqualified statement of assurance and can state that the financial and performance data are reliable and complete.

We remain committed to ensuring our agency’s transparency and accountability to the American taxpayer. This year’s PAR, which can be found at www.faa.gov/about/plans_reports, provides a detailed accounting of our performance and financial management. This report is a clear indication that we take this responsibility very seriously.

Michael P. Huerta
Administrator
November 7, 2014
Strategic Sustainment: Maintaining the FAA’s Critical Infrastructure

The FAA operates a vast network of facilities and equipment that supports the nation’s airspace, much of it decades old. NextGen is bringing new systems to our airspace, but existing infrastructure must still be maintained, so that it is safe to operate and remains in proper working order.

The FAA continues to prioritize all investments, including those aimed at extending the life of existing infrastructure. In order to prioritize these needs, the agency has developed a plan with a backlog of critical projects.

As part of this plan, the FAA identified a list of 25 critical projects for the near, middle, and far term. We determined the need based on the following factors, identified in the order of relative importance: risk to employee safety; impact on the nation’s airspace; impact on the environment; and cost to the taxpayer. We also determined whether the risk was systemic (affecting not just one, but many facilities).

Identifying critical sustainment projects is just one element of the plan. We are gathering inputs from all stakeholders so that we can identify shared goals and improve our processes for undertaking and managing these efforts.

We made significant progress in FY 2014. We accomplished numerous goals in the plan, including replacing 42 engine generators and modernizing 70 fuel systems needed for backup power at air traffic control facilities. We also awarded major construction projects at three en route centers and awarded a contract to replace 18 radio towers.

Our current infrastructure has served us well for many decades. With proper maintenance and sustainment, it will serve as the foundation for a safe workplace and a vibrant airspace system as we advance toward our NextGen future.
Management’s Discussion and Analysis
Our Organization

The FAA fulfills its mission through four lines of business that work collaboratively to create, operate, and maintain the national airspace system.

- **Air Traffic Organization (ATO).** Moves air traffic safely and efficiently. The customers of the world’s largest air navigation service provider are commercial, private, and military aviation. More than 32,000 ATO employees provide services to these customers.

- **Airports (ARP).** Provides leadership in planning and developing a safe, secure, and efficient airport system. Manages the Airport Improvement Program (AIP), which provides grants to public agencies and, in some cases, to private owners and entities, for the planning and development of public-use airports that are included in the National Plan of Integrated Airport Systems. Enhances environmental quality related to airport development; develops standards for the design and construction of airport facilities; establishes regulations for the safe operation of commercial service airports; and inspects airports for compliance.

- **Aviation Safety (AVS).** Oversees the safety of aircraft and the credentials and competencies of pilots and mechanics; develops mandatory safety rules; and sets the standards that have helped make air travel one of the safest modes of transportation in history.

- **Commercial Space Transportation (AST).** Oversees the safety of commercial space transportation activities; regulates the U.S. commercial space transportation industry, including human space flight; and encourages, facilitates, and promotes U.S. commercial space transportation.

The FAA has 10 staff offices that support these lines of business and the accomplishment of the agency’s mission. Key among these staff offices are:

- **Finance and Management (AFN).** Consolidates support services and provides a centralized focus for finance, acquisition, information services, and region and center operations. The streamlining of agency functions coordinated by AFN enables the FAA to be a more responsible steward of its resources. AFN is comprised of the following offices:
  - **Financial Services**
  - **Acquisitions and Business Services**
  - **Information Services**
  - **Regions and Center Operations**
    - **Aeronautical Center.** The Mike Monroney Aeronautical Center in Oklahoma City, OK, provides logistics, enterprise business

What Is NextGen?

For more than six decades, we have controlled aircraft across the country using the same basic radar technology. NextGen is an upgrade from this earlier ground-based navigation system to satellite-based navigation technology. This latest technology affects all of us—from the pilots who fly the planes, to the air traffic controllers who ensure safe separation between aircraft and determine flight routes, to the passengers who benefit from a safer, more efficient system.

Satellite-based navigation enables pilots to know the precise location of other airplanes around them. Such situational awareness adds a further dimension of safety to that already provided by air traffic control. Enhanced knowledge of aircraft location also means that planes can fly safely with less separation between them, resulting in the efficiency of more planes in the air at the same time. This increased capacity in the air also helps to alleviate flight delays. Indirect routes between locations are being replaced with more direct routes that save time and fuel.

Satellite-based landing procedures enable controllers to help pilots arrive at airports more predictably and more efficiently. Traditional step-down descents to the airport, which consume more time and fuel, are being replaced with continuous descents, which are more like sliding down a bannister. And once on the ground, satellite-based monitoring makes it possible for airplane passengers to get to their gates more quickly.

We are already seeing the benefits of NextGen. (See “NextGen Today” on page 9.)
Why Does NextGen Matter?

NextGen makes aviation more efficient, benefits the environment and enhances safety.

Makes Aviation More Efficient
As the nation’s skies and largest airports become increasingly busy, NextGen means less time sitting on the ground and holding in the air. NextGen technology and procedures are shaving crucial minutes off flight times.

NextGen enables the sharing of real-time data about weather, the location of aircraft and vehicles in the air and on the ground, and conditions throughout our nation’s airspace. Getting the correct information in a timely manner helps controllers and operators make better decisions and improve on-time performance.

Better for the Environment
With NextGen, flying is becoming quieter, cleaner and more fuel-efficient. Pilots and air traffic controllers are beginning to use new equipment and procedures, like optimized profile descents, reducing aviation’s adverse impact on the environment. More precise flight paths are also helping limit the numbers of people impacted by aircraft noise.

Enhances Safety
The FAA’s top priority is ensuring safe skies and airfields. NextGen is providing air traffic controllers and pilots with the tools to proactively identify and mitigate issues associated with weather and other hazards, enabling us to better meet our national security needs.

NextGen (ANG). The NextGen Office provides leadership in planning and developing the Next Generation Air Transportation System. This office coordinates NextGen initiatives, programs, and policy development across the FAA.

Technical Center. The William J. Hughes Technical Center, located in Atlantic City, NJ, supports the NextGen office and serves as the national scientific test base for the FAA. The Technical Center focuses on research and development, including long-range development of innovative aviation systems and concepts; development of new air traffic control equipment and software; and modification of existing systems and procedures. The Technical Center also verifies and validates air traffic control, communications, navigation, airports, aircraft safety, and security systems.

Go to www.faa.gov/about/office_org for more details about our organization.

Alaska Test Range flight using an Aeryon Scout, at the Firefighters Training Facility, Fairbanks, Alaska (Jay Skaggs)
Although NextGen is a long-term and complex undertaking, we are already witnessing very significant benefits from it.

Pilots and controllers have greater flexibility. At Hartsfield-Jackson Atlanta International Airport, for example, NextGen technology allows for tighter “headings.” The tighter headings at this airport mean that 8-12 more planes per hour can depart. At Atlanta, that saves 11,000 hours of tarmac wait time.

NextGen has also reduced wake-based separation standards. (An aircraft’s “wake” is the turbulence that forms as it passes through the air, which until now has required wider separation between aircraft to ensure safety. For more information, please see page 23.) In June, for example, we put such standards in place at Atlanta’s Hartsfield-Jackson International Airport. The reduced separation standards mean that aircraft can safely land and depart—one behind another—slightly closer than before. Similarly, we revised wake standards at Louisville airport last fall.

NextGen also reduces congestion in busy metro areas that have complex air traffic patterns involving two or more airports. These areas are called metropoles. Metroplex solutions incorporate NextGen procedures to integrate and streamline the air traffic patterns in these complex areas. NextGen procedures in metroplex areas also help aircraft avoid fuel burning turns as they route around competing areas of air traffic, saving millions of dollars.

Metroplex solutions are underway in Houston and North Texas, Northern and Southern California, Atlanta, Charlotte, N.C., and Washington, D.C. (For a discussion of accomplishments in the Houston metroplex, see page 16.) We estimate that airlines flying into the nation’s capital now using NextGen procedures will save $2.3 million in fuel per year and cut aircraft exhaust emissions by 7,300 metric tons.
Management Challenges

In FY 2014, the FAA was tasked by the Department of Transportation (DOT) with addressing four of seven challenges identified by the Inspector General (IG). These four challenges encompassed 13 subchallenges:

- Improving the FAA’s Oversight of the Aviation Industry and the Operations of the National Airspace System
  - Advancing Initiatives to Improve Pilot Training, Mentoring, and Record Keeping
  - Improving Air Traffic Controller Training, Scheduling, and Performance
  - Implementing a Risk-Based Approach for Repair Station Oversight
  - Enhancing Runway Safety
  - Improving Data Collection and Analysis to Identify and Mitigate Risks with Aircraft Separation Losses and Air Carrier Operations
- Identifying and Addressing Root Causes of Problems with NextGen and Setting Investment Priorities
  - Identifying and Addressing the Underlying Causes of Cost Increases and Schedule Delays
  - Integrating New Performance-Based Navigation Routes to Maximize Near-Term Benefits and Gain User Support
  - Implementing an Integrated Master Schedule for NextGen Programs
  - Mitigating Implementation Risks with Key Automation Systems that Controllers Rely on to Manage Air Traffic
  - Further Developing and Implementing Consolidation and Modernization Plans
  - Safely Integrating Unmanned Aircraft Systems into the National Airspace System (NAS)
- Managing Acquisitions and Contracts to Achieve Results and Save Taxpayer Dollars
  - Ensuring that Taxpayer Dollars Are Invested and Administered Wisely on Major Contracts
- Building a Secure and Modern Information Technology Infrastructure
  - Protecting Sensitive Information

Soon after the IG report was issued, the FAA developed an action plan for each of the 13 key issues. Included in these action plans were detailed steps and timelines for addressing the challenges. At the end of FY 2014, the FAA submitted “actions taken” reports to the DOT. These reports documented our progress throughout FY 2014 in addressing each of the key challenges. These year-end actions-taken reports, our action plans, and the comprehensive report identifying the IG Top Management Challenges for FY 2014 are posted on the FAA’s website at http://www.faa.gov/about/plans_reports/ under the DOT IG Top Management Challenges section.
Alignment of FAA Costs and Strategic Priorities

The FAA total net cost of $16.1 billion was allocated to our four strategic priorities:

Make aviation safer and smarter. More than $9.8 billion, or approximately 61 percent of our total net cost, was devoted to our priority of ensuring the safety of the nation’s airspace.

- The Office of Airports (ARP) directed $1.7 billion toward safe airport infrastructure.
- The Air Traffic Organization (ATO) spent approximately $6.3 billion, largely to maintain the safe separation of aircraft in the air and on the ground.
- The Aviation Safety Organization (AVS) spent just over $1.3 billion on its programs to regulate and certify aircraft, pilots, and airlines, directly supporting the safety of commercial and general aviation.
- The Office of Commercial Space Transportation (AST), the other FAA staff offices, and other programs spent nearly $491.4 million to further support the agency’s safety mission.

Deliver benefits through technology and infrastructure. Approximately $5.7 billion, or about 35 percent of total net costs, was assigned to expanding the capacity of the national airspace system, particularly through the pursuit of programs contributing to the NextGen initiative.

- The ATO spent approximately $4.3 billion, largely to finance its facilities and equipment projects.
- The ARP spent more than $1.5 billion to enhance the capacity of the country’s airports through runway projects and other efforts.

Enhance global leadership. As a whole, we committed almost $1 million to strengthening our international leadership role. These efforts included programs aimed at reducing fatal accidents around the world. Funding for training and technical assistance helped promote safety standards as well.

Empower and innovate with the FAA’s people. Approximately $595.6 million supported this strategic priority, to which nearly all the lines of business and staff offices contributed.

New Technology Detects Dangerous Debris on Runways

Foreign Object Debris (FOD) is any foreign object that does not belong on a runway, taxiway, or ramp area. FOD can cause damage to aircraft and, in rare instances, cause an accident. Typical FOD items are aircraft parts, tire fragments, mechanics’ tools, nails, luggage parts, broken pavement, and stones.

Airport operators traditionally have located and removed FOD in a variety of ways, including through visual inspections and the use of sweepers, vacuums, and magnetic bars to collect debris. The FAA began conducting performance assessments of automated FOD detection systems in 2007. In November 2013, the FAA and the Massachusetts Port Authority (Massport) unveiled the first automated system in the United States for detecting debris on airport runways. The detection path covers an entire runway at Boston Logan Airport’s busiest runway.

This newly installed automated system provides instant notifications of debris, as well as a video image of the FOD to help the airport operations center determine if it should be removed immediately. Additionally, FOD automation can provide continuous monitoring and detection, precise information about the location of FOD the system detects, and audible alerts.
Performance Highlights
Performance Measures Overview

In this section, we discuss our progress in achieving 12 performance measures. The measures are organized by strategic priority and objective. In FY 2014, we reported on performance measures for three of our four overarching strategic priorities as follows.

In the tables that follow, we provide the FY 2014 target, the FY 2014 results, the FY 2014 status (whether the target was met or not), and the FY 2015 target. In FY 2014, we achieved all 11 of the 11 performance targets for which we had end-of-year data. One performance measure (Fedview Ranking) did not have any data results available at the time of this publication. We will report those results in the Fiscal Year 2015 Performance and Accountability Report. We have noted the measures for which the data provided are preliminary.

STRATEGIC PRIORITY: Make Aviation Safer and Smarter

STRATEGIC OBJECTIVE: Build on safety management principles to proactively address emerging safety risks by using consistent, data-informed approaches to make smarter, system-level, risk-based decisions.

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>FY 2014 Target</th>
<th>FY 2014 Results</th>
<th>FY 2014 Status</th>
<th>FY 2015 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Air Carrier Fatality Rate*</td>
<td>7.2</td>
<td>0.61</td>
<td>✓</td>
<td>6.9</td>
</tr>
<tr>
<td>In FY 2014, the commercial air carrier fatality rate will not exceed 7.2 fatalities per 100 million people on board.</td>
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<td></td>
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</tr>
<tr>
<td>Serious Runway Incursions Rate*</td>
<td>0.395</td>
<td>0.3092</td>
<td>✓</td>
<td>0.395</td>
</tr>
<tr>
<td>Reduce Category A &amp; B (most serious) runway incursions to a rate of no more than .395 per million operations.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>System Risk Event Rate</td>
<td>20</td>
<td>3.523</td>
<td>✓</td>
<td>20</td>
</tr>
<tr>
<td>Limit the rate of the most serious losses of standard separation to 20 or fewer for every thousand (.02) losses of standard separation within the national airspace system.</td>
<td></td>
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<tr>
<td>IT Risk Management and Information Systems Security</td>
<td>95% of non-NAS IP-based systems</td>
<td>98% of non-NAS IP-based systems</td>
<td>✓</td>
<td>TBD</td>
</tr>
<tr>
<td>Utilize Continuous Diagnostics and Mitigation (CDM) capabilities to continuously enhance our ability to prevent, deter, detect, and respond to cyber attacks against the FAA's infrastructure for 95% of non-national airspace system (NAS) Internet Protocol (IP)-based systems and pilot CDM capabilities on a NAS IP-based system.</td>
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<tr>
<td>General Aviation Fatal Accident Rate*</td>
<td>1.05</td>
<td>1.054</td>
<td>✓</td>
<td>1.04</td>
</tr>
<tr>
<td>Reduce the general aviation fatal accident rate to no more than 1.05 fatal accidents per 100,000 flight hours.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial Space Launch Accidents</td>
<td>0</td>
<td>0</td>
<td>✓</td>
<td>0</td>
</tr>
<tr>
<td>No fatalities, serious injuries, or significant property damage to the uninvolved public during licensed or permitted space launch and reentry activities.</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

* This performance measure supports a DOT Agency Priority Goal.

1 Preliminary estimate until final result can be confirmed by the National Transportation Safety Board (NTSB) in March 2016. We do not expect any change in the final result to be significant enough to alter our year-end status of achieving the target.

2 Preliminary estimate until the final result becomes available in January 2015. We do not expect any change in the final result to be significant enough to alter our year-end status of achieving the target.

3 Preliminary estimate until the final result becomes available in January 2015. We do not expect any change in the final result to be significant enough to alter our year-end status of achieving the target.

4 Preliminary estimate until the final result becomes available in March 2016. We do not expect any change in the final result to be significant enough to alter our year-end status of achieving the target.
Our FY 2014 efforts for the fourth strategic priority, **Enhance Global Leadership**, focused on developing the organizational groundwork that will support this strategic priority area moving forward. While there are no established performance measures to report for FY 2014, many accomplishments were made in this area.

The Global Leadership Initiative created an agency-wide governance structure to facilitate data-informed, agency-wide international decision making. In 2014, we developed an FAA international strategy to guide the use of FAA resources in prioritizing efforts to improve safety, air traffic efficiency, and environmental sustainability across the globe. The agency also initiated a Global Leadership Government/Industry Roundtable to improve international engagement and alignment with industry initiatives and priorities.
The FAA

Inspects and Certifies approximately

202,000 US civil aircraft,

600,000 pilots, and

540 commercial airports

The Dangers of Laser Pointers

Aiming a laser pointer at an aircraft creates a serious safety risk that violates federal law. High-powered lasers can temporarily blind pilots and endanger hundreds of passengers flying on the aircraft, as well as people on the ground. In recent years, incidents in which lasers have been pointed at aircraft have increased dramatically—from not quite 300 in 2006 to approximately 4,000 in 2013.

Improbable as it may seem, the beams from small hand-held laser pointers can jeopardize not only aircraft close to the ground, but aircraft high in the sky. That is because, with distance, laser beams expand to two to three feet in width.

The three primary hazards of lasers are:

• Distraction and startle. An unexpected laser beam or bright light can distract the pilot during a nighttime landing or takeoff.

• Glare and disruption. As the brightness of the light increases, it interferes more and more with a pilot’s vision. Night vision starts to deteriorate. Veiling the glare is not an option, since that would make it difficult to see out of the cockpit windscreen.

• Temporary blindness or permanent eye injury. Flash blindness from a laser pointer is analogous to temporary blindness from a bright camera flash in that there is no permanent injury. However, a pilot’s night vision is completely lost for a period of time. This could endanger a critical phase of flight, such as landing or takeoff. In some cases, moreover, the effects of laser beams can be severe: they can damage a pilot’s eyes permanently.

In addition to being hazardous to pilots, these incidents can result in arrests and jail sentences. On February 14, 2012, the president signed the FAA Modernization and Reform Act of 2012, which makes it a federal crime to aim a laser pointer at an aircraft.

You can report a laser incident from your mobile device at m.faa.gov

You can also send an email to laserreports@faa.gov and include the following information:

• Your name and contact information

• Date and time you witnessed the laser incident

• Location and description of the incident
A Message from the Chief Financial Officer

Mark House

The Federal Aviation Administration (FAA) continues to fulfill its primary mission of running the safest and most efficient aviation system in the world. An integral component of the U.S. economy, the aviation system operates 24 hours a day, seven days a week, 365 days a year.

We face many challenges—modernizing the airspace system, repairing our existing equipment and facilities, and supporting commercial and general aviation, as well a growing number of commercial space flights and unmanned aircraft. The FAA stands at a critical juncture as we move forward in the next reauthorization cycle. We and our stakeholders are envisioning what the FAA of the future should look like, how it could be funded, and how it would operate.

Recovering from Sequestration

The sequestration of more than $600 million, mandated by the Budget Control Act of 2011, imposed a major budget reduction during FY 2013. This mid-year funding cut prompted us to take dramatic actions, including hiring freezes, training stoppages, deferred maintenance, travel reductions that delayed the deployment of NextGen programs and procedures, and employee furloughs. These debilitating actions were followed by a 16-day government shutdown at the beginning of FY 2014.

Last December, Congress passed a two-year budget—the Bipartisan Budget Act of 2013—which provided some degree of fiscal certainty for FY 2014 and FY 2015. With the passage of the Omnibus appropriation for FY 2014, the FAA restarted the affected programs. Hiring of essential safety personnel was our highest priority. After a nearly nine-month shutdown, our primary training academy reopened in January, restarting the pipeline of new controllers. Lifting travel restrictions also enabled the agency to resume important work on NextGen foundational programs, as well as on new airspace procedures that improve traffic flow in major metropolitan areas across the country.
MESSAGE FROM THE CHIEF FINANCIAL OFFICER

Accomplishments

Over the past year, more than 90 percent of our major system investments have remained within 10 percent of their cost and schedule baselines. We also succeeded in keeping our commitment to provide comprehensive fiscal and performance information, as we achieved an unmodified audit opinion with no material weaknesses on our FY 2014 financial statements. In addition, we were recognized with the distinguished Certificate of Excellence in Accountability Reporting award given by the Association of Government Accountants for our 2013 Performance and Accountability Report. This was the tenth year that we have been a recipient of this award.

During FY 2014, we successfully implemented a major upgrade to our accounting system, providing additional functionality, more robust security features, and added state-of-the-art financial management and reporting applications. In addition, early in the fiscal year REGIS (the Regional Information System) was designated the FAA’s official cuff (single-entry) accounting system, which is essentially the agency’s checkbook register. This major milestone for our shared services organization consolidates and standardizes financial record-keeping throughout the agency, thereby improving accountability and enhancing operational efficiency.

In addition to financial system upgrades, we also successfully transitioned the FAA to a new, modern electronic mail system. Over a three-month period, more than 46,000 users were migrated to the new email system with minimal disruption. This program is an important first step in supporting a more mobile and agile workforce.

Moving Forward

Next year we will continue to make progress on rebuilding our workforce and implementing the technologies and procedures that will bring the NextGen vision closer to reality. Paramount to maintaining this progress is a stable and predictable level of funding. Because we operate a round-the-clock enterprise that is mostly funded by the users of the system through taxes and fees, the FAA is different from most federal agencies. That relationship provides a unique opportunity to redefine the vision and financial structure of the FAA.

Mark House
Chief Financial Officer
November 7, 2014
Financial Highlights
Following are highlights of the Federal Aviation Administration's (FAA) FY 2014 financial performance. For a more detailed look at the financial statements and accompanying notes, see our Fiscal Year 2014 Performance and Accountability Report (PAR), pages 25-30 and 76-113. The PAR is available on our website at http://www.faa.gov/about/plans_reports/media/2014-FAA-PAR.pdf.

The FAA receives budget authority to obligate and expend funds from both the Department of the Treasury's General Fund (GF) and the Airport and Airway Trust Fund (AATF). Created by the Airport and Airway Revenue Act of 1970, the AATF derives its funding from excise taxes and earned interest. It provides a source of revenue to finance investments in the airport and airway system, and covers a portion of FAA operating costs. In FY 2014, the AATF provided approximately 80 percent of our enacted budgetary authority, per the Consolidated Appropriations Act of 2014.

Aviation excise taxes, which include taxes on domestic passenger tickets, freight waybills, general and commercial aviation fuel, and international departures and arrivals, are deposited into the fund. The Department of the Treasury, which maintains the fund, invests them in government securities. Interest earned is also deposited into the fund. Funding is withdrawn following the appropriations process, and transferred to each FAA appropriation account (explained below and illustrated in the accompanying diagram) to cover obligations.

We are financed through annual and multiyear appropriations authorized by Congress. The FY 2014 enacted budget of $15.8 billion was an increase of $240 million (1.5 percent) over the FY 2013 enacted level. The FAA requests and receives its funding in four primary appropriation accounts:

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

The largest account, Operations, is funded by both the GF and the AATF. In FY 2014, the AATF provided 67.3 percent of the revenue for Operations. The AATF is the sole revenue source for our three capital investment appropriations—AIP, F&E, and R,E&D.

FAA Resources and How They Are Used

<table>
<thead>
<tr>
<th>Two Primary Sources of funding</th>
<th>General Fund</th>
<th>Airport and Airway Trust Fund</th>
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<tr>
<td>are appropriated as these funding types</td>
<td>Operations</td>
<td>AIP</td>
</tr>
<tr>
<td>ATO</td>
<td>AVS</td>
<td>AST</td>
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<tr>
<td>Regions &amp; Center Operations and Other</td>
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which support these strategic priorities

- Make aviation safer and smarter
- Deliver benefits through technology and infrastructure
- Enhance global leadership
- Empower and innovate with FAA’s people

The diagram illustrates how resources are allocated to support FAA lines of business and non-line of business programs, with specific funding types (such as ATO, AVS, AST, ARP) associated with each line of business and strategic priority.
Operations
This account finances operating costs, maintenance, communications, and logistical support for the air traffic control and air navigation systems. It also funds the salaries and costs associated with carrying out our safety inspection and regulatory responsibilities. In addition, the account covers administrative and managerial costs for our international, medical, engineering, and development programs, as well as for policy oversight and overall management functions. The FY 2014 Operations appropriation was $9.65 billion, approximately 2.7 percent greater than in FY 2013.

AIP
The Secretary of Transportation is authorized to award grants for airport planning and development to maintain a safe and efficient nationwide system of public airports. These grants fund specific capital development at the nation's public airports. Grants are issued to maintain and enhance airport safety, preserve existing infrastructure, and expand capacity and efficiency throughout the system. The program also supports noise compatibility and planning, the military airport program, reliever airports, and airport program administration. FY 2014 funding for the AIP was $3.35 billion.

F&E
This account funds the capital improvement projects necessary to establish, replace, relocate, or improve air navigation facilities and equipment, as well as other aviation systems, across the nation’s airspace, particularly through programs supporting NextGen. Several major systems that contribute to the NextGen effort reached significant milestones in FY 2014. These included Automatic Dependent Surveillance-Broadcast (ADS-B), Data Communications for Trajectory Based Operations (DataComm), and En Route Automation Modernization (ERAM). F&E was funded at $2.60 billion in FY 2014, a decrease of $22.2 million from the FY 2013 level.

R,E&D
This account funds research, engineering, and development programs to plan, conduct, and integrate domestic and international research efforts, and to develop products and services that will ensure a safe, efficient, and environmentally harmonious global air transportation system. The FY 2014 appropriation for R,E&D of $158.8 million was the same as the FY 2013 level.

The FAA’s summarized assets, liabilities, and net position are shown on page 24.

The FAA’s total assets were $32.6 billion as of September 30, 2014. The FAA’s assets are the resources available to pay liabilities or satisfy future service needs. The Composition of Assets chart depicts major categories of assets as a percentage of total assets. The Assets Comparison chart presents comparisons of major asset balances as of September 30, 2013 and 2014.

Fund balance with Treasury (FBWT) represents 10 percent of the FAA’s current period assets and consists of funding available through the Department of Treasury accounts from which the FAA is authorized to make expenditures to pay liabilities. It also includes passenger ticket and other excise taxes deposited to the AATF, but not yet invested. Fund balance with Treasury was unchanged from last year at $3.3 billion.

At $15.0 billion, Investments represent 46 percent of the FAA’s current period assets, and are derived from passenger ticket and other excise taxes deposited to the AATF and premiums collected from the Aviation Insurance Program. These amounts are used to finance the FAA’s operations to the extent authorized by Congress and to pay potential insurance claims. Investments increased by $1.2 billion due to an increase in excise tax revenues of $659.0 million, coupled with yearly War Risk premiums of $131.8 million, and earned interest of $250.6 million. Additionally, investments are not liquidated until needed to fund expenses which accounts for the remaining increase on a comparative basis.
At $13.3 billion, General property, plant, and equipment, net (PP&E) represent 41 percent of the FAA's assets as of September 30, 2014, and primarily comprises construction-in-progress related to the development of national airspace system assets, and capitalized real and personal property. There was a decrease of $97.3 million in the total composition of PP&E, as purchases of equipment and additions to construction-in-progress through the normal course of business were less than the offsets by retirements, disposals, and depreciation.

As of September 30, 2014, the FAA reported liabilities of $4.3 billion. Liabilities are probable and measurable future outflows of resources arising from past transactions or events. The Composition of Liabilities chart depicts the FAA's major categories of liabilities as a percentage of total liabilities.

The Liabilities Comparison chart presents comparisons of major liability balances between September 30, 2013, and September 30, 2014. Below is a discussion of the major categories.

At $1.2 billion, Employee-related and other liabilities represent 29 percent of the FAA's total liabilities. These liabilities decreased by $245.9 million as of September 30, 2014, and are comprised mainly of $245.8 million in advances received, $188.6 million in Federal Employee’s Compensation Act payable, $204.2 million in accrued payroll and benefits, $478.7 million in accrued leave and benefits, $9.7 million in legal claims liability, and $73.2 million in capital lease liability.

At $927.5 million, Federal employee benefits represent 22 percent of the FAA's current year liabilities, and consists of the actuarially determined liability for death, disability, and medical costs for approved workers compensation cases, plus a component for incurred but not reported claims. The Department of Labor (DOL) calculates the liability for the Department of Transportation (DOT), and the DOT attributes a proportionate amount to the FAA based upon actual workers’ compensation payments to FAA employees over the preceding four years. This liability is updated an on annual basis at year end.

Environmental liabilities represent 23 percent of the FAA’s total liabilities and were $1.0 billion as of September 30, 2014, compared with $751.7 million a year earlier. The increase is due to regulatory influences, addition of Areas of Concern and lower output of treatment systems at several sites in Alaska. Environmental liabilities include a component for remediation of known contaminated sites and the estimated environmental cost to decommission assets presently in service.

The FAA’s Grants payable are estimated amounts incurred but not yet claimed by AIP grant recipients and represent 17 percent of liabilities. Grants payable decreased by $53.6 million. Accounts
payable increased $19.9 million and are amounts the FAA owes to other entities for unpaid goods and services received.

The FAA's summarized net cost of operations is shown on page 24.

As of September 30, 2014, and September 30, 2013, the FAA's net costs were $16.1 billion and $16.2 billion, respectively. The Composition of Net Cost chart illustrates the distribution of costs among the FAA's lines of business.


With a net cost of $11.1 billion, the Air Traffic Organization is the FAA's largest line of business, comprising 69 percent of its total net costs. The Air Traffic Organization's net costs increased by $210.0 million, on a comparative basis, primarily from increases in property-related activities, labor costs, supplies and materials, and travel expenses, offset by decreases in contractor services, telecommunications, and utilities costs.

The FAA's second largest line of business is Airports, with a net cost of $3.2 billion as of September 30, 2014, which is 20 percent of the FAA's total net costs. Net costs decreased by $413.5 million from the prior year, primarily due to a decrease in Airport Improvement Program grant disbursements and accruals on a comparative basis.

The net cost of Aviation Safety represents 8 percent of the FAA's total net costs, while Region and Center Operations and All Other comprise 3 percent of total net costs.

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

The FAA's Cumulative Results of Operations for the period ending September 30, 2014, increased by $982.9 million, due primarily to a combination of financing sources of $2.9 billion from appropriations used, non-exchange revenue of $13.8 billion, imputed financing of $577.0 million, and donations of property of $43.8 million, offset by transfers out of $236.9 million and net costs of $16.1 billion. Unexpended appropriations increased by $215.0 million.

Summary Financial Information

The FAA's independent auditor, KPMG, LLP, has rendered an unmodified opinion on the FAA's FY 2014 financial statements with no material weakness. The DOT's Office of Inspector General presented KPMG's audit report to the FAA Administrator on November 7, 2014. The summary financial information in this Summary of Performance and Financial Information report was derived from the FAA's audited FY 2014 and FY 2013 financial statements, which were prepared pursuant to the requirements of the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994.
Summary of Financial Statement Audit and FAA Management Assurances

The table below summarizes the results of the independent audits of the FAA’s FY 2013 and FY 2014 consolidated financial statements by the agency’s auditors. The table also summarizes the management assurances related to the effectiveness of internal control over the FAA’s financial reporting and operations, and its conformance with financial management system requirements under Sections 2 and 4, respectively, of the Federal Managers’ Financial Integrity Act (FMFIA) of 1982, as well as compliance with the Federal Financial Management Improvement Act (FFMIA).

<table>
<thead>
<tr>
<th>AUDITOR CONCLUSIONS</th>
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<tbody>
<tr>
<td>Financial statements audits: FY 2013 and FY 2014</td>
<td>Unmodified opinions</td>
<td>No material weaknesses</td>
</tr>
<tr>
<td></td>
<td>✓</td>
<td>✓</td>
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<table>
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<tr>
<th>AGENCY ASSERTIONS</th>
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<tbody>
<tr>
<td>Effectiveness of Internal Control over Financial Reporting and Operations (FMFIA § 2)</td>
<td>Unqualified statement of assurance</td>
<td>No material weaknesses</td>
</tr>
<tr>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Financial management system requirements (FMFIA § 4)</td>
<td>No nonconformances (Auditor and Agency)</td>
<td></td>
</tr>
<tr>
<td>Systems requirements, accounting standards, and the USSGL at the transaction level (FFMIA)</td>
<td>Overall substantial compliance (Auditor and Agency)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>✓</td>
<td>✓</td>
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Wake Recategorization Increases Capacity and Decreases Aviation's Carbon Footprint

Wake turbulence is turbulence that forms behind an aircraft as it passes through the air. It’s important that aircraft are far enough apart that they aren’t affected by each other’s wake turbulence. The required wake turbulence separation between aircraft is based on the aircraft’s classification, or category.

The former system of classifying aircraft for wake turbulence separation was based primarily on the weight of the aircraft. That method required longer wait times between airplane departures and arrivals, so that aircraft would meet what were considered safe separation standards. Those former, more conservative separation standards also meant, for example, that arriving aircraft had to be in the air longer, as they waited their turn to land.

But beginning in November 2012, new FAA rules were adopted that recategorized aircraft based on their performance characteristics rather than their weight. This re-categorization (RECAT) more narrowly and accurately defined safe wake-turbulence separation, and has brought many benefits to aviation.

Memphis International Airport implemented RECAT first, in November 2012, and Louisville International Airport followed in September 2013. Cincinnati/Northern Kentucky International Airport adopted the revised standards in March 2014. Most recently, on June 1, 2014, Hartsfield-Jackson Atlanta International Airport implemented the new FAA RECAT rules. Other airports are expected to follow suit.

Analysis by the FAA’s wake turbulence program has shown about a 20 percent increase in the number of arrivals and departures at Memphis. Before RECAT, Memphis accepted 77 arrivals per hour. Now the airport accepts 99 arrivals per hour. FedEx, which is headquartered in Memphis, reported $1.8 million in savings per month as a result of the changes. UPS, whose worldwide hub is in Louisville, has reported saving about 52,000 lbs. of fuel on arrivals per night.

Benefits of Wake RECAT:

- UPS saved 52,000 lbs. of fuel on arrivals per night.
- FedEx saved $1.8 million per month.
- Memphis accepted 99 arrivals per hour, up from 72.
Summary Financial Information

### U.S. Department of Transportation

#### FEDERAL AVIATION ADMINISTRATION

##### SUMMARIZED ASSETS, LIABILITIES, AND NET POSITION

As of September 30

(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Assets</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund balance with Treasury</td>
<td>$3,309,473</td>
<td>$3,273,753</td>
</tr>
<tr>
<td>Investments, net</td>
<td>14,974,934</td>
<td>13,821,513</td>
</tr>
<tr>
<td>Accounts receivable, prepayments, and other, net</td>
<td>276,208</td>
<td>261,071</td>
</tr>
<tr>
<td>Inventory, operating materials, and supplies, net</td>
<td>680,951</td>
<td>656,491</td>
</tr>
<tr>
<td>Property, plant, and equipment, net</td>
<td>13,323,531</td>
<td>13,420,806</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$32,565,097</strong></td>
<td><strong>$31,433,634</strong></td>
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</tbody>
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<table>
<thead>
<tr>
<th>Liabilities</th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Accounts payable and grants payable</td>
<td>$1,114,413</td>
<td>$1,148,076</td>
</tr>
<tr>
<td>Environmental</td>
<td>1,010,343</td>
<td>751,705</td>
</tr>
<tr>
<td>Employee related and other</td>
<td>1,237,221</td>
<td>1,483,013</td>
</tr>
<tr>
<td>Federal employee benefits</td>
<td>927,453</td>
<td>973,055</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>$4,289,430</strong></td>
<td><strong>$4,355,849</strong></td>
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<table>
<thead>
<tr>
<th>Net position</th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Unexpended appropriations</td>
<td>1,176,873</td>
<td>961,916</td>
</tr>
<tr>
<td>Cumulative results of operations</td>
<td>27,098,794</td>
<td>26,115,869</td>
</tr>
<tr>
<td><strong>Total net position</strong></td>
<td><strong>28,275,667</strong></td>
<td><strong>27,077,785</strong></td>
</tr>
</tbody>
</table>

| Total liabilities and net position | $32,565,097 | $31,433,634 |

### U.S. Department of Transportation

#### FEDERAL AVIATION ADMINISTRATION

##### SUMMARIZED CHANGES IN NET POSITION

For the Years Ended September 30

(Dollars in Thousands)

<table>
<thead>
<tr>
<th>2014</th>
<th>2013</th>
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</thead>
<tbody>
<tr>
<td><strong>Net Position – beginning of year</strong></td>
<td>$27,077,785</td>
</tr>
</tbody>
</table>

**Financing sources**

- Excise taxes and associated revenue | 13,805,387 | 13,121,590 |
- Appropriations received | 3,156,214 | 4,592,701 |
- Net transfers out | (170,685) | (147,668) |
- Imputed financing and other | 504,649 | 334,760 |
| **Total financing sources** | $17,295,565 | $17,901,383 |

| **Net cost of operations** | $16,097,683 | $16,225,338 |

| **Net position – end of year** | $28,275,667 | $27,077,785 |

### Notes to the Summary Financial Information

#### Reporting Entity

The FAA, which was created in 1958, is a component of the DOT, a cabinet-level agency of the Executive Branch of the U.S. Government. The FAA accomplishes its mission through four lines of business that work together to create, operate, and maintain the nation’s airspace.

#### Basis of Presentation

The summary financial information presented here is intended to provide users with an overview of the financial status and activities of the FAA and is derived from and should be read in conjunction with the financial statements contained in the FAA’s 2014 PAR, available on our website at [http://www.faa.gov/about/plans_reports/media/2014-FAA-PAR.pdf](http://www.faa.gov/about/plans_reports/media/2014-FAA-PAR.pdf). The summary information is not in conformance with accounting principles generally accepted in the United States.
We Welcome Your Comments

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

Please send your comments to

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Email: Allison.Ritman@faa.gov
Fax: 202-493-4191

This report and reports from prior years are available on the FAA website at

http://www.faa.gov/about/plans_reports/#performance

You can also stay connected with the FAA via the social media listed below

Facebook: www.facebook.com/FAA
Flickr: www.flickr.com/photos/FAANews
Twitter: www.twitter.com/FAANews
YouTube Channel: www.youtube.com/FAANews
LinkedIn: www.linkedin.com/company/faa