

FAA 2016

SUMMARY OF PERFORMANCE AND FINANCIAL INFORMATION

The **FAA**. **EVOLVING** TECHNOLOGY. **ADVANCING** AVIATION.

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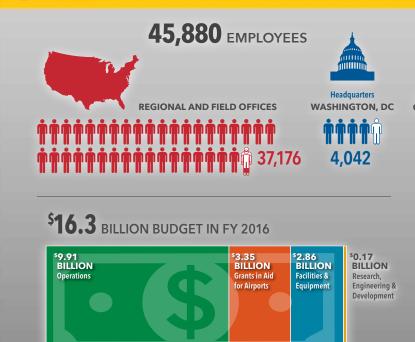
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We Welcome Your Comments *(inside back cover)*

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 reporting formats prescribed for agencies that are subject to the Chief Financial Officers Act.

FAA BY THE NUMBERS









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.

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



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







Aviation opens the world to business travered and tourists, and allows us to enjoy opens the world to business travelers goods shipped across the globe overnight. Aviation has become the international language of commerce, and runways have enabled inland cities to become vibrant ports. It has helped foster an intellectual and economic prosperity that is unparalleled in human history. As stewards of this remarkable industry, the Federal Aviation Administration (FAA) shares an enormous responsibility to not only run today's extremely safe aviation system, but to prepare our nation's airspace for the future as well.

To improve our current operations while building the aerospace system of the future, the FAA is guided by four strategic priorities: making aviation safer and smarter by continually analyzing operations to detect and mitigate risk; using technology and infrastructure

> to improve our airspace system; enhancing the FAA's role as a global aviation leader; and empowering our workforce to lead and develop the skills needed for the

> > FAA's major performance and financial results for fiscal year (FY) 2016 and our goals for the near future.



FY 2016 Significant Activities

Next Generation Air Transportation System (NextGen)

NextGen is the FAA's effort to transform the nation's airspace system through advanced technology to improve safety, increase capacity, and reduce the effects of aviation on the environment. It is the FAA's most ambitious project since establishing our current airspace system, but this transformation is no longer a futuristic aspiration. NextGen is happening now.

The FAA's Data Communications program — or Data Comm — supplements traditional voice communication between air traffic controllers and pilots with digital messages — similar to texting instead of making a telephone call. The switch from voice to digital messages speeds up clearances and enhances safety by reducing the chance of communication errors. In FY 2016, the FAA deployed Data Comm at more than 40 major airports, where controllers are now providing digital departure clearances to equipped aircraft.

The FAA is quickly transitioning from radar surveillance to a satellite-based system through its Automatic Dependent Surveillance-Broadcast (ADS-B) program. The nationwide installation of the ADS-B infrastructure is complete. In 2016, the FAA added ADS-B ground infrastructure along Mexico's Yucatan Peninsula, which is providing increased surveillance coverage over the Gulf of Mexico. This system allows controllers to capture the exact global positioning system (GPS) location, speed and altitude of a growing number of aircraft equipped with ADS-B technology. Our partners in the aviation industry are seeing the benefits of ADS-B, too, and many of them are equipping their aircraft for ADS-B well in advance of the regulatory deadline. For those who have already equipped their aircraft, ADS-B brings free weather and traffic updates to the cockpit, allowing pilots to make more informed decisions.

The FAA continues to make progress on NextGen by working closely with our industry partners through the NextGen Advisory Committee (NAC). The NAC has helped the FAA and its stakeholders establish a common vision for the modernization of the airspace system. For 2016, the FAA and the NAC chose a set of shared priorities for future NextGen investment.

Unmanned Aircraft Systems (UAS)

Safely integrating unmanned aircraft systems into the national airspace is one of the FAA's top priorities. The FAA needs to incorporate unmanned aircraft into the culture of safety and responsibility that has defined the aviation industry, while fostering the innovation that makes this growing industry so vibrant. The FAA has taken a number of steps this year to ensure that both traditional aircraft and unmanned systems can share our airspace safely.

This year the FAA published its first regulation for the routine commercial use of small unmanned aircraft. The regulation allows unmanned aircraft weighing less than 55 pounds to fly in sparsely occupied areas, up to 400 feet high, and up to 100 miles per hour during the day. This rule is designed to allow commercial UAS operations while minimizing risks to other aircraft, as well as people and property on the ground. This rule will replace the need to grant authorization for most small UAS operations on a case by case basis.

The FAA also quickly implemented a streamlined and user-friendly web-based registration process for owners of small UAS. Registration is a statutory requirement for all aircraft, and our registration process helped welcome UAS users into the airspace safely and efficiently. In less than a year, the FAA has registered more than 530,000 hobbyists. Registration gives us a valuable opportunity to educate users about safe flying, and in cases where people aren't following the rules, an important step for enforcement.

In 2016, the FAA established a Drone Advisory Committee to provide the agency with advice on key UAS integration issues and to help identify challenges and prioritize improvements. The FAA asked Intel's Chief Executive Officer Brian Krzanich to chair the committee, and partnered with him in selecting a cross-section of stakeholders representing a wide variety of UAS interests, including industry, research, academia, retail, and technology.

The FAA also established an Unmanned Aircraft Safety Team that includes stakeholders from the drone and aviation industries. The team will analyze safety data to identify and prevent emerging threats that UAS may pose to aircraft, people, and property.

Aviation Safety

This year, the FAA proposed new regulations that would overhaul the airworthiness standards for small general aviation airplanes. Based on industry recommendations, the proposal establishes a new performance-based regulatory structure that uses consensus-based industry standards as a method of compliance. The FAA's proposal aims to facilitate the adoption of safety enhancing technologies in small airplanes while reducing time and cost burdens for the aviation industry and the FAA. The proposal includes new certification standards that address flight in icy conditions and loss of control accidents, the leading causes of general aviation accidents.

Once finalized, the rule will bolster the general aviation market; remove barriers to FAA certification for emerging technologies, such as electric and hybrid propulsion; and foster global harmonization of aviation standards to ensure a progressive future for our global general aviation community.



FY 2016 Performance Highlights

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

For 11 out of the 12 measures, year-end data was available at the time of publication, and the FAA achieved 10 of those measures. The results for the FedView Rankings measure are expected in December 2016.

Four of the 12 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 0.6 fatalities per 100 million people on board, the FAA
 achieved its goal of not exceeding 6.7 fatalities per 100 million
 people on board.
- General Aviation Fatal Accidents Rate: The year-end result of 0.91 fatal accidents per 100,000 flights hours was below our target of not exceeding 1.02.
- Serious Runway Incursions Rate: The FY 2016 result of 0.360 serious runway incursions per million operations was below the goal of not exceeding 0.395.
- Data Comm: The FAA deployed Data Comm services at 46 airports in FY 2016, exceeding our goal of deploying services at six sites. We completed this work more than two years ahead of schedule.

Accountability

The FAA remains committed to ensuring transparency and accountability to the public while achieving our mission. As an example of this commitment, for the ninth consecutive year, independent auditors gave our agency an unmodified financial statements audit opinion with no material weaknesses. Please see our Fiscal Year 2016 Performance and Accountability Report, which includes the auditors' opinion, as well as my unmodified statement of assurance. That document, as well as this companion summary, can be accessed online at https://www.faa.gov/about/plans_reports#performance.

What's Next? Future Challenges and Priorities

While the FAA takes great pride in its achievements this year, it faces many exciting challenges in preparing for the future. Just a few years ago, unmanned aircraft were more of a curiosity than a day-to-day reality, and nobody expected to see commercial rockets that would launch, land, and then be reused. With these advancements come more complex challenges to maintain safety, improve operations, and spur innovation.

How can the FAA ensure that our airspace works for everybody who wants to use it? What additional steps can we take to ensure that other countries improve airspace safety in the places where Americans travel? How can we encourage industry to equip in preparation for the full realization of NextGen benefits? How can the FAA maintain safety without stifling America's proud tradition of innovation? These are the questions of the day, and we are in the midst of a historic time in aviation.

The FAA is confident that by working with our stakeholders and industry partners, by using technology to its full potential, and by regulating smarter, we have an opportunity to preserve America's rich aviation heritage even in the face of new challenges and remain leaders in global aviation for decades to come.

Michael P. Huerta

Administrator November 10, 2016



ADMINISTRATOR

LINES OF BUSINESS	ATO Air Traffic Organization ARP Airports	AVS Aviation Safety ASH Security & Hazardous Materials Safety	AST Commercial Space Transportation	
STAFF OFFICES	ACR • Civil Rights	AFN • Finance & Management	MMAC Mike Monroney	
	AGC • Chief Counsel	AGI • Government & Industry Affairs	Aeronautical Center	
	AHR • Human Resource Management	• Human Resource Management ANG • NextGen		
	APL • Policy, International Affairs & Environment		William J. Hughes Technical Center	
		AAE • Audit & Evaluation		

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). Ensures the integrity of those who work in or support the national airspace system, protecting FAA assets from criminal and terrorist acts. ASH strives to increase safety in air transportation by preventing hazardous materials accidents and incidents aboard aircraft and ensures regulatory compliance and investigates aviation-related criminal activity.
- ▶ Commercial Space Transportation (AST). Oversees the safety of commercial space transportation activities, which includes the licensing of space launches and reentries and the inspection of space vehicles, launch sites and operations. AST also regulates the U.S. commercial space transportation industry; and 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
 - Acquisitions and Business Services
 - Information & Technology Services
 - Regions and Center 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, acquisition, 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 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.qov/about/office_org**.

Management Challenges

In FY 2016, the FAA was tasked by DOT to address the following five of eight challenges identified by the Inspector General (IG):

- Addressing the increasing public safety risks posed by the transportation of hazardous materials
- ► Integrating unmanned aircraft systems safely into the National Airspace System
- Protecting the Department of Transportation against more complex and aggressive cyber security threats
- ▶ Adopting effective practices for managing FAA acquisitions
- Developing and sustaining an effective and skilled DOT workforce

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 five challenges. The FAA also submitted an "actions taken" report to DOT that describes the progress the FAA made throughout FY 2016 in addressing each of the challenges. These actions-taken reports, initial action plans and the Inspector General's comprehensive report identifying top management challenges for FY 2016 are posted on FAA's website at http://www.faa.gov/about/plans_reports/ under the DOT IG Top Management Challenges section.



FAA researchers in a laboratory at the William J. Hughes Technical Center simulate uplinking turbulence data and associated graphics to an aircraft cockpit simulator. Photo: FAA

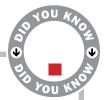








NextGen Programs





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) will enable 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. Offering reduced opportunities for error, Data Comm will initially supplant voice communications and eventually become the primary means of communication between controllers and flight crews.
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 FAA, NOAA and NASA.

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/



TERMINAL FLIGHT DATA MANAGER (**TFDM**) modernizes air traffic control tower equipment and processes. Using SWIM capabilities, TFDM will share real-time data among controllers, aircraft operators, and airports so they can better stage arrivals and departures for greater efficiency on the airport surface. http://www.faa.gov/air_traffic/technology/tfdm/



Performance Measures Overview

In this section, the FAA discusses its achievements in addressing our 12 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

Although the current report does not include a performance measure for the third strategic priority, Enhance Global Leadership, in FY 2016, the FAA continued to develop initiatives that supported this priority and continues to work on developing a performance measure that offers a sound representation of the FAA's progress.

In FY 2016, the FAA achieved 10 of the 11 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.

Additionally, the FAA reports quarterly progress updates on performance goals that support DOT agency priority goals via the government-wide performance website www.performance.gov/agency/department-transportation.



STRATEGIC PRIORITY: MAKE AVIATION SAFER AND SMARTER

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

Performance Measure	FY 2013 Results	FY 2014 Results	FY 2015 Results	FY 2016 Target	FY 2016 Results	FY 2016 Status	FY 2017 Target
Commercial Air Carrier Fatality Rate* In FY 2016, the commercial air carrier fatality rate will not exceed 6.7 fatalities per 100 million people on board.	1.1	0.6	0.11	6.7	0.62	1	6.4
Serious Runway Incursions Rate* Reduce Category A & B (most serious) runway incursions to a rate of no more than .395 per million operations.	0.220	0.282	0.302	0.395	0.360 ³	1	0.395
System Risk Event Rate 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	5.66	3.44	2.62	20	2.87³	1	10
IT Risk Management and Information Systems Security Address 80% of high value risks within 30 days. Continue Cybersecurity Steering Committee oversight to assure consistent risk acceptance decisions. Visualize vulnerabilities on all IP based systems.	Performance measure redefined in FY 2015	Performance measure redefined in FY 2015	100%	80%	100%	1	80%
General Aviation Fatal Accident Rate* Reduce the general aviation fatal accident rate to no more than 1.02 fatal accidents per 100,000 flight hours.	1.11	1.09	0.99 ¹	1.02	0.91 ²	1	1.01
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	1	0

^{*} Agency Priority Goal indicator

✓ Target met

★ Target not met

¹ Preliminary estimate until final result can be confirmed by NTSB in March 2017. We do not expect any change in the final result to be significant enough to change the year-end status of achieving the result.

² Preliminary estimate until final result can be confirmed by NTSB in March 2018. We do not expect any change in the final result to be significant enough to change the year-end status of achieving the result.

³ Preliminary estimate until the final result becomes available in January 2017. We do not expect any change in the final result to be significant enough to change the year-end status of achieving the result.

met

met

not met

not met

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 2013 Results	FY 2014 Results	FY 2015 Results	FY 2016 Target	FY 2016 Results	FY 2016 Status	FY 2017 Target
Data Comm* By the end of FY2016, Data Comm will be implemented at cumulative total of 6 Airport Traffic Control Towers (ATCTs).	New Performance measure in FY 2016	New Performance measure in FY 2016	New Performance measure in FY 2016	6	46	1	10
Major System Investments In FY 2016, maintain 90 percent of major system investments within 10 percent variance of current acquisition program baseline (APB) total budget at completion.	90%	95%	100%	90%	95.5%	1	90%
National Airspace System Energy Efficiency Improve aviation fuel efficiency by 22 percent relative to the calendar year 2000 baseline.	-21.66%	-22.40%	-24.37%	-22%	-24.84%	1	N/A¹
Noise Exposure Reduce the number of people exposed to significant aircraft noise to less than 328,000 in calendar year 2016.	321, 000	321, 000	340, 000	328,000	343,000	×	315,000
Unmodified Audit Opinion Obtain an unmodified opinion with no material weakness on the agency's financial statements (Unmodified Audit Opinion with no material weakness).	Unmodified audit opinion w/ no material weakness	1	Unmodified audit opinion w/ no material weakness				
* Agency Priority Goal indicator						✓ Target	✗ Target

* Agency Priority Goal indicator

1 In FY 2017, the FAA expects to replace this measure with a measure related to carbon emissions.

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.

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 2013 Results	FY 2014 Results	FY 2015 Results	FY 2016 Target	FY 2016 Results	FY 2016 Status	FY 2017 Target
FedView Rankings "Best Places to Work" The FAA is ranked in the top 31 percent of federal agencies in the Best Places to Work FedView rankings.	40%	50%	43%	31%	TBD¹	TBD¹	28%
1 Results will not be available until December 2016.						✓ Target	✗ Target

FAA Progress on Integration of UNMANNED AIRCRAFT SYSTEMS

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

Part 107/Small UAS Rule

This year, the FAA published final regulations authorizing routine commercial use of certain small unmanned aircraft (also called drones) in our nation's airspace. The regulations are designed to provide a flexible framework of safety without impeding innovation.

These new rules for non hobbyist small unmanned aircraft operations pertain to certain commercial uses for drones weighing less than 55 pounds. The regulations are designed to minimize risks to other aircraft and people and property on the ground. They require pilots to keep an unmanned aircraft within visual line of sight. Operations are allowed during daylight and during twilight if the drone has anti collision lights. The new regulations also address height and speed restrictions and other operational limits, such as prohibiting flights over unprotected people on the ground who aren't directly participating in the drone operation. Drones can be used for transportation of property for compensation or hire provided that the aircraft, including its attached systems, payload and cargo weigh less than 55 pounds; the flight is conducted within visual line of sight and not from a moving vehicle or aircraft; and the flight occurs wholly within the boundaries of a state and certain other limitations.

Pathfinder Program

One of the significant challenges to safe integration of UAS into the nation's airspace is unauthorized UAS flights near airports, which could pose a hazard to manned aircraft. The FAA has seen an increase in reports of small UAS close to airports over the last two years. In July, the FAA expanded its Pathfinder Program by signing cooperative agreements with three companies who will evaluate procedures and technologies designed to identify unauthorized UAS operations in and around airports.

The FAA also supports the Department of Homeland Security in an inter agency effort to meet the threat of unauthorized UAS to U.S. security. Other participating federal agencies include: the Department of Defense, Department of Energy, U.S. Secret Service and the Federal Bureau of Investigation.

As part of the Pathfinder Program, the FAA is also partnering with three leading private businesses tasked with testing the use of UAS in various applications, and addressing their long term use and integration into our airspace and daily lives:

- Cable News Network (CNN) is researching how UAS can be deployed in a populated environment for news gathering purposes. Their research focuses on practicality, safety, appropriate uses, and future applications.
- Precision Hawk, a manufacturer of UAS, is surveying crops in rural areas using unmanned aircraft. They are working on new research and technology that would allow for the safe and appropriate use of UAS flying outside of the pilot's direct line of vision.
- Burlington Northern Santa Fe Railway is exploring the challenges of using UAS to conduct safety inspections and ensure security on their rail network around the country.

The FAA anticipates receiving valuable data from each of these initiatives that may inform future rulemaking.



UAS Registry

Effective December 21, 2015, anyone who owns a small unmanned aircraft weighing between .55 and 55 pounds must register with the FAA's Unmanned Aircraft System (UAS) registry before they fly outdoors. People who do not register could face civil and criminal penalties.

To register a UAS, you must be 13 or older and a U.S. citizen or legal permanent resident. Registration is \$5 and the registration number must be marked on the aircraft.

Registration gives the FAA an opportunity to bring unmanned aircraft operators into the culture of safety and responsibility that defines American aviation. There are rules and regulations that must be followed to operate an unmanned aircraft safely. It will also help us connect an aircraft with its owner when rules aren't being followed.

For information on how to register your drone, please visit http://www.faa.gov/uas/faqs/#reg.

Drone Advisory Committee

The FAA established a Drone Advisory
Committee (DAC) to discuss key issues
and challenges associated with integrating
unmanned aircraft in the world's busiest and
most complicated airspace system.

The members of the DAC represent a wide array of stakeholders, including unmanned aircraft manufacturers and operators, traditional manned aviation groups, labor organizations, radio and navigation equipment manufacturers, airport operators, and state and local officials.

This committee builds on the FAA's strategy to collaborate with the aviation community to safely integrate unmanned aircraft into the nation's airspace.

For more information on UAS, please visit http://www.faa.gov/uas/.

Alignment of FAA Costs and Strategic Priorities

The FAA's FY 2016 net cost of \$16.3 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 91 of our *Fiscal Year 2016 Performance and Accountability Report*.

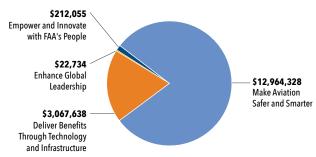
Make aviation safer and smarter. Almost \$13 billion, or approximately 80 percent of total net cost, was devoted to the priority of ensuring the safety of the nation's airspace.

- ➤ 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 \$1.6 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 \$112 million on its programs to ensure critical infrastructure protection, emergency operations, contingency planning, and the safe transportation of hazardous materials in air commerce.



FAA Technical Operations specialists after a tower climb at Los Angeles center.





➤ Collectively, the Office of Commercial Space Transportation (AST), other FAA staff offices, and other programs spent about \$282 million to further support the agency's safety mission.

Deliver benefits through technology and infrastructure.

Approximately \$3.1 billion, or about 19 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 more than \$1.5 billion, largely to finance its facilities and equipment projects.
- ▶ ARP spent almost \$1.5 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 \$23 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 \$212 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.



MARK HOUSE

A Message from the Chief Financial Officer

Civil aviation plays a vital role in the nation's economy, contributing more than five percent to the Gross Domestic Product annually. About 68,000 flights are safely guided through our nation's airspace system every day by the highly skilled and dedicated men and women of the FAA. In addition, the airspace system is rapidly expanding to include new entrants, such as commercial space vehicles and unmanned aircraft. Aviation is an exciting and vibrant mission, or calling, to many of us at the FAA. We are proud of our accomplishments and of the trust placed in us by the American public.

While the FAA continues to manage our nation's airspace system through the safest period in aviation history, we have made substantial progress in implementing NextGen, the modernization of the hardware and software systems essential to the operation of the airspace system. Today, FAA is ten years into its plan for NextGen, and well on its way to meeting its commitments to complete the NextGen MidTerm plan by 2025.

Under NextGen, the FAA has successfully installed the infrastructure for surveillance, advanced communications, and information exchange. We are working with industry partners through the NextGen Advisory Committee (NAC) to make policy, process, and procedures changes that produce benefits. Since 2014, the FAA has been working with industry on a rolling plan to identify key NextGen priorities for immediate investment. Evidence that our collaborative efforts are already realizing success can be seen through increases in aircraft equipage and the publishing of industry plans and commitments to further equipage on our key NextGen initiatives through the NAC.

The FAA is completing this work in an uncertain budget environment. We begin FY 2017 under yet another continuing resolution, which is a stopgap measure to keep the federal government running temporarily while Congress deliberates full year funding levels. It has been 20 years since FAA began the fiscal year with certainty about its funding for the year ahead. In two recent years, the FAA began the year under some form of authorization or appropriation lapse, resulting in furloughs of employees.

The Future The FAA is almost entirely funded by the commercial users of the system through ticket taxes and fees that are deposited into the Airport and Airway Trust Fund (AATF). This fund pays for all of the FAAs Facilities and Equipment (F&E), Research, Engineering and Development (RE&D), and Airport Improvement Program (AIP) accounts, as well as the majority of the Operations funding necessary to operate the FAA. In FY 2016, the AATF provided 88 percent of the funding necessary to operate the FAA. Despite the AATF as the primary source of the FAAs funding, the appropriation and authorization processes can present an environment of budget and programmatic uncertainty.

As we look ahead to our next authorization, our focus remains on managing an uncertain budget environment while executing our priorities to modernize the air traffic control system, invest in infrastructure for our airways and airports, and maintain the safest and most efficient airspace system in the world.

Since the creation of the FAAs predecessor, the Federal Aviation Agency, in 1958, every Administration has recognized the importance of a stable aviation system to the economy and daily life in the United States. This years election presents an opportunity for the next Administration to make its own mark on the future of aviation. The Administration will be able to consider questions about how to structure FAAs governance and finance, and how to ensure a stable and predictable stream of funding.

Mark House

Mark Hour

Chief Financial Officer November 10, 2016



Following are highlights of the Federal Aviation Administration's (FAA) FY 2016 financial performance. For a more detailed look at the financial statements and accompanying notes, see our *Fiscal Year 2016 Performance and Accountability Report* (PAR), pages 28–33 and 77–115. The PAR is available on our website at *www.faa.qov/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 2016, the AATF paid for approximately 88 percent of our enacted budget authority per the Consolidated Appropriations Act, 2016 (P.L. 114-113).

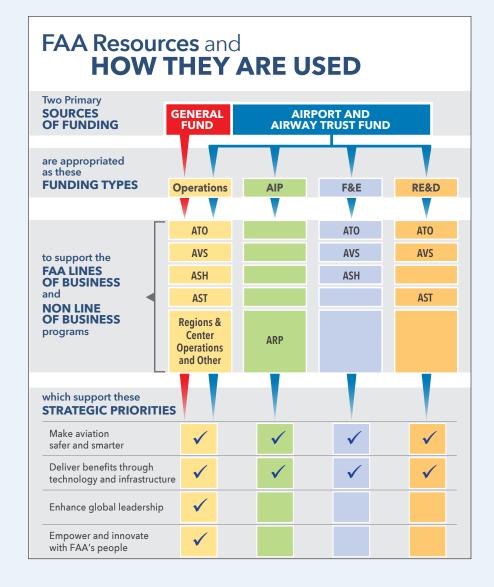
The largest, Operations, is supported by both the general fund and the AATF. In FY 2016, the AATF supported 80 percent of the funding for the Operations account. The AATF supports 100 percent of the funding for the three other accounts — AIP, F&E, and RE&D.

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 2016 Operations appropriation was \$9.91 billion, approximately 1.7 percent greater than FY 2015.

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 maintains the AATF, invests them in government securities. Interest earned is also deposited into the AATF. Funding is withdrawn following the appropriations process, and transferred to each FAA appropriation account (explained below and illustrated in the accompanying diagram).

We are financed through annual and multiyear appropriations authorized by Congress. The FY 2016 enacted budget of \$16.3 billion was an increase of \$433 million (2.7 percent) over the FY 2015 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)



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 2016 funding for AIP was \$3.35 billion, unchanged from the FY 2015 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 2016, approximately 9.8 percent higher than the FY 2015 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 2016 appropriation for RE&D was \$166.0 million, an increase of 5.9 percent from the FY 2015 level.

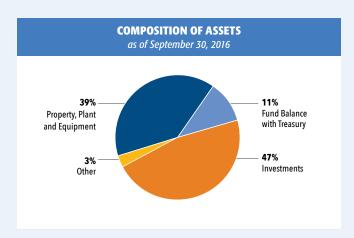
The FAA must use its funds in the way they are appropriated. On its own, the FAA does not possess the legal authority to move funds between these accounts. A transfer between accounts requires an act of Congress.

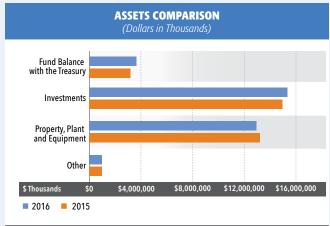
The FAA's summarized assets, liabilities, and net position are shown on page 23.

The FAA's total assets were \$32.9 billion as of September 30, 2016. 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, 2015 and 2016.

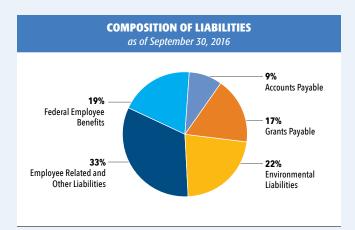
Fund balance with Treasury (FBWT) represents 11 percent of the FAA's current period assets and consists of funding available through the Department of Treasury accounts from which the FAA is authorized to make expenditures to pay liabilities. It also includes passenger ticket and other excise taxes deposited to the Airport and Airway Trust Fund (AATF), but not yet invested. Fund balance with Treasury increased from \$3.2 billion to \$3.7 billion.

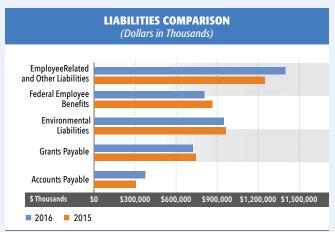




At \$15.4 billion, *Investments* represent 47 percent of the FAA's current period assets, and are derived from the collection of passenger ticket and other excise taxes deposited semi-monthly to the AATF. The deposited taxes are invested within several business days, thus transitioning the asset classification from fund balance with Treasury to investments. A portion of the investment balances also include premiums collected from the Aviation Insurance Program until the premium portion of the program expired, as discussed in Note 1B on page 81. These 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 were relatively unchanged on a comparative basis.

At \$12.9 billion, General property, plant, and equipment, net (PP&E) represents 39 percent of the FAA's assets as of September 30, 2016, 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 \$267.7 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.

As of September 30, 2016, 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.

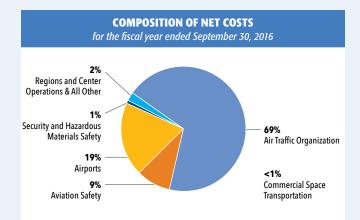
The *Liabilities Comparison* chart presents comparisons of major liability balances between September 30, 2015 and September 30, 2016. Below is a discussion of the major categories.

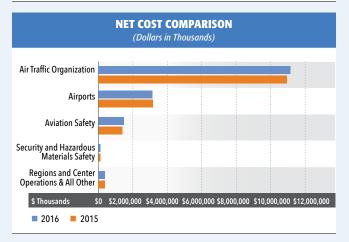
At \$1.4 billion, Employee related and other liabilities represent 33 percent of the FAA's total liabilities. These liabilities increased by \$143.4 million as of September 30, 2016 and are comprised mainly of \$285.3 million in advances received, \$179.0 million in Federal Employee's Compensation Act payable, \$297.3 million in accrued payroll and benefits, \$468.7 million in accrued leave and benefits, \$54.5 million in legal claims liability and \$61.3 million in capital lease liability.



At \$808.7 million, Federal employee benefits represent 19 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 22 percent of the FAA's total liabilities and decreased slightly to \$950.2 million as of September 30, 2016 compared with \$962.2 million a year earlier. Environmental liabilities include a component for remediation of known contaminated sites that decreased by \$160 million due to the removal of future funding estimates for sites that either achieved regulatory site closure or were determined not to require funding for future phases due to investigative results. The other component of environmental liabilities includes the estimated costs for future facility decommissioning. This components' costs increased by





\$148 million due to additional facilities, which were identified during FY 2016, 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 17 percent of liabilities. *Grants payable* decreased slightly by \$19.7 million. *Accounts payable* increased \$69.0 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 23.

For the fiscal years ended September 30, 2016 and September 30, 2015, FAA's net costs were \$16.3 billion and \$16.0 billion, respectively. The *Composition of Net Costs* chart illustrates the distribution of costs among the FAA's lines of business.

The *Net Cost Comparison* chart compares net costs for the fiscal years ended September 30, 2015 and September 30, 2016.

With a net cost of \$11.2 billion, the *Air Traffic Organization* is the FAA's largest line of business, comprising 69 percent of total net

costs. The Air Traffic Organization's net costs increased by \$223.7 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 is *Airports* with a net cost of \$3.1 billion for the fiscal year ended September 30, 2016, which is 19 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 and was just under \$3.0 billion for FY 2016. Airports' net costs also include \$165.2 million to administer the Airport Improvement Program, as well as overall airport safety. Year-over-year net costs decreased slightly, by \$31.9 million, primarily due to a decrease in the Airport Improvement Program Stewardship Investments.

The \$1.5 billion of net cost for *Aviation Safety* represents 9 percent of the FAA's total net costs, while *Region and Center Operations* and *All Other Programs* comprise 2 percent of total net costs. The FAA has disaggregated the *Security and Hazardous Material Safety* organization from the *Regions and Center Operations and All Other Programs* grouping to highlight this important function within the agency. Security and Hazardous Material Safety's net cost represents 1 percent of total net costs.

The FAA's summarized changes in net position are shown on page 23.

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, 2016, increased by \$496.6 million primarily due to a combination of financing sources of \$1.9 billion from appropriations used, non-exchange revenue of \$14.7 billion, imputed financing of \$390.1 million, and donations of property of \$38.8 million offset by transfers out of \$284.1 million and net costs of \$16.3 billion. Unexpended appropriations increased slightly by \$17.8 million.

Summary of Financial Information

The FAA's independent auditor, KPMG, LLP, has rendered an unmodified opinion on the FAA's FY 2016 financial statements with no material weakness. The DOT's Office of Inspector General presented KPMG's audit report to the FAA Administrator on November 10, 2016. The summary financial information in this *Summary of Performance and Financial Information* report was derived from the FAA's audited FY 2016 and FY 2015 financial statements.

U.S. DEPARTMENT OF TRANSPORTATION FEDERAL AVIATION ADMINISTRATION

SUMMARIZED ASSETS, LIABILITIES, AND NET POSITION

As of September 30 (Dollars in Thousands)

Assets	2016	2015
Fund balance with Treasury	\$ 3,653,328	\$ 3,195,055
Investments, net	15,358,203	14,942,387
Accounts receivable, prepayments, and other, net	284,714	275,603
Inventory, operating materials, and supplies, net	719,159	695,755
Property, plant, and equipment, net	12,934,075	13,201,766
Total Assets	\$ 32,949,479	\$ 32,310,566
Accounts payable and grants payable Environmental	\$ 1,098,680 950 159	\$ 1,049,371 962 237
Environmental	950,159	962,237
Employee related and other	1,392,856	1,249,451
Federal employee benefits	808,657	864,801
Total liabilities	\$ 4,250,352	\$ 4,125,860
Net position		
Unexpended appropriations	1,181,726	1,163,953
Cumulative results of operations	27,517,401	27,020,753
Total net position	28,699,127	28,184,706

U.S. DEPARTMENT OF TRANSPORTATION FEDERAL AVIATION ADMINISTRATION

SUMMARIZED NET COST OF OPERATIONS

For the Years Ended September 30 (Dollars in Thousands)

Lines of Business	2016	2015
Air Traffic Organization	11,172,380	10,948,681
Airports	3,127,758	3,159,617
Aviation Safety	1,471,064	1,386,963
Security and Hazardous Materials Safety	113,557	114,212
Commercial Space Transportation	21,243	19,582
Non line of business programs		
Regions and Center Operations and other programs	360,753	358,260
Net cost of operations	\$ 16,266,755	\$ 15,987,315

U.S. DEPARTMENT OF TRANSPORTATION FEDERAL AVIATION ADMINISTRATION

SUMMARIZED CHANGES IN NET POSITION

For the Years Ended September 30 (Dollars in Thousands)

	2016	2015
Net Position – beginning of year	\$ 28,184,706	\$ 28,275,667
Financing sources		
Excise taxes and associated revenue	14,693,882	14,570,621
Appropriations received	1,987,724	1,145,700
Net transfers out	(284,118)	(183,935)
Imputed financing and other	383,688	363,968
Total financing sources	16,781,176	15,896,354
Net cost of operations	16,266,755	15,987,315
Net position – end of year	\$ 28,699,127	\$ 28,184,706

Notes to the Summary of 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 2016 PAR, available on our website at www.faa.gov/about/plans_reports/#performance.

Summary of Financial Statement Audit and FAA Management Assurances

The table below summarizes the results of the independent audits of the FAA's FY 2015 and FY 2016 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 2015 and FY 2016	Unmodified opinions	No material weaknesses	
AGENCY ASSERTIONS			
Effectiveness of Internal Control over Financial Reporting and Operations (FMFIA § 2)	Unmodified statement of assurance	No material weaknesses	
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)		



EXTREME DEMANDS ON RUNWAY PAVEMENT

In 2015, the FAA began using the world's largest heavy vehicle simulator to mimic the actual stress imposed by commercial aircraft to test the durability of runway pavement. Commercial aircraft operate at extremely heavy loads — up to 1.2 million pounds — on tire pressures in excess of 200 pounds per square inch. This is equivalent to 300 automobiles operating on tires inflated to 5 times normal pressure, and requires very durable pavement. The FAA invests over \$30 million annually in safety and pavement related research, including research on how runway pavement materials withstand such extremely heavy loads.



A heavy vehicle simulator used for runway pavement research at the FAA's National Airport Pavement & Materials Research Center at the William J. Hughes Technical Center in New Jersey.

WE WELCOME YOUR COMMENTS



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



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