



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



SUMMARY OF PERFORMANCE AND FINANCIAL INFORMATION

2017

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We Welcome Your Comments
(inside back cover)

OUR MISSION

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

OUR VISION

To 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

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

FAA BY THE NUMBERS*

45,711 TOTAL EMPLOYEES



REGIONAL AND FIELD OFFICES



HEADQUARTERS
WASHINGTON, DC



4,014



MIKE MONRONEY
AERONAUTICAL CENTER (MMAC)
OKLAHOMA CITY, OK



3,288



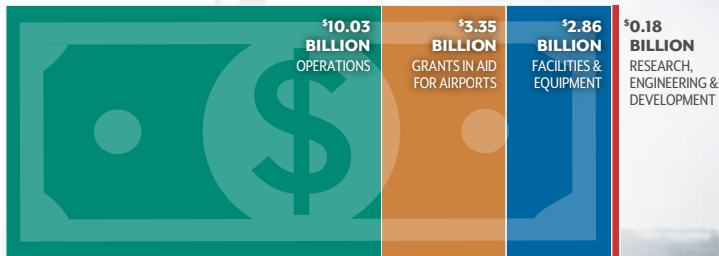
WILLIAM J. HUGHES
TECHNICAL CENTER
ATLANTIC CITY, NJ



1,411

**Numbers by location are approximate.*

\$16.42 BILLION BUDGET IN FY 2017



ABOUT THIS REPORT

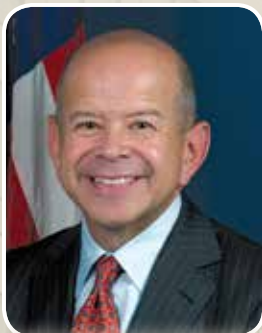
This report summarizes the Federal Aviation Administration's (FAA) more detailed Performance and Accountability Report (PAR). As an agency within the U.S. Department of Transportation (DOT), the FAA is not required to prepare a separate PAR or summary report. However, to demonstrate accountability, we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

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

[www.faa.gov/about/
plans_reports/#performance](http://www.faa.gov/about/plans_reports/#performance)

ADMINISTRATOR

A MESSAGE FROM THE ADMINISTRATOR



MICHAEL P. HUERTA

The United States is considered the gold standard in aviation

for one simple reason: we do not compromise on safety. Safety is our common goal, our shared principle, our mission. It is not just good business — it is our business.

In the seven years I have been with the FAA, I have seen some truly extraordinary things. I have seen drones go from being a niche and a hobby to a worldwide phenomenon with far-reaching potential for industries and consumers alike. I have seen a space launch where a reusable rocket booster landed on a ship off the coast of Florida — a feat that is dramatically changing the economics of the space business. And I have witnessed the dream to reality of NextGen; air traffic modernization that is now delivering tangible benefits to airlines, businesses, and passengers across the country.

This report summarizes the FAA's major performance and financial results for fiscal year (FY) 2017 and discusses some of our goals for the near future. Our past performance and our goals for the future reach across all areas of aviation, including general aviation, the modernization of our national airspace, unmanned aircraft systems (UAS) and commercial space transportation.

**Every minute, every hour, every day,
there are men and women at work to
ENSURE THE SAFETY OF
OUR NATIONAL AIRSPACE.**

GENERAL AVIATION

No other country in the world has a general aviation (GA) community as large and diverse as ours. General aviation in America is shaped by courageous pilots, visionary manufacturers, and safety-minded regulators working together. We all have a role to play in growing and improving its future. The FAA is committed to doing our part by working to become a more efficient and nimble organization and by better serving the GA community.

The FAA has streamlined and improved the way we assure safe pilots and the planes they fly. We recently rolled out a new, common sense approach to medical certification called "BasicMed." Instead of requiring pilots to see an Aviation Medical Examiner and obtain a third-class medical certificate, most pilots can now be examined by their doctor and take an online medical education course to get qualified to fly.

We also made more flexible the way we certify small GA aircraft. Instead of telling manufacturers how to build airplanes, we are defining the safety goals we want them to achieve. This approach is supported by industry and will spur innovation, lower costs, and speed up implementation of safety technologies. Industry is already working on some advanced concepts like electric propulsion systems and vertical takeoffs for aerial taxis. Our revised regulations went into effect in August.



FAA Administrator Michael P. Huerta at the FAA Operations Center at FAA headquarters.

NEXT GENERATION AIR TRANSPORTATION SYSTEM (NEXTGEN)

When you look at every important issue the FAA has tackled over the years — from decreasing the risk of commercial aviation crashes to modernizing our air traffic control system — our success has always depended on our close partnership with industry. One of the best examples of this partnership is the NextGen Advisory Committee (NAC). The NAC includes a cross section of executives from the airlines, airports, general aviation, pilots, air traffic controllers, the Department of Defense, environmental interests, international interests and providers of air traffic control technology — all committed to ensuring a successful transition to NextGen. The NAC has been instrumental in helping the FAA determine the NextGen priority areas that deliver the greatest amount of benefit in the near term.

One of NextGen's highest priorities is Data Communications, or Data Comm. This program enables air traffic controllers to send digital instructions and clearances to pilots. This year we completed the deployment of Data Comm departure clearance service at nine more airports, in addition to the 46 airports that received Data Comm deployment in 2016. In response to the NAC's request to accelerate our original schedule, we completed the task two and a half years early, and with the resulting cost savings, we will install Data Comm at seven additional airports. One of the benefits we are seeing is the reduction of aircraft taxi time by aircraft that would otherwise be delayed because of bad weather. Over the next 30 years we expect that Data Comm will generate more than \$10 billion in savings for the airlines along with an estimated additional savings of \$1 billion to the FAA.

Another NextGen priority is Automatic Dependent Surveillance-Broadcast (ADS-B). ADS-B uses satellites to pinpoint where aircraft are at any given moment, providing a much safer and more accurate picture of our airspace. However, ADS-B is only effective if all planes are using it. Therefore, FAA is requiring that all aircraft flying in controlled airspace be equipped with ADS-B by January 1, 2020. To encourage owners of general aviation aircraft to equip in advance of the deadline, the FAA offered \$500 rebates on the required avionics. Over 12,000 aircraft owners took advantage of this opportunity.

UNMANNED AIRCRAFT SYSTEMS (UAS)

FAA is ushering in a new age of American aviation — the unmanned aircraft era. Drone technology is developing at a tremendous pace. Some of the latest models sense and avoid obstacles in their paths. Others can fit in your pocket, or be used under water. Safely integrating UAS into our nation's airspace has been a challenging, but fascinating experience that will only continue. FAA must constantly evolve in our approach to UAS integration, accommodate innovation, and as always, maintain the highest levels of safety.

The FAA shares many of its accomplishments with the UAS industry. The FAA has now approved over 8,600 requests to fly UAS in controlled airspace under the rules established by the agency's recent small UAS regulations. During Hurricane Harvey, FAA responded quickly by processing and approving hundreds of disaster response and relief waivers that included UAS locating storm victims and inspecting utilities and infrastructure in dangerous or hard to reach locations.

We will continue to support this vibrant industry by working closely with our committees, UAS manufacturers and users. The FAA is confident we will be able to protect public safety and address concerns drones pose for security and individual privacy.

COMMERCIAL SPACE

Commercial space transportation is no longer an idea for the future, but happening now. Commercial launch companies are increasingly performing missions that were once the sole provenance of the U.S. government, such as supplying the International Space Station and launching national security assets.

Several companies are developing new vehicles to be used for a variety of tasks, including space tourism, satellite resupply, and potential flights to Mars. Some of these companies are hoping to launch people on suborbital and orbital trips within the next year or two from newly developed and licensed spaceports, and many people have already signed up for their ride into space. While space flight remains risky and expensive, the FAA is working with the industry to develop consensus standards for

human safety in commercial space flight. What we learn from space tourism flights and suborbital research missions will help the U.S. government and the commercial space industry build more cost-effective systems for taking people into space, whether they are going to the International Space Station or they are on the first leg of deep-space exploration mission.

PERFORMANCE HIGHLIGHTS

A summary of results for all 14 of our performance measures is provided on pages 12–13. Each performance measure is linked to one of the FAA's four strategic priorities.

For 13 out of the 14 measures, year-end data was available at the time of publication, and the FAA achieved 11 of those measures. The results for the FedView Rankings measure are expected in December 2017.

Four of the 14 performance measures support U.S. Department of Transportation (DOT) priorities. As noted below, the FAA successfully achieved all four of the DOT priorities.

- **Commercial Aviation Fatal Accidents Rate:** With a result of 0.3 fatalities per 100 million people on board, the FAA achieved its goal of not exceeding 6.4 fatalities per 100 million people on board.
- **General Aviation Fatal Accidents Rate:** The year-end result of 0.84 fatal accidents per 100,000 flight hours was below our target of not exceeding 1.01.
- **Serious Runway Incursion Rate:** The FY 2017 result of 0.130 serious runway incursions per million operations was below the goal of not exceeding 0.395.
- **Data Comm:** The FAA met its goal of deploying Data Comm services at nine airports in FY 2017.

ACCOUNTABILITY

The FAA continues its commitment to ensuring transparency and accountability to the public while achieving our mission. The performance and financial data in this report are complete, accurate, and provide a comprehensive representation of agency results. Furthermore, for the eleventh consecutive year, independent auditors gave our agency an unmodified

audit opinion on our financial statements. However, after nine years without a material weakness in internal controls, this year we changed our method of estimating environmental decommissioning liabilities resulting in an error in our third quarter financial statements and a material weakness as a consequence. We corrected our methodology, and have put better controls in place to ensure that changes to estimation methods are sound.

The FY 2017 Performance and Accountability Report, as well as this summary document, can be accessed online at https://www.faa.gov/about/plans_reports/#performance.

A LOOK AHEAD

The only guidance tools America's earliest pilots had at their disposal were their eyes. In fact, the first man-made air navigation aids were a transcontinental series of bonfires the U.S. Postal Service set up so that mail could travel at night. And the first air traffic control tower, if you can call it that, was operated out of a wheelbarrow by a person who used two signal

flags by the side of the runway to let airplanes know if they should hold or land. This is hard to imagine today.

Moving from bonfires and wheelbarrows to satellites and computers took less than the span of a single lifetime. In the not-too-distant future, planes will be sharing airspace with commercial space rockets, package delivery drones, aerial taxis, and other technologies not yet imagined. What won't have to be imagined is the U.S. commitment to maintaining the safest aerospace system in the world. As we proceed with NextGen, integrate drones and other new users, and address other important questions of the day, our commitment to safety and our aviation industry partnerships will continue to guide us; and I look forward to seeing what the future will bring.

MICHAEL P. HUERTA

Administrator

November 9, 2017



Fuel chemistry engineers perform two-dimensional compositional analyses of alternate fuels.

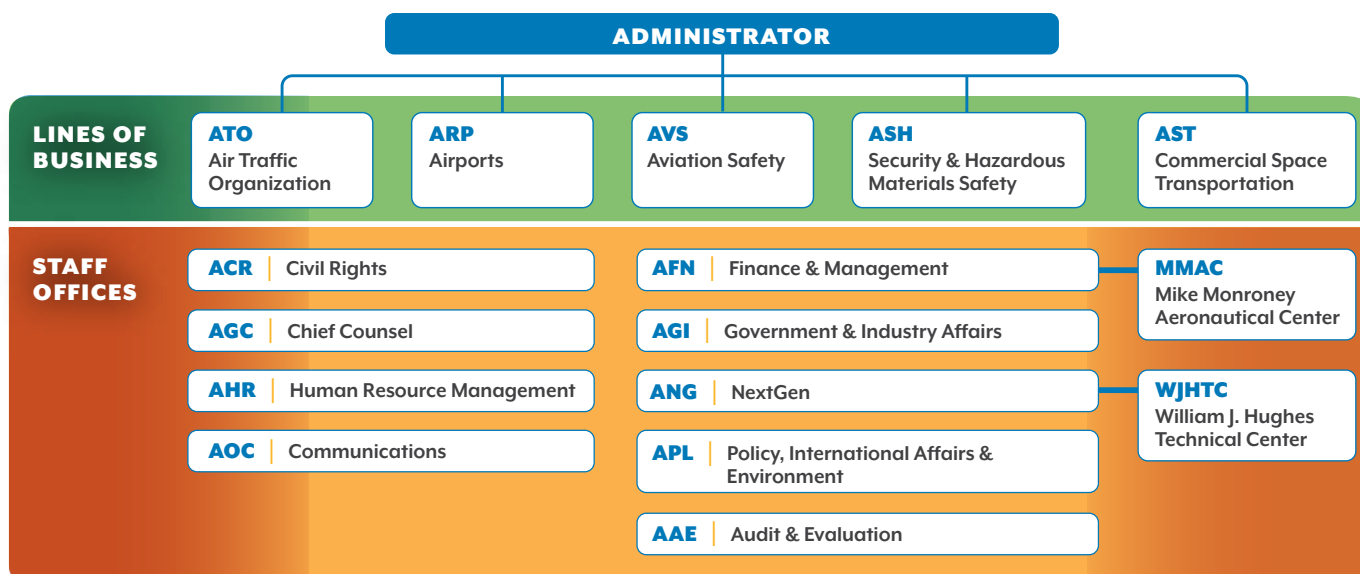
ORGANIZATION

FAA ORGANIZATION AND CHALLENGES

74,000 pieces of equipment and systems ...

... operate **24** hours a day, **7** days a week, **365** days a year.

Air Traffic Organization Technical Operations technician on tower at Orlando International Airport.



ATION

FAA ORGANIZATION

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

- **Air Traffic Organization (ATO).** Serves as the operational arm of the FAA. ATO is responsible for providing safe and efficient air navigation services for 30.2 million square miles of airspace. This represents more than 17 percent of the world's airspace and includes all of the United States and large portions of the Atlantic and Pacific Oceans and the Gulf of Mexico. ATO stakeholders include commercial and private aviation users and the military. ATO employees are the service providers — the controllers, technicians, engineers and support personnel whose daily efforts keep aircraft moving safely and efficiently through the nation's skies.
- **Airports (ARP).** Provides leadership in planning and developing a safe and efficient national airport system; is responsible for all programs related to airport safety and inspections, and for standards of airport design, construction, and operation (including international harmonization of airport standards). Through the Airport Improvement Program (AIP), the office awards airport grants and approves passenger facility charge collections. ARP is also responsible for national airport planning and environmental and social requirements. In addition, ARP establishes policies related to airport rates and charges, compliance with grant assurances, and airport privatization.
- **Aviation Safety (AVS).** Develops, establishes, administers, and enforces safety standards for all parts of the aviation industry, impacting every facet of domestic and international civil aviation safety. AVS is responsible for the certification of aircraft, airmen (pilots, mechanics, and other designees), and aviation entities (air carriers, charter operators, flying schools, training centers, etc.).
- **Security and Hazardous Materials Safety (ASH).** Protects critical FAA assets, personnel, and the flying public from security risks, including criminal, terrorist, and insider threat actions. This is done through 24/7 emergency preparedness and response; global aviation situational awareness; intelligence threat identification, warning, and analysis; robust personnel and facility security programs; and identification media issuance. ASH collaborates within FAA and with interagency, industry, and foreign partners to provide national security support and to ensure the safety

of the transportation of hazardous materials (HAZMAT) in air commerce, preventing HAZMAT-related accidents or incidents aboard aircraft using targeted, risk-based oversight, as well as education, outreach, and engagement both domestically and internationally.

- **Commercial Space Transportation (AST).** Ensures protection of the public, property, and the national security and foreign policy interests of the United States during commercial launch or reentry activities through licensing launches and reentries, and the operation of launch and reentry sites. AST also encourages, facilitates, and promotes U.S. commercial space transportation.

The FAA has 9 staff offices that support these lines of business and accomplishments of the agency's mission.

Key among these staff offices are:

- **Finance and Management (AFN).** Streamlines agency functions to ensure they are delivered as effectively and efficiently as possible. AFN improves accountability and enhances operational efficiency through the responsible stewardship of FAA resources. AFN is comprised of the following offices:
 - **Financial Services**
 - **Acquisition and Business Services**
 - **Information & Technology Services**
 - **Regions and Property Operations**
 - **Aeronautical Center.** The Mike Monroney Aeronautical Center (MMAC) in Oklahoma City, OK, provides services in support of Center activities and agency programs including: logistics, enterprise business, software design, training, course design, real property management, personal property, and equipment/management services. The MMAC also trains air traffic controllers and the technicians who repair and maintain airspace supporting systems and equipment in the field. The MMAC provides technological training, national partnerships, logistics support, simulation, and medical research.
- **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. ANG also works with other federal and state government agencies, the FAA's international counterparts, and members

MANAGEMENT CHALLENGES

of the aviation community to ensure harmonization of NextGen policies and procedures.

- Technical Center.** The William J. Hughes Technical Center, located in Atlantic City, NJ, is the FAA's air transportation laboratory and national scientific test base for research and development, test and evaluation, and verification and validation in air traffic control, communications, surveillance, navigation, traffic flow management, and weather systems. The Technical Center supports advancement in airport and aircraft safety, human factors and separation standards, system development, and cyber security. These laboratories provide a platform to explore, integrate, and evaluate aviation concepts from initial concept to deployment in the airspace system.

For more information about FAA lines of business and staff offices, please visit www.faa.gov/about/office_org.

In FY 2017, the FAA was tasked by DOT to address the following ten challenges identified by the Inspector General (IG):

- **Overseeing an expanding and dynamic unmanned aircraft systems industry**
- **Maximizing benefits from personal identity verification (PIV) cards**
- **Extending security boundaries to cover all DOT information**
- **Strengthening Disadvantaged Business Enterprise (DBE) program oversight**
- **Keeping near-term NextGen investment priorities on track and addressing key risks**
- **Defining the costs and benefits of the NextGen transformational programs**
- **Enhancing redundancy and contingency plans for air traffic operations to mitigate disruptions**
- **Ensuring enough fully certified controllers at critical air traffic facilities**
- **Keeping current on new acquisition skills and financial tools**
- **Managing new safety requirements from the FAA Extension Act**

Soon after the Inspector General's report was issued, the FAA developed an action plan that listed actions and timelines for addressing each of the ten challenges. The FAA also submitted an "actions taken" report to DOT that describes the progress the FAA made throughout FY 2017 in addressing each of the challenges. The actions-taken report, initial action plans and the Inspector General's comprehensive report identifying top management challenges for FY 2017 are posted on FAA's website at http://www.faa.gov/about/plans_reports/ under the DOT IG Top Management Challenges section.

ON THE RADAR

3-D PRINTING BRINGS CHANGES TO THE AVIATION INDUSTRY

Aircraft and component manufacturers are beginning to use an industrial-grade 3-D printing process called Additive Manufacturing (AM) to produce complex parts. Unlike conventional manufacturing processes where parts are machined and assembled, AM allows a manufacturer to build complex geometry from 3-dimensional models, usually layer upon layer. AM can reduce the number of parts needed, reduce material waste, and improve performance due to design improvements.

Due to its multiple benefits, the use of AM is rapidly expanding in aviation and other industries. For instance, GE is working on developing and certifying the world's "most printed" Advanced Turboprop engine in which 855 normally made parts will be replaced with just 12 3-D printed components. Boeing is in the process of obtaining FAA certification for its first 3-D printed titanium structural, load-bearing part to be used in its 787 Dreamliner.

FAA's certification and oversight process must ensure that aircraft parts produced with AM will perform as well or better

than those manufactured using traditional methods. To meet this requirement, FAA chartered a national team tasked to develop a certification process for 3-D printed parts called the AM Certification Roadmap, and this effort is well underway. Also, FAA is creating guidance documents on AM technology and training engineers and technicians on the creation and use of 3-D printed parts.

AM is also becoming increasingly popular with the commercial space industry as a means of reducing the cost of launches, and increasing the availability of launch vehicles to serve all space sectors. Earlier this year, under an FAA license, Rocket Lab USA conducted the maiden launch of its Electron rocket using an engine made largely of 3-D printed components. Also, companies such as SpaceX, and Aerojet Rocketdyne, have successfully made, tested, and flown 3-D printed launch vehicle engine components. Currently, the International Space Station hosts a 3-D printer to make simple replacement parts, tools, and medical devices. ✈️

NEXTGEN PROGRAMS



AUTOMATIC DEPENDENT SURVEILLANCE-BROADCAST (ADS-B)

is the FAA's satellite-based successor to radar. ADS-B makes use of GPS technology to determine and share precise aircraft location information, and streams additional flight information to the cockpits of aircraft equipped with ADS-B avionics.

<http://www.faa.gov/nextgen/programs/adsb/>



COLLABORATIVE AIR TRAFFIC MANAGEMENT TECHNOLOGIES

(CATMT) is a suite of enhancements to the decision-support and data-sharing tools used by air traffic management personnel. These enhancements will enable a more collaborative environment among controllers and operators, improving efficiency in our nation's airspace.

<http://www.faa.gov/nextgen/programs/catmt/>



DATA COMMUNICATIONS (Data Comm)

enables controllers to send digital instructions and clearances to pilots. Precise visual messages that appear on a cockpit display are loadable into an aircraft's flight computer.

<http://www.faa.gov/nextgen/programs/datacomm/>



NATIONAL AIRSPACE SYSTEM VOICE SYSTEM (NVS)

will supplant the FAA's aging analog voice communication systems with state-of-the-art digital technology. NVS will standardize the voice communication infrastructure among FAA facilities, and provide greater flexibility to the air traffic control system.

<http://www.faa.gov/nextgen/programs/nvs/>



NEXTGEN WEATHER

will help reduce weather impact by producing and delivering tailored aviation weather products via SWIM, help controllers and operators develop reliable flight plans, make better decisions, and improve on-time performance. NextGen Weather is accomplished through collaboration between the FAA, National Aeronautics and Space Administration and National Oceanic and Atmospheric Administration.

<http://www.faa.gov/nextgen/programs/weather/>



SYSTEM WIDE INFORMATION MANAGEMENT (SWIM)

is the information-sharing platform that allows members of the aviation community to access the specific information they need, in the way that they need it, to facilitate an innovative and efficiently run national airspace system.

<http://www.faa.gov/nextgen/programs/swim/>



DECISION SUPPORT SYSTEMS

provide air traffic controllers with the tools they need to optimize traffic flow across the national airspace. These systems include Terminal Flight Data Manager, which shares real-time data among controllers, aircraft operators, and airports so they can better stage arrivals and departures for greater efficiency on the airport surface. Decision Support Systems also include Time Based Flow Management, which uses time instead of distance to help controllers sequence air traffic. Compared to the traditional miles-in-trail process to separate aircraft, TBFM provides a more efficient traffic flow that reduces fuel burn, lowers exhaust emissions, and increases traffic capacity.

https://www.faa.gov/nextgen/update/progress_and_plans/decision_support_systems/

PERFORMANCE HIGHLIGHTS

There are **19,601** airports in the U.S. ...

... **5,116** public airports ...

... and **14,485** private airports.

Engineer conducting a flammability test on an evacuation slide material. FAA flammability requirements mandate the evacuation slide materials for transport aircraft meet this stringent, 3-minute test to ensure slides remain inflated for passenger escape in the event of a postcrash external fuel fire.

There are **14,050** air traffic controllers ...

... working at **518** airport traffic control towers in the U.S.

Air traffic controller at work at the tower at Washington Reagan National Airport.

PERFORMANCE MEASURES OVERVIEW

In this section, the FAA discusses its achievements in addressing our 14 performance measures. The FAA organizes its measures by the following strategic priorities:

- **Make Aviation Safer and Smarter**
- **Deliver Benefits through Technology and Infrastructure**
- **Enhance Global Leadership**
- **Empower and Innovate with the FAA's People**

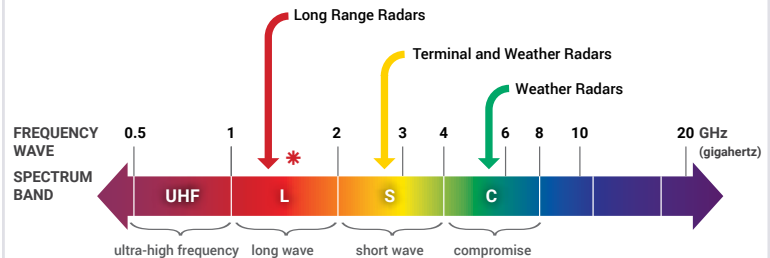
In FY 2017, the FAA achieved 11 of the 13 performance targets for which it had end-of-year data. One performance measure (Fedview Ranking) did not have any data results available at the time of this publication. The FAA will report those results in next year's PAR. The FAA has noted the measures for which the data provided are preliminary.

Although in some cases the FAA achieved a result this year that was significantly better than the target, the FAA did not set a new fiscal year target to reflect the prior year's result. Annual performance is subject to greater variability than long-term performance. Over time, short-term trends tend to balance out and in doing so provide a more accurate picture of the agency's long-term performance. Moreover, some annual targets use data acquired over a multi-year period. The targets used in this section have been set to measure the FAA's performance toward long-term goals.



ON THE RADAR

SPECTRUM BANDS USED BY CERTAIN FAA RADAR SYSTEMS



* FAA is studying the feasibility of freeing up at least 30 megahertz (MHz) of the 1300–1350 MHz (1.3–1.35 gigahertz [GHz]) spectrum band.

WHAT IS SPECTRUM?

Spectrum refers to the nation's radio frequencies allocated to the mobile industry, air traffic control, weather surveillance, and other sectors for communication over the broadband airwaves. Demand for space on the radio spectrum is steadily growing due to technological innovations such as 4G mobile services and rapid expansion of wireless internet services. In response to increased demand, the Spectrum Pipeline Act was enacted in 2015 to make the federal government's use of the spectrum more efficient so that more of the spectrum would be available for public use. The Act provides funds for federal agencies to perform research and development, engineering studies, planning activities, and economic analysis with an end goal of updating surveillance technology that would use less spectrum so that it could be made available for public auction by 2024. The auction proceeds would cover costs incurred by federal agencies to become more spectrum-efficient and for spectrum sharing costs. It is estimated that the auction could yield approximately \$11-\$19 billion for the U.S. federal government.

WHAT IS THE SENSR PROGRAM?

Spectrum Efficient National Surveillance Radar (SENSR) is a cross-agency initiative of which FAA is a partner, to determine the feasibility of freeing up at least 30 MHz of the 1300-1350 MHz spectrum band. The objective is to modernize the existing systems and enhance national air surveillance capabilities in support of long-range and short-range aircraft tracking, air traffic, law enforcement, national defense, and weather missions. Many of the surveillance systems currently in use were originally developed when demand for spectrum was low. These systems unfortunately were not designed to be spectrum efficient or use spectrum-efficient technology. The SENSR program looks to identify more efficient surveillance solutions and the practicality of acquiring new surveillance solutions including radar and non-radar. Also being able to consolidate existing surveillance systems would result in less spectrum used. ✈️

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.

Performance Measure	FY 2014 Results	FY 2015 Results	FY 2016 Results	FY 2017 Target	FY 2017 Results	FY 2017 Status	FY 2018 Target
Commercial Air Carrier Fatality Rate ⁺ In FY 2017, the commercial air carrier fatality rate will not exceed 6.2 fatalities per 100 million people on board.	0.6	0.1	0.6 ¹	6.4	0.3 ²	✓	6.2
Serious Runway Incursions Rate ⁺ Reduce Category A & B (most serious) runway incursions to a rate of no more than 0.395 per million operations.	0.282	0.302	0.380	0.395	0.130 ³	✓	TBD
System Risk Event Rate Limit the rate of the most serious losses of standard separation to 10 or fewer for every thousand losses of standard separation within the national airspace system.	3.44	2.62	2.66	10	2.24 ³	✓	10
IT Risk Management and Information Systems Security Address 80 percent of high value risks within 30 days. Continue oversight by the Cybersecurity Steering Committee to assure consistent risk acceptance decisions. Visualize vulnerabilities on IP-based systems.	Performance measure redefined in FY 2015	100%	100%	80%	100%	✓	80%
General Aviation Fatal Accident Rate ⁺ Reduce the general aviation fatal accident rate to no more than 1.01 fatal accidents per 100,000 flight hours.	1.09	0.99	0.91 ¹	1.01	0.84 ²	✓	1.0
Commercial Space Launch Accidents No fatalities, serious injuries, or significant property damage to the uninvolved public during licensed or permitted space launch and reentry activities.	0	0	0	0	0	✓	0
Unmanned Aircraft System (UAS) Priorities Achieve three milestones identified as FY 2017 UAS priorities.	This is a new measure for FY 2017	This is a new measure for FY 2017	This is a new measure for FY 2017	3	3	✓	TBD

⁺ This performance measure supports a DOT Agency Priority Goal.

✓ Target met

✗ Target not met

1 Preliminary estimate until final result can be confirmed by the National Transportation Safety Board (NTSB) in March 2018. 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 final result can be confirmed by the National Transportation Safety Board (NTSB) in March 2019. 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 2018. We do not expect any change in the final result to be significant enough to alter our year-end status of achieving the target.




The FAA **OPERATES** and **MAINTAINS FACILITIES** and **EQUIPMENT** at almost **13,000 SITES** nationwide





The FAA **SAFELY GUIDES** approximately **26 MILLION FLIGHTS*** every year



* 15.6 million instrument flight rule flights (radar assisted) plus 10.4 million visual flight rule flights (low flying planes)

Strategic Priority:	DELIVER BENEFITS THROUGH TECHNOLOGY AND INFRASTRUCTURE						
Strategic Objective:	Lay the foundation for the national airspace system of the future by achieving prioritized NextGen benefits, integrating new user entrants, and delivering more efficient, streamlined services.						
Performance Measure	FY 2014 Results	FY 2015 Results	FY 2016 Results	FY 2017 Target	FY 2017 Results	FY 2017 Status	FY 2018 Target
Data Communications * Deploy at remaining nine sites for a cumulative total of 55 towers.	This is a new measure for FY 2016	This is a new measure for FY 2016	46	9	9	✓	TBD
Major System Investments Maintain 90 percent of major baselined acquisition programs within 10 percent of their current acquisition cost, schedule, and technical performance baseline as of the end of FY 2017.	95%	100%	95%	90%	95%	✓	90%
Carbon Neutral Goal for Domestic Operations Maintain carbon dioxide emissions from domestic aircraft operations below the 2005 level of 132.7 teragrams.	This is a new measure for FY 2017	This is a new measure for FY 2017	This is a new measure for FY 2017	132.7 teragrams	120.4 teragrams	✓	TBD
Noise Exposure Reduce the number of people exposed to significant aircraft noise to less than 315,000 in calendar year 2017.	321,000	340,000	343,000	315,000	408,000	✗	300,000
Unmodified Audit Opinion Obtain an unmodified audit opinion with no material weakness on the agency's financial statements.	Unmodified audit opinion w/no material weakness	Unmodified audit opinion w/no material weakness	Unmodified audit opinion w/no material weakness	Unmodified audit opinion w/no material weakness	Unmodified audit opinion w/1 material weakness	✗	Unmodified audit opinion w/no material weakness
* This performance measure supports a DOT Agency Priority Goal.				✓ Target met	✗ Target not met		

Strategic Priority:	ENHANCE GLOBAL LEADERSHIP						
Strategic Objective:	Improve safety, air traffic efficiency, and environmental sustainability across the globe through an integrated data driven approach that shapes global standards, enhances collaboration and harmonization, and better targets FAA resources and efforts.						
Performance Measure	FY 2014 Results	FY 2015 Results	FY 2016 Results	FY 2017 Target	FY 2017 Results	FY 2017 Status	FY 2018 Target
Enhance Global Leadership Add data-based priorities at the global and regional levels to the FAA International Strategy for future FAA engagement and support.	This is a new measure for FY 2017	This is a new measure for FY 2017	This is a new measure for FY 2017	Add priorities to int'l strategy	Priorities added to int'l strategy	✓	TBD
				✓ Target met	✗ Target not met		

Strategic Priority:	EMPOWER AND INNOVATE WITH THE FAA'S PEOPLE						
Strategic Objective:	Prepare FAA's human capital for the future by identifying, recruiting, and training a workforce with the leadership, technical, and functional skills to ensure the United States has the world's safest and most productive aviation sector.						
Performance Measure	FY 2014 Results	FY 2015 Results	FY 2016 Results	FY 2017 Target	FY 2017 Results	FY 2017 Status	FY 2018 Target
FedView Rankings FAA is ranked in the top 28% of federal agencies in the Best-Places-to-Work FedView rankings.	50%	43%	53%	28%	TBD ¹	TBD ¹	TBD
¹ Results for FY 2017 will be available in December 2017.							

UNMANNED AIRCRAFT SYSTEMS

FAA PROGRESS ON INTEGRATION OF UNMANNED AIRCRAFT SYSTEMS

Working with our industry partners, the FAA has made progress toward safely integrating unmanned aircraft systems, also called drones, (UAS) into our national airspace. Here are highlights of that progress from the past year.

Enabling the Industry

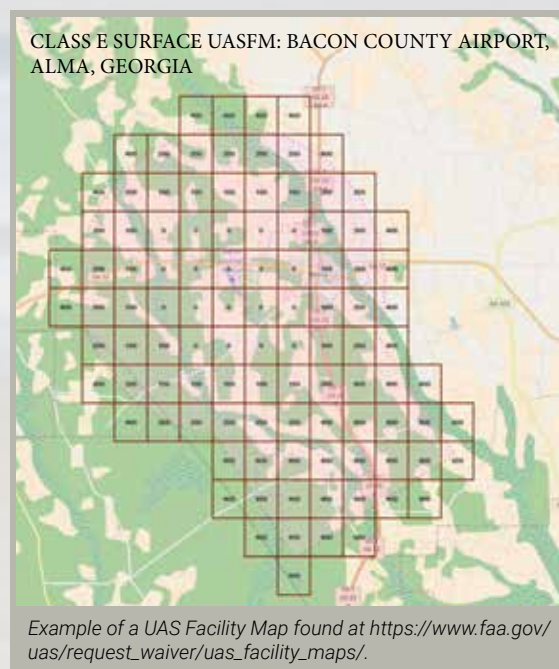
Over the past year the FAA has enabled industry to use drones in new and innovative ways. To date we have approved over 8,600 requests to fly UAS in controlled airspace under the rules established by the agency's recent small UAS regulations. In addition, the FAA has issued over 1,100 waivers that allow UAS to fly special operations that deviate from the small UAS regulations. These waivers enable operation such as flights at night, over people, beyond the operator's visual range, and using multiple aircraft.

This year, the FAA has made it even easier for operators to obtain authorizations by publishing UAS Facility Maps. When individuals request to operate UAS in controlled airspace, the FAA considers their request using UAS Facility Maps, which show the maximum altitudes around airports where the FAA may authorize UAS operations without additional safety analyses. The FAA is now publishing these maps so that applicants can decide in advance which locations and altitudes will have the greatest chance of being approved quickly. The FAA published 491 of these maps in FY 2017, with the remaining 234 maps expected by the end of the calendar year.

Despite these improvements, requests for UAS to use controlled airspace are still processed manually, which means longer waiting periods. To address this challenge, the FAA started this year to work with outside vendors to develop a Low-Altitude Authorization and Notification Capability (LAANC) that will replace today's manual process for replying to these requests and accommodate industry growth. Under LAANC, drone operators will be able to apply for instant, digital approval to fly in U.S. controlled airspace using the same applications they use for flight planning and in-flight situational awareness. It's the first step in what will eventually become UAS Traffic Management, an air traffic management system for drones. FAA is successfully embracing innovation and working with private sector providers to open more airspace to commercial drone operations.

Regulatory Accomplishments

Last year the FAA published new rules for non-hobbyist small unmanned aircraft operations to minimize risks to other aircraft and people and property on the ground. These small UAS regulations provide unprecedented access to the national airspace while also ensuring the safety of the skies. These regulations are only the first step in the FAA's plan to integrate UAS into the national airspace. Subsequent phases will facilitate UAS operations over people, beyond the operator's visual range, and the transportation of persons and property. Moving forward, the FAA will take a phased approach to





integration, using risk-based decision-making to respond to the growing operational needs and technological evolution of UAS. The FAA will incrementally expand the regulations allowing UAS operations, concentrating initially on enabling operations with the least complexity and gradually moving toward regulating operations of greater complexity – while fully maintaining critical safeguards for UAS and manned aircraft separation among existing users of the national airspace.


Since the implementation of small UAS rule on August 29, 2016, over 44,000 people have passed the aeronautical knowledge exam and the FAA has issued over 64,000 remote pilot certificates. UAS operators must pass the exam and have a remote pilot certificate to fly commercial operations under the FAA's small UAS regulations. To date, over 88,000 small commercial UAS have been registered using the FAA's new online system. These owners must register and obtain a separate, unique identifier for each UAS they own. Registration gives FAA an opportunity to bring unmanned aircraft operators into the culture of safety and responsibility that defines American aviation, and will help connect an aircraft with its operators when rules are not followed.

In June 2017, the FAA chartered an Aviation Rulemaking Committee (ARC) to develop recommendations for technology that could be used for remote identification and tracking of UAS. The ARC comprises members of the UAS industry, traditional aviation, academia, standards bodies, and law enforcement and security communities. The ARC's primary tasks are to identify and categorize existing and emerging technologies, identify requirements for meeting public safety and security needs, and evaluate the feasibility and affordability of technology solutions that meet the needs of law enforcement.

Community Engagement and Collaboration

In March 2017, FAA and the Association for Unmanned Vehicle Systems International co-hosted the second annual FAA UAS Symposium. This event built on the success of the first Symposium, with an expanded program that featured workshops on subjects ranging from UAS operational approvals and airworthiness certification to cyber-security and different levels of government jurisdiction. The Symposium provided stakeholders the opportunity to talk face-to-face with a cross-section of government and industry representatives about regulations, research, and other initiatives regarding safe UAS integration.

The FAA's Unmanned Aircraft Safety Team held its inaugural meeting in October 2016 and continues to meet on a recurring basis. Modeled after the long-standing and successful Commercial Aviation Safety Team (CAST), the Team brings UAS industry and government stakeholders together to analyze safety data, determine risks, and develop safety enhancements for the increasing number of UAS entering the airspace system.

The FAA continues to work closely with the Drone Advisory Committee (DAC), which the FAA established last year to provide an open venue for the FAA and key decision-makers supporting the safe introduction of UAS into the national airspace. This year, the DAC identified three priority areas for initial attention: identifying the roles and responsibilities of drone operators, manufacturers, and Federal, State, and local officials related to drone use in populated areas; determining which UAS operations are the highest priority and how we can enable access to the airspace to conduct these operations; and identifying funding for the services required to safely integrate UAS operations into the national airspace. 

ALIGNMENT OF FAA COSTS AND STRATEGIC PRIORITIES

The FAA's FY 2017 net cost of \$16.7 billion was allocated to its four strategic priorities as described below and as shown in the Net Cost by Strategic Priority Area chart. For more detailed information, see page 104 of our *Fiscal Year 2017 Performance and Accountability Report*.

Make aviation safer and smarter. A little over \$13.1 billion, or approximately 79 percent of total net cost, was devoted to the priority of ensuring the safety of the nation's airspace.

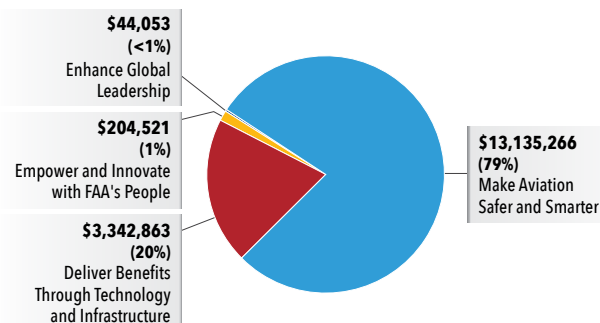
- The Air Traffic Organization (ATO) spent approximately \$9.5 billion, largely to maintain the safe separation of aircraft in the air and on the ground.
- The Office of Airports (ARP) directed \$1.7 billion to establish safe airport infrastructure.
- The Aviation Safety Organization (AVS) spent just over \$1.4 billion on its programs to regulate and certify aircraft, pilots, and airlines, directly supporting the safety of commercial and general aviation.
- The Security and Hazardous Materials Safety (ASH) spent almost \$98 million on its programs to ensure critical infrastructure protection, emergency operations, contingency planning, and the safe transportation of hazardous materials in air commerce.
- Collectively, the Office of Commercial Space Transportation (AST), other FAA staff offices, and other programs spent about \$372 million to further support the agency's safety mission.

Deliver benefits through technology and infrastructure.

Approximately \$3.3 billion, or about 20 percent of total net costs, was assigned to expanding the capacity of the national

NET COST BY STRATEGIC PRIORITY AREA

as of September 30, 2017
(Dollars in Thousands)



airspace system, particularly through the pursuit of programs contributing to the NextGen initiative.

- The ATO spent more than \$1.7 billion, largely to finance its facilities and equipment projects.
- ARP spent almost \$1.6 billion to enhance the capacity of the country's airports through runway projects and other efforts.

Enhance global leadership. As a whole, the FAA committed approximately \$44 million to strengthening its 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 \$205 million supported this strategic priority, to which nearly all the lines of business and staff offices contributed. This strategic priority entails preparing the FAA's human capital for the future by identifying, recruiting, and training a workforce with the leadership, technical and functional skills to ensure the United States has the world's safest and most productive aviation sector.



AVIATION in the United States
GENERATES approximately



10.6
MILLION JOBS
with earnings of

\$446.8
BILLION



The FAA **OVERSEES**
a system that transports

819 **MILLION**
PASSENGERS

annually on U.S. carriers



A MESSAGE FROM THE CHIEF FINANCIAL OFFICER



ALLISON W. RITMAN

The FAA safely orchestrates thousands of flights and millions of passengers through our national airspace every day.

At any given time, there are approximately 5,000 aircraft in the sky or on the ground being guided by FAA air traffic controllers. Air traffic controllers managed an average of 42,700 flights a day, which adds up to more than 15.6 million flights in a year! These flights arrive safely at their destination, connecting families and helping to grow our nation's economy. This amazing achievement is business as usual for the FAA.

We have made remarkable advances in recent years. For example, the FAA is integrating unmanned aircraft systems and the latest commercial space vehicles into what was already the world's most complex airspace system. We are enabling an even safer American general aviation community through technological innovation. We are also achieving key NextGen modernization initiatives in collaboration with our industry partners. We have completed En Route Automation Modernization (ERAM), the platform required for FAA to implement other NextGen capabilities such as Automatic Dependent Surveillance-Broadcast (ADS-B) and Data Communications. ADS-B is the FAA's satellite-based successor to radar, and uses GPS technology to share precise aircraft location and flight information. Data Communications enables controllers to send digital instructions and clearances to pilots, improving efficiency and reducing opportunities for error.

The FAA has also proven itself as diligent steward of taxpayer dollars. Independent auditors have given our agency an unmodified audit opinion on our financial statements for the eleventh consecutive year. However, this year we changed our method of estimating environmental decommissioning liabilities, introducing an error to our third quarter unaudited financial statements, resulting in a material weakness. We corrected the estimation methodology and strengthened processes surrounding changes to estimation methods. Achieving financial excellence takes constant vigilance, but it is a responsibility that we take very seriously. Our award-winning Performance and Accountability Report exemplifies our commitment to fiscal responsibility and transparency. The FAA has been awarded the prestigious Certificate of Excellence in Accountability Reporting (CEAR) award thirteen times, and six special "best in class" CEAR awards since 2003.

I am proud of the FAA's track record. Serving as CFO, however, I see an opportunity for taking that record even further. Today, the FAA relies on federal excise taxes, paid primarily by commercial users of the national airspace, that are deposited to the Airport and Airway Trust Fund. In FY 2017, the trust fund provided approximately 95 percent of the FAA's funding. Because the FAA is part of the federal government, it is funded through the authorization and appropriation processes,

which can result in programmatic and budget uncertainty that can stand in the way of innovation and investment. A non-federal entity governed by the users of our national airspace and funded by a system of user fees would provide a more direct link between those users and investments in our aviation infrastructure. User fees would be more efficient and less burdensome than the patchwork of aviation taxes that supports the system today. Importantly, a board of directors that gives fair representation to all of the airspace users and stakeholders would give them a direct say in how investments are being made into the aviation system, and an opportunity to set priorities and support innovation.

The Administration has begun looking at just such a long-term plan for restructuring the FAA and how air traffic control services are provided in the U.S. This summer, the Administration published a set of principles that called for the creation of an independent, non-governmental organization to provide air traffic control services, while keeping the FAA's focus on critical safety oversight. Patterned off the highly successful NAVCanada model, the new air traffic control organization would be self-sustaining, financed through fees paid by the users of the national airspace. This concept would modernize the structure of air traffic control and the FAA, and let the United States join the more 60 countries that have successfully separated their day-to-day air traffic management responsibilities from government agencies.

The FAA looks forward to working with the Administration and Congress to ensure the U.S. remains the gold standard for aviation around the world.

Allison W. Ritman

ALLISON W. RITMAN

Acting Chief Financial Officer

November 9, 2017



AVIATION in the United States

CONTRIBUTES

\$1.6
TRILLION
annually

to the U.S. economy

CONSTITUTES

5.1%
of the gross
domestic
product



FINANCIAL HIGHLIGHTS

Following are highlights of the Federal Aviation Administration's (FAA) FY 2017 financial performance. For a more detailed look at the financial statements and accompanying notes, see our *Fiscal Year 2017 Performance and Accountability Report (PAR)*, pages 27–33 and 83–123. The PAR is available on our website at www.faa.gov/about/plans_reports/#performance.

The FAA receives budget authority to obligate and expend funds from both the Department of the Treasury's General Fund and the Airport and Airway Trust Fund (AATF). Created by the Airport and Airway Revenue Act of 1970, the AATF is supported by excise taxes and earned interest. It pays for investments in the airport and airway system, and a majority of the FAA's operating costs. In FY 2017, the AATF paid for approximately 95 percent of our enacted budget authority per the Consolidated Appropriations Act, 2017 (Public Law 115-31).

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 AATF. The Department of the Treasury, which administers the AATF, invests those funds in government securities. Interest earned is also deposited into the AATF. Balances are withdrawn from the AATF as needed to meet cash disbursement needs.

The FY 2017 enacted budget of \$16.4 billion was an increase of \$127 million (0.8 percent) over the FY 2016 enacted level. The FAA requests and receives its funding in four primary accounts:

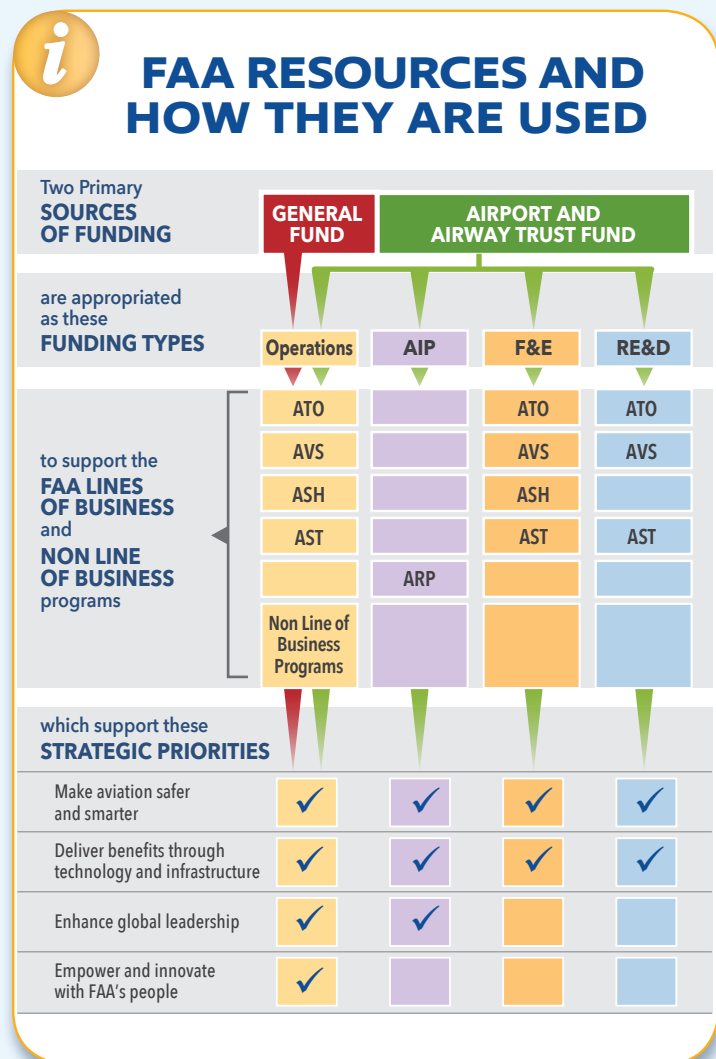
- **Operations**
- **Grants-in-Aid for Airports (AIP)**
- **Facilities and Equipment (F&E)**
- **Research, Engineering, and Development (RE&D)**

The largest, Operations, is supported by both the general fund and the AATF. In FY 2017, the AATF supported 91 percent of the funding for the Operations account. The AATF supports 100 percent of the funding for the three other accounts — AIP, F&E, and RE&D.

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 safety inspection and regulatory responsibilities. In addition, the account covers administrative and managerial costs for international, medical, engineering, and development programs, as well as for policy oversight and overall management functions. The FY 2017 Operations appropriation was \$10.03 billion, approximately 1.2 percent greater than FY 2016.

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 approximately one-third of all capital development at the nation's public airports. The FAA issues grants 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 2017 funding for AIP was \$3.35 billion, unchanged from the FY 2016 level.

F&E. This account funds the capital improvement projects necessary to establish, replace, relocate, or improve air navigation facilities and equipment and aviation safety systems across the national airspace system, particularly through programs supporting NextGen. F&E was funded at \$2.86 billion in FY 2017, unchanged from the FY 2016 level.

RE&D. This account funds research, engineering, and development programs to plan, conduct, and integrate domestic and international research efforts, and develop products and services that will ensure a safe, efficient, and environmentally-compatible global air transportation system. The FY 2017 appropriation for RE&D was \$176.5 million, an increase of 6.3 percent from the FY 2016 level.

The FAA must use its funds in the way they are appropriated. On its own, the FAA does not possess the legal authority to move funds between these accounts. A transfer between accounts requires an act of Congress.



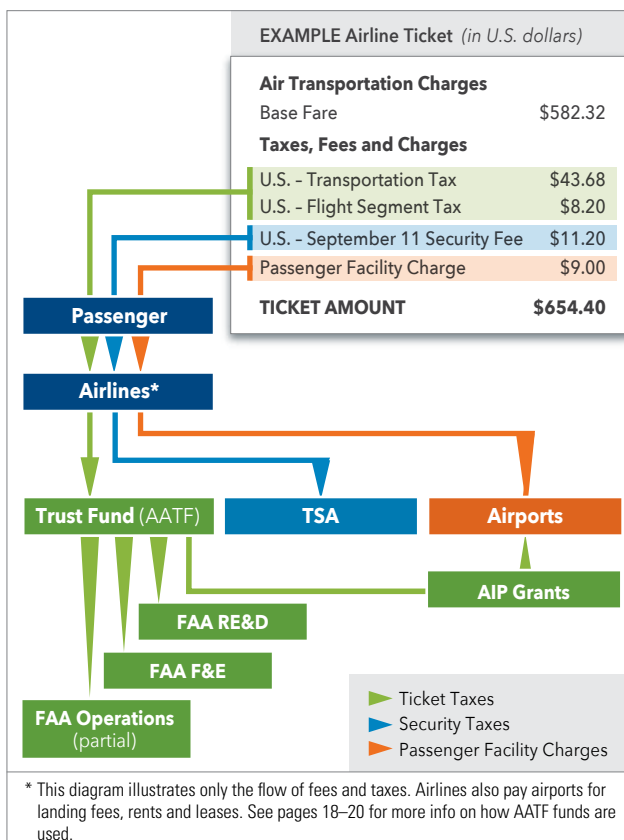
WHAT'S IN THE PRICE OF AN AIRLINE TICKET?

Many passengers are unaware that when they purchase an airline ticket, they are paying for more than a seat on a flight. The diagram below shows the breakdown of an example ticket price for a domestic flight. Although the total ticket price is collected by the airlines, the airlines must forward a portion of those funds to others, for various purposes.

Taxes collected as part of the purchase of a domestic passenger ticket are shown in green: a U.S. transportation tax and a flight segment tax. These taxes, along with other excise taxes, are deposited into the **Airport and Airway Trust Fund (AATF)** which is a dedicated source of funding for the nation's aviation system. To the extent made available by law, FAA uses some of these funds to finance a portion of its **Operations**. The AATF is the sole source of funding for FAA's **Airport Improvement Program grants (AIP)**; **Facilities & Equipment (F&E)**; and **Research, Engineering, and Development (RE&D)** activities.

Another part of the cost of an airline ticket is the passenger security service fee, also known as the **September 11 Security Fee**, shown in blue. This fee is collected by airlines from passengers at the time a ticket is purchased. Airlines then remit the fees to the Transportation Security Administration (TSA).

Passenger Facility Charges (PFC) are shown in orange and are an important source of capital for U.S. airport infrastructure. PFCs are collected by airlines at the time a ticket is purchased and the funds that are raised are transferred directly to the appropriate airports. It is up to the individual airport to decide whether, and how it will use PFC funds subject only to airline consultation and FAA approval of the application. Airports use these fees to fund FAA approved projects that enhance safety, security, or capacity; reduce noise; or increase carrier competition. PFC funds may also be used as the matching share for AIP grants. In addition,



PFC funds may be used to pay for debt service on bonds used to raise capital for larger improvement projects allowing for a significant degree of leverage for PFC funds. Since 1992, FAA has approved over \$100 billion of PFC projects.

SUMMARY OF FINANCIAL INFORMATION

The summary financial information presented in this section was derived from the FAA's audited FY 2017 and FY 2016 financial statements, which can be found on pages 83–115 of *FAA's FY 2017 Performance and Accountability Report*.

SUMMARIZED ASSETS, LIABILITIES, AND NET POSITION

As of September 30
(Dollars in Thousands)

Assets	2017	2016
Fund balance with Treasury	\$ 3,469,614	\$ 3,653,328
Investments, net	15,671,840	15,358,203
Accounts receivable, prepayments, and other, net	269,786	284,714
Inventory, operating materials, and supplies, net	710,839	719,159
Property, plant, and equipment, net	12,641,781	12,934,075
Total Assets	\$ 32,763,860	\$ 32,949,479
Liabilities		
Accounts payable and grants payable	\$ 1,238,714	\$ 1,098,680
Environmental	1,047,940	950,159
Employee related and other	1,424,842	1,392,856
Federal employee benefits	818,732	808,657
Total liabilities	\$ 4,530,228	\$ 4,250,352
Net position		
Unexpended appropriations	965,149	1,181,726
Cumulative results of operations	27,268,483	27,517,401
Total net position	28,233,632	28,699,127
Total liabilities and net position	\$ 32,763,860	\$ 32,949,479

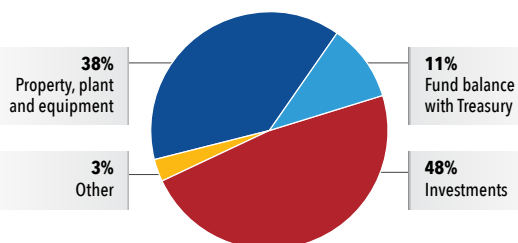
The FAA's total assets were \$32.8 billion as of September 30, 2017. The FAA's assets are the resources available to pay liabilities or satisfy future service needs. The *Composition of Assets* chart depicts major categories of assets as a percentage of total assets.

Fund balance with Treasury (FBWT) represents 11 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 Airport and Airway Trust Fund (AATF), but not yet invested. Fund balance with Treasury decreased from \$3.7 billion to \$3.5 billion.

At \$15.7 billion, *Investments* represent 48 percent of the FAA's current period assets, and are derived primarily from the collection of passenger ticket and other excise taxes deposited semi-monthly to the AATF. The deposited taxes are invested within several business days, thus transitioning the asset classification from fund balance with Treasury to investments. The investment balances also include the Aviation Insurance Program investments. Investments are redeemed, as needed, to finance the FAA's daily operations to the extent authorized by Congress, and to pay potential insurance claims. Investment balances increased approximately \$314 million on a comparative basis.

At \$12.6 billion, *General property, plant, and equipment, net* (PP&E) represents 38 percent of the FAA's assets as of September 30, 2017, and primarily comprises construction in progress related to the development of the national airspace system assets, and capitalized real and personal property. There was a decrease of \$292.3 million in the total composition of PP&E, as retirements, disposals, and depreciation exceeded purchases of equipment and additions to construction in progress through the normal course of business.

COMPOSITION OF ASSETS as of September 30, 2017

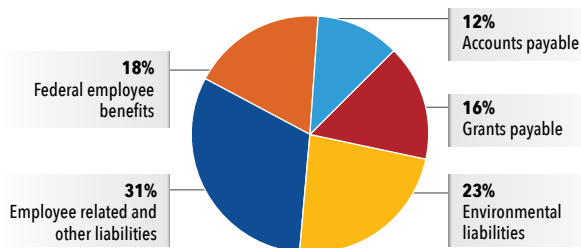


The FAA **MAINTAINS** FAA-operated or FAA contracted **TOWERS** at more than **500 AIRPORTS**



COMPOSITION OF LIABILITIES

as of September 30, 2017



As of September 30, 2017, the FAA reported liabilities of \$4.5 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.

At \$1.4 billion, *Employee related and other liabilities* represent 31 percent of the FAA's total liabilities. These liabilities increased by \$32 million as of September 30, 2017 and are comprised mainly of \$357 million in advances received, \$171.0 million in Federal Employee's Compensation Act payable, \$305.1 million in accrued payroll and benefits, \$472.6 million in accrued leave and benefits, \$30.4 million in legal claims liability and \$59.7 million in capital lease liability.

At \$818.7 million, *Federal employee benefits* represent 18 percent of the FAA's current year liabilities, and consist of the FAA's expected liability for death, disability, and medical costs for approved workers compensation cases, plus a component for incurred but not reported claims. The Department of Labor calculates the liability for the 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 on an annual basis at year end.

Environmental liabilities represent 23 percent of the FAA's total liabilities and increased slightly to \$1.048 billion as of September 30, 2017 compared with \$950.2 million a year earlier. *Environmental liabilities* include a component for remediation of known contaminated sites that increased by less than \$1 million on a comparative basis. The other component of environmental liabilities includes the estimated costs for future facility decommissioning. This components' costs increased by \$97.1 million due to additional facilities, which were identified during FY 2017, that will require cleanup upon decommissioning.



The FAA's *grants payable* are estimated amounts incurred, but not yet claimed by Airport Improvement Program grant recipients and represent 16 percent of liabilities. *Grants payable* decreased slightly by \$6.3 million. *Accounts payable* represents 12 percent of liabilities and increased \$146.3 million. Accounts payable are the amounts the FAA owes to other entities for unpaid goods and services received.

SUMMARIZED NET COST OF OPERATIONS

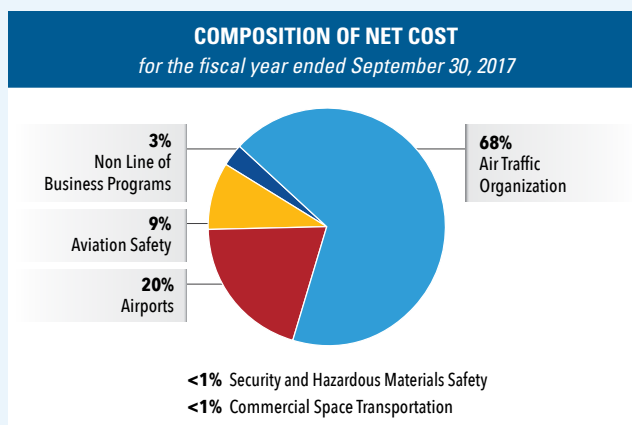
For the Years Ended September 30
(Dollars in Thousands)

Lines of Business	2017	2016
Air Traffic Organization	\$ 11,387,759	\$ 11,155,180
Airports	3,285,443	3,127,758
Aviation Safety	1,495,829	1,469,264
Security and Hazardous Materials Safety	99,584	133,557
Commercial Space Transportation	23,300	21,243
Non line of business programs	434,788	359,753
Net cost of operations	\$ 16,726,703	\$ 16,266,755

For the fiscal years ended September 30, 2017 and September 30, 2016, FAA's net costs were \$16.7 billion and \$16.3 billion, respectively. The *Composition of Net Costs* chart illustrates the distribution of costs among the FAA's lines of business.

With a net cost of \$11.4 billion, the *Air Traffic Organization* is the FAA's largest line of business, comprising 68 percent of total net costs. The Air Traffic Organization's net costs increased by \$232.6 million, on a comparative basis, primarily from increases in costs for labor and benefits, telecommunications and utilities, and other cost allocations offset by decreases in contractor services and supplies and materials.

The FAA's second largest line of business, from a net cost perspective is *Airports* with a net cost of \$3.3 billion for the fiscal year ended September 30, 2017, which is 20 percent of the FAA's total net costs. Airports net costs are comprised primarily of Stewardship Investments from the Airport Improvement Program (AIP). The Stewardship Investments are made through grants to airport authorities, local and state governments, and metropolitan planning authorities for airport facilities throughout the United States and its territories. Airports' net costs also include \$156.1 million to administer the Airport Improvement



ON THE RADAR

FAA TOWERS ON THE MOVE

An airport traffic control tower is one of the most recognizable buildings in the world. Towering above stretches of flat ground, even a small one dominates the landscape it inhabits. Like a lighthouse, both its shape and its function are immediately identifiable. And like a lighthouse, a tower is often an enduring and familiar local landmark.

That's why it might surprise some to learn that mobile towers can also be moved from place to place. The FAA needs mobile assets, including towers, primarily to respond to emergency situations including forest fires, floods, and earthquakes. The program grew out of the FAA's response to the devastating earthquake that struck Haiti in 2010. After Hurricane Irma struck in September, the United States Air Force flew an FAA mobile air traffic control tower from Idaho to St. Thomas. The tower and FAA team provided vital communication efforts and support for relief flights by numerous branches of the U.S. armed services and the Federal Emergency Management Agency, as well as the limited non-military flights that were possible shortly after the hurricane struck. Also, this summer, the FAA helped the U.S. Forest Service fight fires in Arizona, Utah, and Idaho through the deployment and staffing of mobile towers. The mobile tower controllers provided service to the pilots of firefighting aircraft — helicopters and planes — from small airports in remote locations affected by the forest fires.

FAA's mobile asset program maintains and deploys more than 100 pieces of mobile, temporary equipment. The program even has a mini-tower packed inside a suitcase

that can be deployed on a desktop. In addition to providing support during disaster recovery, the program also augments air traffic services when needed on a temporary basis. FAA has deployed mobile air traffic control facilities and equipment to supplement flight operations during events that range from political conventions to the Super Bowl. These deployments help localities manage temporary surges in air traffic to ensure the safety of the flying public.

The program is also developing large mobile air traffic control towers housed in 53-foot semi-trailers. These new trailers will be more capable than the existing mobile towers, will have 50 percent more equipment rack space, and will elevate the controller's position an additional six feet. They will also be transportable by large military transport aircraft.



A) A mobile radio transmitter/receiver deployed at the Tampa Technical Support Center. B) The FAA Q51 Mobile tower is loaded onto a Russian AN-124 C) The newest Large Mobile Air Traffic Control Towers.

Program, as well as overall airport safety. Year-over-year net costs increased by \$157.7 million, primarily due to an increase in the Airport Improvement Program Stewardship Investments.

At \$1.5 billion, the net cost for *Aviation Safety* represents 9 percent of the FAA's total net costs, while *Non-Line of Business Programs* comprise 3 percent of total net costs. Net Cost of *Security and Hazardous Material Safety* and *Commercial Space Transportation* represents less than 1 percent of total net costs.

SUMMARIZED CHANGES IN NET POSITION

For the Years Ended September 30
(Dollars in Thousands)

	2017	2016
Net Position – beginning of year	\$ 28,699,127	\$ 28,184,706
Financing sources		
Excise taxes and associated revenue	15,362,658	14,693,882
Appropriations received	852,852	1,987,724
Net transfers out	(252,337)	(284,118)
Imputed financing and other	298,035	383,688
Total financing sources	16,261,208	16,781,176
Net cost of operations	16,726,703	16,266,755
Net position – end of year	<u>\$ 28,233,632</u>	<u>\$ 28,699,127</u>

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 paid 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 fiscal year ended September 30, 2017, decreased by \$248.9 million primarily due to a combination of financing sources of \$1.0 billion from appropriations used, non-exchange revenue of \$15.4 billion, imputed financing of \$317.5 million, offset by transfers out of \$252.3 million and net costs of \$16.7 billion. Unexpended appropriations decreased slightly by \$216.6 million.

SUMMARY OF FINANCIAL STATEMENT AUDIT AND FAA MANAGEMENT ASSURANCES

The FAA's independent auditor, KPMG, LLP, has rendered an unmodified opinion on the FAA's FY 2017 financial statements with one material weakness in internal controls. The DOT's Office of Inspector General presented KPMG's audit report to the FAA Administrator on November 9, 2017.

The accompanying table summarizes the results of the independent audits of the FAA's FY 2016 and FY 2017 consolidated financial statements. 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).

AUDITOR CONCLUSIONS

Financial statements audits: FY 2016 and FY 2017	Unmodified opinions ✓	No material weaknesses ✗ ¹
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AGENCY ASSERTIONS

Effectiveness of Internal Control over Financial Reporting and Operations (FMFIA § 2)	Unmodified statement of assurance ✓	No material weaknesses ✗ ¹
Financial management system requirements (FMFIA § 4)	No nonconformances (Auditor and Agency) ✓	
Systems requirements, accounting standards, and the USSGL at the transaction level (FFMIA)	No lack of compliance noted (Agency and Auditor) ✓	

¹ Material weaknesses in FY 2017.




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WE WELCOME YOUR COMMENTS

Thank you for your interest in the FAA's FY 2017 Performance and Accountability Report. 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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and Accountability**
Federal Aviation Administration
800 Independence Avenue SW
Room 600W
Washington, DC 20591

PHONE: 202-267-9105

EMAIL: PAR@faa.gov



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



[http://www.faa.gov/about/
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